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Consider intangibles when weighing Olympic host city benefits

RICK BURTON & NORM O'REILLY

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We noted with great interest the recent announcement from the Chinese government in Beijing that it made \$146 million in operating profit from hosting the 2008 Summer Olympic Games. This proclamation was notable inasmuch as the outcome didn't suggest any forensic accounting had been conducted by an impartial third party.

But that's the norm. Each city hosting the Olympics wants to show its citizens (or government) the pomp and circumstance didn't cost anyone anything. As Shakespeare might have said, "All's well that ends well ... if we're profitable."



**NORM
O'REILLY**

But there is much more to hosting the Olympic Games than simple cost accounting. Although varied views exist, and there is undeniably significant impact on a city beyond ticket sales, researchers still need to explore a variety of investments including economic development, branding, volunteer training, facility legacies, health care improvements and more.

In the case of Beijing's Games, did BOCOG's investment strategy go beyond net profitability? Was it more important for the Games to showcase China's growing economy and tourism/branding than to improve the quality of life for Beijing residents? What is it really like in Beijing and the outlying districts one year later?

For many, the Chinese government probably succeeded on numerous levels, but scholars and journalists should still ask if bidding cities and their governments are fully considering the investment "quantum" of winning the Games. Are legacy programs or volunteerism vehicles more developed because the International Olympic Committee demands as much in the bid or because the organizing committee truly wanted to change social conditions for their huddled masses?

We fully understand this is treacherous political ground and it explains why press releases stick to reporting profitability or, when the result was unprofitable, promoting infrastructure "leave-behinds" for the next generation. This is logical but limiting. For the benefit of future bidders, shouldn't someone focus on and aggregate the other impacts of the Games? If the answer is yes, what should happen next?

First, we should ask how Vancouver 2010, London 2012, Sochi 2014, and the four 2016 bidding cities of Chicago, Madrid, Rio de Janeiro and Tokyo can optimize their respective up-front investments.

In Vancouver, where 64 percent of citizens voted in favor of hosting the Games in a 2003 plebiscite, the Games have come under scrutiny for budget shortfalls necessitating a bailout loan of approximately \$87 million (U.S.) and a recent request for around \$20 million (U.S.) related to the construction of the Olympic village. (In Vancouver's case, the IOC has already announced it will financially help with — but not completely cover — VANOC's debts if there is a deficit following February's Winter Olympics).



In London, news is emerging that forensic accountants are suggesting a massive shortfall (roughly \$160 million, U.S.) in the London Development Agency's 2012 Olympics account. If accurate, that is one deep hole.

Shouldn't someone probe the issue of host city investment logic/strategy going in and the real results coming out? Is there an over-focusing on costs and a lack of emphasis on long-term direct, indirect and intangible outcomes?

Granted, Olympic impact measurement has been around for years and both of us have previously written on it. Many others have also conducted considerable research, yet the nut that is a true holistic review is still not cracked.

The challenge of unexpected cost overruns during construction, massive operating budgets and increasing media scrutiny as the Games approach, is common. But when the Games cost billions to stage and then show a relatively slight profit or healthy loss, then the citizens of hosting cities deserve some form of independent "here's how we really benefited" findings two to five years later.

This is where we can learn from economists who study economic impact. Generally speaking and widely agreed upon, the impact of an event is calculated under three distinct areas: (1) direct financial impacts (e.g. jobs created to build facilities, visitors related to the Games, etc.); (2) indirect financial impacts (e.g., tourism incremental gains due to Games, long-term job growth, etc.); and (3) intangibles (e.g. improved volunteer base, stronger city brand, healthier population, etc.). Clearly, measuring direct impacts is easier; however, it is possible to measure or estimate the indirect and intangible impacts.

There is also the issue of "unit of analysis." Do we measure impact by the organizing committee, the city, the province/state, or the country? Or all of them collectively? For example, in Barcelona (1992), the Spanish government was reportedly left a \$6.1 billion (all figures U.S.) debt despite the organizing committee reporting a profit of \$3 million. Similarly, in Nagano (1998), reports suggested the Olympic committee showed a \$28 million profit but various government groups were left with \$11 billion in debt. Some Games do not differentiate, such as Albertville (1992), which reportedly lost \$57 million, and Atlanta (1996) and Sydney (2000), who both reported breaking even.

In consideration of intangible benefits, can we actually say Atlanta only broke even? Is Atlanta a bigger, better, more respected global city for having hosted the 1996 Games? Is it higher on people's to-visit list when they consider a holiday? Was the city's thrill at hosting Australians, Austrians and Argentineans ever measured? Is their population healthier? Did the city secure a better future?

A review of the published plans for Vancouver, London, Sochi, Chicago, Madrid, Rio de Janeiro and Tokyo portrays considerable attention to legacy aspects, ranging from facilities to volunteerism to health outcomes. However, these aspects and others of interest need to be enhanced and evaluated conservatively with appropriate metrics, clear benchmarks and long-term data collections. And done so independently well after the circus has rolled up its tent and left town.

Further, we think evaluations of the Olympic Games bidders and hosts should not be based solely on costs and cost overruns, but on the holistic outcomes generated. Evaluations must go beyond dollars and scratch at what hosting the Games really does to a city and then helping bidding cities articulate what they want the Games to do for them.

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