THE BASIS FOR COMPETITIVE ADVANTAGE IN FOOTBALL

September 1999
Like companies, some football teams are more successful than others. In business, we analyse performance differences in terms of the central notions of competitive strategy, which deal in matters like industry structures, structural advantage and organisation capabilities. In football, star players like Ronaldo and John Elway or coaches like Bill Walsh and Alex Ferguson are the visible drivers of success.

So, are there any useful parallels between business and professional sports competitions? It’s certainly the case that football teams operate in intensely competitive markets. Success and failure are both very visible. The rewards for success are enormous and failure is painfully public. The performance of no other industry is subjected to such public and immediate scrutiny.

In this intensively competitive industry, why do teams like Manchester United, Barcelona and Bayern Munchen dominate their competitions in ways that the Dallas Cowboys do not? Is it just the players, as most fans would expect, or is knowledge of the principles of competitive business strategy an essential pre-requisite to understanding why some teams are more successful than others?

The answer to this question is ‘yes’.

There are two very different strategies for managing a sports competition. One involves ‘leaving it to the market’, the other involves redirecting some financial and player resources from the stronger teams to the weaker, on the basis that it creates a more even competition and hence continuing public interest, as well as greater financial stability across the competing clubs. These are remarkably different strategies, and rest on differing views about the real basis of competition.

The market-driven strategy is essentially based on an internal view of competition, with individual football teams striving to create advantage based on the ability to buy the best players, and competition directed towards other teams in the league. The equalisation strategy sees football competing against all other entertainment and strives to distribute the intrinsic value of the game across all teams in the league. Here, the playing field for financial and player resources is largely levelled. In this approach, consistently winning teams are often those that create organisation capabilities advantages beyond the range of individual players’ talents.

Examples of each of the approaches include English soccer and US baseball, which are largely left to the market, and American and Australian football, which exemplify the ‘managed’ style of competition. There is obvious irony here, with the hugely successful NFL in the US embracing the ‘socialist’ model and European countries adopting a ‘laissez-faire’, market-driven approach.

The key dimensions around which competition strategies are developed involve rules for the recruitment and movement of players, restrictions on player payments (ie a salary cap) and whether the enormous growth in television revenue is shared equally or negotiated by each club.
In the market-driven model, teams are free to hire and fire player employees largely as they see fit and as they can afford it. In the equalisation model, the player ‘draft’ means that the mostly poorly performed teams in the prior year have first pick of the new recruits. In some competitions, teams can have any number of players on their lists; in others the list size is severely constrained so that even wealthy teams cannot horde a disproportionate share of player talent. In some competitions, such as US baseball, teams are free to negotiate their own TV contracts; in others, such as US football, they are not. Here the competition itself negotiates the TV contract and it is shared equally across all teams regardless of their popularity or city size. Similarly, some competitions (eg. NFL and NBA) share licensing income from merchandise sales across all teams in equal shares, while other competitions (eg. English soccer) leave it to each team to maximise its own position.

Thus, significant differences are evident between competitions, as the table shows.

<table>
<thead>
<tr>
<th>Competition</th>
<th>Player Draft?</th>
<th>Salary Cap?</th>
<th>TV Revenue Equally Shared?</th>
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<tbody>
<tr>
<td>US Football (NFL)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>US Baseball</td>
<td>Part(2)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>US Basketball (NBA)</td>
<td>Yes</td>
<td>Yes(3)</td>
<td>Yes</td>
</tr>
<tr>
<td>English Soccer</td>
<td>No</td>
<td>No</td>
<td>In part(1)</td>
</tr>
<tr>
<td>Australian Football League</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</table>

The strategies lead to different outcomes for the clubs involved in these competitions. They also lead to profound differences in what happens on the field.

OUTCOMES

On-field outcomes in different competitions provide an interesting story. Some competitions are dominated by a few teams; in others success is widely shared.

European soccer competitions, left largely to market forces, are very one-sided. A couple of teams – usually no more than two or sometimes three out of competitions involving around 40 teams in the two senior divisions – win most of the time. The same few teams

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(1) In England, the Premier Division clubs ‘broke away’ in order to achieve a larger share of the media revenues rather than share it with clubs in lower divisions. Within the Premier Division, the TV contract is negotiated centrally at present, but the few leading clubs earn very large additional amounts for participating in European competitions.

(2) The US Baseball Player draft only includes local US based players and is largely ineffective because the top draft prospects name prices that only the rich clubs can afford. Access to the many international players is through a free market.

