

The "Strategic Event Management System" (SEMS): A Novel Economic Approach to the Evaluation and Management of Major Sporting Events

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Since about the 1980's, major events are increasingly perceived by public decision-makers as a strategic tool of regional and urban economic policy. Sporting events are at the forefront of this development because of the outstanding drawing potential and awareness of sports as a mass phenomenon. Particularly mega events like the Olympics and the FIFA World Cup but also a number of special event series in sports dominate the world market of events in terms of attendance and global TV coverage. In the light of this market strength as well as of the still rising interest of regions and cities to host major sporting events for economic development goals, it is however surprising that the leading literature on the economic impact of such events reports weak or no ex post evidence with regard to regional income and employment creation.

The central explanations for this finding given in those studies are substitution and diversion effects in investment and consumption expenditures which diminish the incremental impact of the events. Furthermore, despite the nominal size of major sports events, they are still not big enough and too transient as industries to induce a significant growth of the huge economies of big metropolitan areas that typically stage the events. Indeed, these results and arguments raise general concerns about the policy effectiveness of major sporting events for the economic benefit of their hosts and challenge public subsidies for their organization. This is all the more the case as, contrary to the early economic impact studies in the 1980's and 90's with an often weak methodology and mostly commissioned by event organizers, the recent contributions of independent researchers are based on rigorous econometric modelling. However, doubts arise on the appropriateness of the standard economic approach in those studies from a sport and event management perspective.

Firstly, the empirical studies of this type so far have only been applied to a quite restricted number of event cases which were staged up to twenty years ago. It is debatable for at least two reasons whether those findings can be generalized for the impressive variety of sports events nowadays throughout the world. On the one hand, the results may differ from region to region and event to event in function of the specific spatial and institutional economic setting in which the event takes place at a certain location. It is well known in the specialized event research based on a broader socioeconomic, interdisciplinary analysis design that some event format may work well at one location but does not to the same extent at another location. These important structures that determine the starting point for event managers to develop an efficient organization are not suitably captured in the modelling of standard economic impact studies. Institutional aspects in general and thereby the efficiency of the event production as well as the insightful case knowledge in the event literature are ignored in those analyses. On the other hand, the technical progress in staging events has been substantial during recent years. Not only the use of new technologies in IT and media but also the professionalization and innovations in marketing practices etc. led to nearly quantum leaps in between the issues of, for instance, sporting mega events which are just held every four years. So there has been a considerable progress in efficiency and productivity of sports event management over time. Therefore the critical economic outcomes of past major events may not hold anymore for current event organizations and less so for the future.

Secondly, the conclusion in those impact studies that public subsidies of major sporting events are not economically justified refers in fact to the theoretical concept of the so called "bias profitability." The idea is that the state should subsidize industries and activities which promise the highest fiscal return on the initially invested public funds. But this concept contradicts the more usual and solid economic theory of public interventions as a remedy against market failures. Such an informational market imperfection may be identified in the competition among regions on direct investments, tourists, and productive residents. Therefore the regional governments have to invest in place marketing. At least in this regard major sporting events can be an effective marketing tool in terms of signaling and to raise the regional image in those target groups. This means, on the other hand, that the events have to be rather interpreted as a marketing investment with a long-term goal than a short-term economic policy to create a direct economic impact by the event as such. Thus the event is not the intervention; it is "just" accompanying the long-term development policy of a region as business location.

This subtle but important paradigm shift in looking at major sporting events has also been argued notably by Laurence Chalip and co-authors in their writings on the so called "event leverage" approach. Whereas their reasoning with regard to strategies and tactics in event management is compelling there is, like in the economic impact literature outlined before, a consistent link missing between an economic theory of events and management methodology. In other words: An integrated approach to the

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economic evaluation and the management of a major sporting event from the perspective of the host region should be designed such that both the production and allocative efficiency of staging a certain event in a specific region is addressed in a theoretical analysis. It ought to provide efficiency-based evaluation criteria which can be measured by an economic impact method and operationalized in a strategic management in order to raise the overall efficiency of the "event system" for the purposes of the host region.

The aim of the paper is to present such a novel economic approach to the evaluation and management of major sporting events. It shall be called "Strategic Event Management System" (SEMS) because it is formulated and visualized in a systems diagram. The theoretical problem is tackled from two angles. The efficiency criteria for disaggregated interactions in the production system of the event are derived from an institutional economic analysis whereas the allocative efficiency is assessed by traditional welfare criteria. The usual impact method with regard to the latter is cost-benefit analysis (CBA) which is increasingly accepted in the economic event literature as the suitable methodology. The CBA is accompanied by input-output-analysis, for instance, to measure multiplier effects. But a more important instrument for the strategic management of the event are sensitivity analyses of crucial variables like, for example, the average spending of non-residents visiting the event. Such detailed data analyses reveal the most effective strategies to enhance the production efficiency since it shows the quantitative repercussions on the overall outcome of the CBA. By doing so, the methodological link is actually made between the theoretically underpinned economic evaluation and targeted management measures. This can be illustrated by real data on the FIFA World Cup 2006 as an example for the application of the SEMS model. The paper concludes with an outlook on the perspectives of the SEMS for future research and uses in sports event management.