Economic analyses of professional sports leagues often concern themselves with the notion of competitive balance. Though numerous measures and interpretations are frequently grouped beneath this term, competitive balance is simply a measure of parity between the competing firms in an industry. Applied to professional sport, it is often defined as the degree of parity between the teams in a league (Leeds & Von Allmen, 2013).

Dating back to Rottenberg (1956) and Neale’s (1964) assertions that teams competing in closed leagues could not flourish, financially, without maintaining some semblance of cooperation and competitive balance, this concept has evolved to encompass two theoretical tracks: (1) the uncertainty of outcome hypothesis (UOH), which aims to gauge consumer interest as it relates to the degree of uncertainty by which a team will win a game or championship, and (2) analysis of competitive balance (ACB), which attempts to measure parity for purposes other than consumer interest.

In the open leagues of European soccer, however, where promotion and relegation dictate whether a club plays in a higher or lower division, concerns with UOH are not as practical. That is, teams must strive for win-maximization, a process that involves out-earning, out-spending, and/or out-performing the competition with little regard for overall parity. This need to win above all else, combined with the financial disparities that exist in the big leagues, has led to the modern, marquee European soccer league being dominated by various sets of monopolies, duopolies, and quadropolies as the same (typically wealthy) clubs almost always end up winning the title or reaping the rewards of Champions League qualification.

While a number of prior analyses have made it clear that parity in these leagues is in short supply (Michie & Oughton, 2004), very few have extended their analyses beyond the surface and examined measures of competitive balance that can be acted on in a practical manner. While it is one thing to inform a club that it is competing against the odds, it is another to show it why. In light of these shortcomings, the purpose of this examination is to overview the current state of the industry and provide a platform for strategic decision making by analyzing competitive balance through the lenses of Big-Five European soccer clubs (EPL, La Liga, Bundesliga, Serie A, and Ligue 1) that must compete as win-maximizing firms.

Seeing as dynasties are common in these settings, a deeper understanding of the factors that both support and disrupt them becomes vital to the formulation of more actionable strategies. As such, the analyses of competitive balance used in this study incorporate such factors as promotion and relegation, financial clout, and movement in the league table to better outline the state of the industry and more clearly define the obstacles that clubs across all spectrums of the league must overcome. In turn, the results of this ACB offer insights that are more practical to team owners and managers as they look to learn something from the competitive states of their leagues.