(3) US Basketball employs a ‘soft’ salary cap, which permits large additional payments to a ‘franchise player’ – the so-called Larry Bird exemption.
AC Milan, Juventus, Bayern Munich, Manchester United, Arsenal, Rangers, Ajax, Barcelona and Real Madrid, to name most of them – consistently dominate.

**LEAGUE CHAMPIONS IN EUROPEAN COMPETITIONS: A FEW TEAMS DOMINATE**

<table>
<thead>
<tr>
<th>ENGLAND</th>
<th>SCOTLAND</th>
<th>GERMANY</th>
<th>ITALY</th>
<th>NETHERLANDS</th>
<th>SPAIN</th>
</tr>
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<tbody>
<tr>
<td>20</td>
<td>10</td>
<td>18</td>
<td>18</td>
<td>10</td>
<td>20</td>
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**Teams in Premier/Top Division**

<table>
<thead>
<tr>
<th>League champions</th>
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<tbody>
<tr>
<td>1999</td>
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<tr>
<td>1998</td>
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<td>1997</td>
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<td>1990</td>
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<td>1989</td>
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In England, Manchester United has won five of the seven League titles since the 20-Team Premier League was introduced, and has never finished lower than second. Underlying on-field outcomes like this are huge disparities in wealth across the 20 teams. In 1997

- Total operating profits for the 20 teams were £86 million, of which £41 million was earned by two clubs, Manchester United and Liverpool
- The revenue multiple between the highest earning team, Manchester United (£86 million in revenue) and the lowest revenue Premier Division team, Southampton (£9 million), was nearly 10 to 1
- Manchester United’s player wages bill (£23 million) was not only £5 million higher than that of any other Premier League club, but exceeded the total revenues of 14 of the poorest teams!
- ‘The top 5 finishers in the Premier League (Manchester United, Newcastle, Arsenal, Liverpool and Aston Villa) had combined revenues greater than that of all the 72 Football League Clubs’ (ie. Divisions 1, 2 and 3)
- ‘The link between wage bills and “on the field” success remains strong. The top 4 finishers in the Premier League had the four highest wage bills – in the same order…’

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*d Deloitte and Touche 1998 Analysis of English Football football.doc*
There are clearly huge gaps in the spending power of rich and poor teams. Lower ranked teams lose both on the field and off it. Most teams in lower divisions are losing money. Furthermore, as a recent report put it: ‘The desire to bridge the gap and gain promotion to the Premier league is tempting many clubs to live beyond their means, often with disastrous consequences if the gamble does not pay off...’

The Spanish competition with two ‘icon’ teams – Barcelona and Real Madrid – is again typical of European competitions that are left largely to the market. Real Madrid and Barcelona have won 37 of the last 50 league championships – and 14 of the last 15! This is despite the fact that the competition has 20 Division One teams plus several lower divisions, with nearly 100 more teams that in theory can move up and down through promotion and relegation.

SPAIN - TWO RICH WINNERS TAKE ALL

<table>
<thead>
<tr>
<th>League Champions: 15 years (1985-1999)</th>
<th>Team Annual Revenues In 1997/98: First Division (US $m)</th>
</tr>
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<tbody>
<tr>
<td>1999 : Barcelona</td>
<td>1911 : Barcelona</td>
</tr>
<tr>
<td>1993 : Barcelona</td>
<td>1985 : Barcelona</td>
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<tr>
<td>1992 : Barcelona</td>
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</table>

Two teams win 14 of last 15

Richest : Poorest = 12 to 1

Again, underlying these one-sided results are huge financial inequalities. Barcelona’s revenues are, like Manchester United’s, more than 10 times those of the least wealthy elite division club. In fact, Barcelona’s annual revenues are equal to the combined revenues of the eight least wealthy teams in the Spanish First Division.

A recent report into European soccer, prepared as part of the Prospectus for the public listing of the Dutch club Ajax, showed that money buys success. It demonstrated, using English soccer as an example, that on-field success is clearly correlated with the player wage bill.

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1 Deloitte and Touche 1998 Analysis of English Football
Baseball in the US is also left largely to the market and distribution of wealth from the competition is hugely uneven. Of the 30 teams contesting the 1997 season, the team player payroll ranged from a high of $63 million (New York Yankees) down to $9 million (Montreal), a multiple of seven.

