The Impact of the Chinese Basketball Association’s Asian-Born Player Policy on Competitive Balance

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A number of studies have examined the effect of the expanded talent pool on competitive balance (Haan, Koning, & Witteloostuijn, 2002; Kesenne, 2007; Schmdit & Berri 2003; Chatterjee & Yilmaz, 1991). From this, two lineages of studies have emerged. On one hand, Haan et al. (2002) and Kesenne (2007) suggest that the expanded talent pool will not have any effect on competitive balance. That is, through applying the two-team league model developed by El-Hodiri and Quirk (1971) and Fort and Quirk (1995), it is argued that the ratio of two teams’ talent level will remain the same regardless of the availability of the additional talent pool because each team has equal demand for talent before and after the increased size of population of talent. Likewise, empirical tests in the context of European soccer before and after the Bosman ruling found that an increase in the size of the talent pool did not change competitive balance in European soccer leagues.

On the other hand, Schmidt and Berri (2003) attribute the improvement of competitive balance in Major League Baseball to racial integration after 1947 and the increasing global search of the talent, rather than the league’s institutional change such as the draft policy and free agency. Moreover, Chatterjee and Yilmaz (1991) explain that improved competitive balance results from the fact that the larger talent pool induces more skilled players who are close to the physical limitations of humans. As a result, the team will consist of more high-quality players who are rather similar to each other in skill level, leading to a more balanced league. Furthermore, Flores, Forrest, and Tena (2010) point out that the models that argue that the size of the talent pool does not matter rely on assumptions that are not actualized in modern sport leagues. Utilizing a different set of assumptions, they argue talent are more willing to negotiate contracts with large market teams first, and that smaller market teams are thus forced to search for remaining talent in the pool.

Considering the existing research literature, the current study focuses on examining the influence of the expanded talent pool on competitive balance in a new context. Specifically, focus is placed on the Chinese Basketball Association (CBA), as the league has implemented policies which have expanded the talent pool available to certain teams in the league. The CBA first implemented its Asian-born player policy during the 2008-09 season, allowing teams who finish at the bottom of the league to have the right to sign an extra Asian-born player to their roster. From this, teams finishing lower in the CBA standings are provided with the opportunity to search and sign extra talent within the Asian market, thus expanding the talent pool that is available to them. From a theoretical perspective, the literature suggests that if teams with less talent manage to find and obtain new talent, competitive balance should be expected to increase within a league. Furthermore, as competitive balance has been considered as an important factor in determining consumer demand for sport (Rottenberg, 1956), the implementation of a policy that may enhance competitive balance can also provide economic and financial benefits to teams. With all of this in mind, the current study investigates if the Asian-born player policy in the CBA causes any change in competitive balance in the league. From this, this study makes several folds of contributions. First, through examining the implementation of the Asian-born player policy in the CBA, it advances the theoretical and empirical examination of the relationship between talent pools and competitive balance in sport leagues. Second, this study provides a novel examination of the CBA, a league which has not received much academic attention, especially in regards to the policies that it has implemented. Finally, through examining the impact the policy has had on the CBA, this research can also provide managerial implications in regards to how the implementation of player policies can affect the balance within a league.
In order to assess the impact of the Asian-born player policy on competitive balance, the present research selects three different competitive balance measurements as the dependent variables. Since competitive balance is a multifaceted concept, including more competitive balance measurements helps to capture more dimensions of competitive balance. Specifically, the normalized Herfindahl-Hirschman Index (dHHI), the Adjusted Standard Deviation of Win Percentage (ASDWP), and Spearman’s rank correlation coefficient (SRCC) are utilized in the study. In general, the dHHI and ASDWP are concerned with the distribution of wins in a league in a given season (Humphreys, 2002), whereas the SRCC assesses the reordering of team standings from one season to the next (Maxcy, 2002). For the purpose of empirical examination, CBA data from 1995 to 2016 was collected to calculate the above three competitive balance measurements. Following this, interrupted time-series regression models were estimated to evaluate the impact of the Asian-born player policy (Wagner et al., 2002; Juravich & Mills, 2017). The formal regression form takes the form of:

\[ Y = B_0 + B_1 \times \text{Time} + B_2 \times \text{Intervention} + B_3 \times \text{Time After Intervention} + A_1 \times Z_t + \epsilon \]

In this case, we aim to examine the change of the level B2 and trend B3 after the introduction of the new policy. In this study, Time is a continues variable, Intervention is the indicator of the Asian-born player policy and is dummy coded as 1 after the policy intervention and 0 before the policy intervention; Time After Intervention is a continues variable that counts the seasons after the imposition of the Asian-born player policy; Zt controls for the effect of league expansion on competitive balance. According to the regression results, the change of the level B2 and trend B3 are insignificant in the models with ASDWP and dHHHI as the dependent variable. However, in the model with SRCC as the dependent variable, we find the significant B2 and insignificant B3. Thus, the results suggest that the introduction of the Asian-born player promotes competitive balance by causing greater reordering of teams in the league standings from one year to the next.

Overall, the findings suggest that the Asian-born player policy has been an effective strategy in promoting competitive balance in the CBA. Due to the fact that the CBA teams lack approaches to improve team quality, the Asian-born player policy serves as a useful tool to improve their standings. However, it is worth noting that the Asian-born player policy also brings a number of issues to the league. For instance, the excessive use of the Asian-born player suppresses the domestics players’ playing time that important for player development. Thus, managers should carefully consider the negative effects such policies may generate when making revisions to existing player policies.