Are Entry Drafts Centrally Important for Competitive Balance? Affirmative Evidence from the National Basketball Association, 2000-2016

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The entry draft systems that are common to professional sports leagues have been the subject of collective bargaining between leagues and players’ unions, popular debate among sports fans, and, at times, litigation. Among the aspects on which there can be disagreements, individuals applying a libertarian perspective contend that the drafts restrain incoming players from freely negotiating with potential employers in the way that more senior players with free-agency rights are able to do (e.g., Mirabito, 1996). More recent criticisms of the draft system have examined more specific aspects such as whether the growing percentage of players from outside of the United States warrants a revocation of the exemption that permits the restriction of any player’s entry into leagues (e.g., Edelman, 2009) or whether the leagues have the right to stipulate age requirements that prevent players from opting into the draft until they reach a specified threshold (e.g., McCann, 2005).

The most common argument in favor of the entry draft system is that it is necessary as a mechanism for ensuring competitive balance (e.g., Zimbalist, 2002). For example, if there were not a draft, it is imaginable that players would self-select to play for teams based in the two or three most popular cities or perhaps choose teams based on different state-specific income tax rates. The skepticism held by critics of the draft is reflected obviously by the direct legal challenges that have been made and also by more subtle indications of cynicism such as McCann’s description that the Draft is “ostensibly designed to enable weaker NBA teams to select better amateur players” (2005: 823; emphasis added).

In order to provide fresh empirical footing to this question of whether the Draft is important for a team’s ability to compete, we looked at the rosters for each team competing in the NBA Finals from 2000 through 2016. If the Draft were unhelpful for a team’s ability to compete at the highest level, one would expect that teams would earn spots in the NBA Finals with varied numbers of top players who they had drafted. On the other hand, if the Draft were helpful for teams, one would expect a consistently high number of top players in the NBA Finals to be playing for the teams that drafted them.

Using realgm.com as the source for the rosters as well as whether a player was one of the Top 3 members of the team’s offense as measured by average points per game, we found that – across the 17 years of Finals series – almost every team had originally signed at least one of their Top 3 players through the Draft with an average of 1.53 of the Top 3 players having been originally drafted by the Finalist team. Notably and consistent with those patterns, there were only two instances of a team competing for which none of their Top 3 players were originally drafted by the team – in both cases, it was the Detroit Pistons in 2004 and 2005.

While we focused on the NBA because the roster sizes are (substantially) less than half of roster sizes maintained by teams in the National Football League, Major League Baseball, and the National Hockey League, it would be worthwhile for future research to examine whether the pattern that we report – whereby teams cannot typically “buy championships” without at least some successful selections in the Draft – would apply outside of the NBA. It is plausible, for example, that differences in salary cap structures across the leagues might contribute to different patterns with respect to the draft’s relationship to winning championships.

Independent of whether these NBA findings generalize to other sports leagues and acknowledging that there are broader measures of competitive balance that take into account the spread of wins among the full array of teams in the league (e.g., Utt & Fort, 2002), the pattern that we report does offer affirmative evidence for viewing the league’s entry draft as beneficial and important for team success. The findings also point to the importance of team’s
scouting divisions since the pattern suggests that teams that are unsuccessful at identifying top talent among players who are not yet drafted will have difficulty making it to the NBA Finals. It is interesting in this regard that – of the 34 teams that competed in the 17 Finals series from 2000 through 2016 – there were 13 different teams represented (listed alphabetically by team name: Philadelphia 76ers, Cleveland Cavaliers, Boston Celtics, Miami Heat, Los Angeles Lakers, Orlando Magic, Dallas Mavericks, New Jersey Nets, Indiana Pacers, Detroit Pistons, San Antonio Spurs, Oklahoma City Thunder, and the Golden State Warriors).

Given research showing that sports fans enjoy the outcome-uncertainty that is found when teams are relatively evenly matched in terms of talent (e.g., Mason, 1999), the pattern that we report from the NBA rosters offers support for the view that the Draft – and related provisions in the Collective Bargaining Agreement that give teams an advantage for retaining their draftees – plays a key role in helping teams excel at the highest level. The design of our study does not permit causal claims; instead, these findings provide affirmative evidence and establish a basis for future research that looks at relevant patterns in other leagues. One model for such future research is Booth’s (2005) analysis of two professional leagues in Australia to examine whether competitive balance changed as one instituted an entry draft along with a salary cap and the other adopted neither of the regulations.