As in European football, on-field results in US baseball are closely correlated with the player payroll. Teams that have the highest paid players win more often.

**USA Baseball: Player Payroll Buys Success**

*Player Payments and Win/Loss Ratios in 1998*

Source: Deloitte & Touche and ABN AMRO
In recent years, Baseball’s World Series has invariably been contested by the teams with the highest payrolls.

- Since 1991, only one team that wasn’t fourth or higher in payroll in its league has advanced to the World Series
- In 1998, the eight teams making the play-offs were all among the top 12 payers. In the previous year, the eight were all among the top 14 payers.

In 1998, eight out of the 30 teams accounted for 78% of the total competition expenditure on free agents. And the rich keep getting stronger as the revenue gap widens dramatically between ladder top and bottom teams – in the past 3 years, the payroll gap has nearly doubled.

**BASEBALL’S RICH-POOR GAP HAS DOUBLED IN THREE YEARS**

**Average Payroll By Ladder Position**

<table>
<thead>
<tr>
<th>Year</th>
<th>Bottom 5 Teams (Average)</th>
<th>Top 5 Teams (Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>19.4</td>
<td>43.5</td>
</tr>
<tr>
<td>1998</td>
<td>16.1</td>
<td>66.5</td>
</tr>
</tbody>
</table>

The disparities have grown so immense that individual players at several rich clubs now earn more than the entire player payroll at some of the weaker clubs. In 1999, for example, the Dodgers will pay each of three players more than the anticipated payroll of the Montreal Expos.

The result in US Baseball is a competition where half the teams are uncompetitive:

‘15 to 18 teams already have been eliminated from contention next season because they can’t afford to compete...’

- MLB Executive VP
‘Money can’t buy happiness or love, but it can buy you pitching, and with that an astonishingly good chance of playing baseball into the heart of October...’

This picture of on-field outcomes being driven by size of the supporter base (and hence revenue capacity) is at stark odds with the NFL model in the US, where equalisation has enabled a small town team, the Green Bay Packers, to contest and even win the SuperBowl in recent years.

The NFL in the US is the most striking example of a professional sports competition strategy aimed at reducing underlying competitive differentials between teams. Unlike soccer and baseball, the NFL uses the draft and a salary cap. As well, TV income is shared equally and, because this is huge relative to the overall economics of the competition, the result is that around 70% of each NFL club’s revenues are from shared sources. Thus, in financial terms, US football teams begin their competition on a relatively level playing field.

**COMPARISON: PLAYER PAYMENTS IN US FOOTBALL AND BASEBALL ($US MILLION IN 1998)**

<table>
<thead>
<tr>
<th>National Football League (NFL) (30 Teams)</th>
<th>Major League Baseball (MLB) (30 Teams)</th>
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</thead>
<tbody>
<tr>
<td>Bottom Three Teams</td>
<td>Top Three Teams</td>
</tr>
<tr>
<td>NFL Average</td>
<td>MLB Average</td>
</tr>
<tr>
<td>46</td>
<td>13</td>
</tr>
<tr>
<td>57</td>
<td>42</td>
</tr>
<tr>
<td>68</td>
<td>70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of teams within plus or minus 10% of competition average</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Teams</td>
</tr>
<tr>
<td>1 Team</td>
</tr>
</tbody>
</table>

The contrast between US football and baseball is stunning. Total player payments at the top three NFL franchises are only 50 percent higher than those at the three least wealthy franchises. In baseball, it is closer to 500 percent! Player payments at most NFL clubs cluster around the competition average. In baseball, they do not.

In football, results on the field reflect the strategy. In the past 10 years, six different teams have won the Superbowl and a further five have contested the event.

In Australia, the Australian Rules Football competition (AFL) is the dominant sport. In the late 1980’s, the code moved intentionally from a ‘free market’ to ‘equalised’ approach

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(1) ‘Disparity: teams with low payrolls are destined to lose’ – Street and Smiths SportsBusiness Journal, March 29-April 4, 1999 (Page 31)
largely modelled on the NFL in the US. As would be expected the on-field outcomes have become harder to predict. Seven different teams have won the ‘premiership’ in the last 10 years while attendances have nearly doubled as public interest has increased.

The differences between US baseball and US football exemplify strategy differences at the competition level. In baseball, teams collect equal shares of a small national television contract but are also free to negotiate very substantial local area contracts. Obviously, large-city teams like the New York Yankees benefit from this. They earn more than $40 million for cable TV rights alone, part of their reported $175 million in total revenues. By contrast, the Montreal Expos earned a reported $2 million in broadcast revenues in 1998, as part of their total revenues of $35 million\(^{(1)}\). Needless to say, these disparities flow straight through to player payments. In 1998, the Yankees spent $73 million on player wages and the Expos spent $8 million.

The problem is being recognised in baseball, although re-allocating the dollars between teams becomes almost impossible when clubs have been bought and sold on the basis of existing cashflows and financial arrangements. However, when asked to identify baseball’s most pressing issue, MLB’s Executive VP of Baseball Operations responded:

> ‘Competitive balance at the major league level. We have to look at everything we’re doing with a view towards that balance – which is not to say that big market, big revenue clubs need to be put on an equal footing with all other clubs. It’s just that the disparity in competition, the lack of opportunity among small market clubs to consistently access the playoffs, is something we have to deal with…’

Major League Baseball in the US has sought to redress the imbalance by introducing a ‘wealth tax’. Clubs that pay above a certain Total Player Payments benchmark are charged a percentage of the surplus. This money is then shared evenly across the smaller teams. Despite this, huge inequalities remain.

In summary, there appears to be a serious choice to be made – between competitions that are increasingly unequal on the field as well as off it and those where each new season can produce a different set of competitive dynamics. In the former, the gap between rich and less wealthy teams is increasing as media revenues grow to immense levels. In the elite competitions alone, not even taking into account the lower divisions, the wealthiest teams typically earn ten times the revenues of the poorest competitor. The rich clubs buy the best players and win most of the time. In fact, teams like Manchester United and Bayern Munich have international quality players sitting on their benches during games.

The other approach seeks to spread the talent around through a combination of drafts, salary caps and tight list sizes. Revenue equalisation supports these strategies, particularly in a competition like the NFL, where the television contract dwarfs other sources of income. While these devices aren’t perfect – the draft may be compromised by free agency and the salary cap may be enforced ineffectively or contain many exemptions – the overall result is a competition that contains genuine on-field surprises. Success is shared around and, paradoxically, the financial outcomes are more stable. A consequence of gross disparities in team wealth is that the weaker half of the competition is more likely

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\(^{(1)}\) Source: Street and Smith’s SportBusiness Journal
to be bankrupt because these clubs are under pressure to match the spending power of the very rich.

It is instructive to note that there is no drive to reduce equalisation in market-driven competitions. Rather it is the reverse. European soccer authorities are deeply concerned about competitive disparities, and some national leagues are attempting to shift the balance. For example, the German League (DFB) recently imposed on the UEFA and Cup Winners’ Cup proceeds earned by German clubs a 30 percent levy for redistribution to all clubs.

Perhaps most telling is the current debate in US baseball, where the Commissioner has established an ‘economic task force’ to recommend changes. The focus is on competitive disparity

‘Every fan of a club has...got to believe on April 5 that...his team can be competitive. Whether they are or not is why you play the season. But, going in, he has to believe there’s a chance...

It’s in everybody’s interest for the game to be viable, not just with 15 to 20 teams, but all 30.... One thing about competitiveness in sports, you’ve got to protect it. It’s the viability of the league. If you’re in x-city and you’re competitive, but 12 other franchises aren’t competitive, you’ve hurt yourself. Your own product is in deep trouble. It’s a matter of vision. I’m deeply impressed by the people in the NFL....they had the vision to know that they had to keep the Green Bay Packers in the league...

To be honest, getting them (baseball owners) to understand it shouldn’t be difficult. The disparity question is not something one can deny the existence of. It’s right out there for all to see.... I’m a believer in economic forces generally. But in sports it’s a little different. You have to have a system that promotes fairness and competitiveness and affordability.... I want to return to something that gives every franchise hope....’

Bud Selig, Baseball Commissioner(1)

THE STRATEGY CHOICE

It is clear from the success of both European soccer and American football that both models will have their advocates.

The logic for a market-driven approach is quite straightforward and need not be explained here. Sport is about being the best and winning. As in most sports – such as the Olympics – the cream should be left to rise to the top.

However, the clear evidence in professional team sports is that, without intervention, the gap between a few rich teams and most of the others becomes huge, and that on-field success can be bought.

(1) Interviewed in Street and Smith’s SportsBusiness Journal, March 29-April 4, 1999
The rationale for intervening and ‘equalising’ competitions is more complicated. The NFL would argue that the real competition is not between Dallas and Denver but between football and other entertainment interests like movies, skiing, reading books and BBQs. Their view is that an even competition maximises public interest, which generates competition wealth. They view their teams as ‘products’ within the one business, which as a whole is competing with other interests. Their success gives their argument credibility.

They reason that a competition dominated by a few teams over long periods of time runs the risk of boring the public, which in turn dilutes the competitive strength of their business.

The major disadvantage of the managed or equalised model is that more regulation is required (eg player rules, salary caps). This imposes an administrative burden on clubs and competition organisers, and also defines whole new areas in which ‘cheating’ can occur. There has to be a clear gain to warrant the additional effort. Also, as can be imagined, a competition that actively cross-subsidises the weaker teams leaves itself more exposed to ‘cherry-picking’ by new entrants. It is therefore no coincidence that the most ‘managed’ competition in the US (football) is also the competition that has periodically faced the threat of competitor leagues being established.

Another possible disadvantage of the ‘equalised’ competition is that ‘superteams’ or dynasties are less likely to emerge. The dominant NFL teams like the Dallas Cowboys are less dominant than, say, a Manchester United. Is there a long term cost in stopping the tallest poppies from rising to the top?

Does the success of English soccer and the emergence of ‘superbrands’ like Manchester United mean that the free-market model works well in sport? This is a difficult question to answer, but the increasing concentration of success in a few teams and increasing gap between the few and the many may be taking these competitions to an unsatisfactory end point. Businesses can thrive in monopoly or duopoly situations; sports teams cannot.

European soccer competitions are now between a ‘rock and a hard place’. Their national competitions are under threat as the rich clubs position themselves for a Europe-wide ‘Super League’ competition. Success for European club teams is now much more than winning the domestic national competition. As a result, an uneven domestic competition has become a prerequisite for having a few ‘national champion’ teams that can compete in Europe. In Holland, for example, three clubs win everything. Ajax boasted, in its recent Prospectus prepared for public listing, that ‘since 1966 the club has only once been ranked outside the top 3 in the national league…’. An equalisation strategy in the Dutch national league would diminish the potential for any individual Dutch club to succeed in European competition.

So what are the arguments upon which the ‘managed’ or equalised competition can be justified?

First, it delivers more on-field surprises and greater financial stability. The uncertainty of outcomes on the field promotes public interest. In addition, the narrower gap between the
wealthy and less wealthy teams dampens cost escalations and means the less wealthy teams are less likely to be in financial trouble. In very unequal competitions, the less wealthy teams are more likely to be bankrupted as they struggle to keep up with the expenditures of the more wealthy clubs. More US baseball teams than football teams lose money. More than half the English soccer teams lose money.

Second, in a very basic sense a sports competition cannot be argued to be ‘like any other business’. An objective in business is to drive competition out of the market. In sport, a team cannot be a monopoly. Competitors are needed or there is no game to be played.

Thus, the ‘equalised’ competition in football is based on a perception that the real competition is between football and other interests, and that public interest in football is heightened by close competition. Because the economics of the industry are highly dependent on public interest, it follows that an even competition is in the long-term interest of players as well as other stakeholders.

For those bothered by apparent ‘anti-competition’ issues, it should be pointed out that the basis of any sports competition lies in apparently restrictive rules. Strong teams cannot put more players on the field than weak teams, but similar agreements restricting the number of branches or sales staff would be illegal in ‘regular’ industries. Both teams have the same access to both ends of the ground – the richer team cannot kick with the wind for both halves or all four quarters. Thus, some form of ‘equalisation’ is common to all sports although the level of equalisation varies. Horse racing, for example, uses handicaps to equalise outcomes.

Third, there is something of great value in the competition itself, which justifies it being managed as a collective. The NFL competition is an entity of value, with its own brand position and market power. It is not simply the sum of the clubs. The whole is greater than the individual parts. This is because value itself arises from the competition between clubs – which is very different from other industries, where a firm doesn’t need competitors to create value. Industry sectors like ‘orange juice’ or ‘video rentals’ do not, when all competitors are combined, have meaning comparable to a sports competition.

In summary, there is a choice between the type of competition. It can be left to market forces or ‘managed’ in such a way to achieve more even competition and uncertain on-field outcomes.

Some criticise this strategy as socialist, or reducing all to the lowest common denominator. But it may be that the ‘managed’ competition reflects a shrewd understanding of the real basis for competition - which is between the particular sport and other interests. Furthermore, it recognises the very obvious point that the parallel with business can only be taken so far. Sports teams need many competitors; businesses do not. And finally, the economic reality is that the competition itself has value, and therefore all clubs are entitled to share in the benefits.

**SO WHO WINS?**

In sport, winning is everything. Because professional sports are now clearly part of the wider entertainment industry, sporting success and failure has assumed epic proportions.
more commonly associated with Hollywood. In fact, since movies and sports are the staple food of television, the level of public interest in sporting outcomes should not come as a surprise.

Notwithstanding this intense public interest, a true understanding of what drives success is more likely to be found in competitive business strategy than in the sports pages of the newspaper. Fans are largely correct in attributing the success of the Chicago Bulls or Manchester United, to Michael Jordan and Ryan Giggs, but why Michael Jordan was at Chicago and Giggs at Manchester United is a more interesting question.

Strategy in football can be conceived at three levels

- At the competition level, where the competitors are defined as competing entertainment and participation interests

- At the club level, where teams compete for financial resources, the best players and the best recruitment, player coaching, management and motivation systems

- On the field itself, where match-day tactics are formulated and where individual players are set to compete against other players.

The public view is dominated by competition between players on the field but, as we have seen, this is at best a partial view. It is choice of competition strategy that most drives the capacity of individual teams to acquire players and other resources in the first place.

Competition between teams for on and off-field resources is important, but the scope is again defined by the overwhelming importance of competition strategy. In European soccer, the sustained dominance of particular teams demonstrates that structural competitive advantage is alive and well. Rich teams, based on historically built franchises, will always have the financial resources to outspend other teams.

The top teams have dominant market share of popular support - usually over 25% in competitions consisting of 20 or more teams.
Within each major European football market, between 45 and 65 percent of all fans support the four largest clubs.

One of the interesting observations concerns the remarkable stability of competitive outcomes in markets left to free market forces. For such people-intensive businesses, the continuing dominance of teams like Real Madrid, AC Milan, Glasgow Rangers and Manchester United is a challenge to those who argue that traditional notions of competitive advantage are dead. These teams have built huge followings over decades, which in turn trigger that virtuous circle whereby competitive advantage leads to superior free cashflow, which can be re-invested to achieve further dominance.

Left to themselves, most of these sports competitions represent an extraordinary concentration of success. Typically, around 10 percent of the teams (two or three at most) win 80 percent or more of the prizes. This success is underwritten by a slope in the revenue curve which, in the elite divisions alone, sees the richest teams typically earning 10 times the revenues of their weakest competitors.

Then, superimposed on these inequalities, management and organisation capabilities come into play. However, the strong evidence is that good management can’t overcome a structural disadvantage. At some point, money always buys success.

Furthermore, and this resonates with students of business strategy, the larger the number of competitors the more success is concentrated amongst the few. In theory, each of the European soccer competition offers up to 100 teams the opportunity for success through promotion and relegation systems. The paradox is that a system intended to be fair and equitable produces the opposite outcome. Success is concentrated and is suggestive of the phenomenon observed in competitive markets where excessive product proliferation leads...
to consumer focus on a few brands. A crowded market place is simply too much for the consumer to cope with or care about.

In US and Australian football, however, equalisation strategies largely eliminate structural advantage. This means that most of the differentiation between teams over the long term must rely on organisation capability. Teams that have ‘beaten the odds’ and achieved better than average success – like Dallas, San Francisco and, over the past decade, Denver, are likely to have developed superior organisation systems.

Extreme competitive intensity coupled with a levelling of the underlying playing field leaves competitors in these industries with no choice but to pursue all organisation capability advantages as relentlessly as possible. Here, the level of detail can be extraordinary. The effort that goes into recruiting, for example, makes usual business practice seem superficial in comparison. The NFL coach who identified the ‘34 skills of an offensive linebacker’, then classified these as ‘individual’ and ‘group’ skills and could describe in advance the 12 months training schedule for each of these skills is a case in point. How many banks could list the skills required of a bank teller, let alone produce evidence of such commitment to staff training?

In summary, strategy in professional team sports is at several levels, but the most important is at the level of competition strategy. This is because competitive differences between teams are real and long lasting. Some competitions pursue strategies to over-ride these differences and level the playing field. Others do not. Unless this is understood, the competitive prospects of Miami, Manchester, Madrid, Munich, Milan, Marseille or Melbourne in their own football competitions can never be properly assessed.