Events Gone Bad: Ramifications and Theoretical Reasoning

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Abstract: The extent to which events are sustainable is an issue of considerable importance (Andersson, and Getz, 2008). While it may be that many do not adopt a marketing orientation (Mayfield & Crompton, 1995; Lade & Jackson, 2004; Mehmetoglu & Ellingsen, 2005) due to their more socialistic not-for-profit nature there are still other factors that need to be addressed as sustainability will often depend upon the political and tangible support of key stakeholders (Andersson, and Getz, 2008). Using stakeholder theory and commitment-trust theory as applied to the events marketplace and taking a case study approach, this paper critically evaluates a major international motor sports event and the factors leading up to its demise along with its social, organisational, and political ramifications.

Keywords: Event Marketing, Stakeholder Theory, Commitment-trust Theory

HOSTING CONVENTIONS AND/OR events provides a unique opportunity for the host destination to build and showcase their skills, their capabilities and to create a sense of excitement, pride, and cohesiveness in the community (Lee & Taylor, 2005). However, while these reasons to host may develop civic pride no reason appears more compelling than the promise of an economic windfall. Researchers and industry professionals agree that conventions and events are major contributors to both regional and national economies (Rutherford & Kreck, 1994; Lee, 2007). Reflecting this growth in the economic impact of events, the meetings, incentives, conventions, and exhibitions (MICE) sector has experienced tremendous growth during recent decades and has now become a truly global marketplace (Weber & Chon, 2002). Event promoters envision vast numbers of visitors with plump wallets descending upon those venues lucky enough to host the events.

The economic impact is not just contained within the event. With governments becoming increasingly aware that events are an invaluable means of attracting business and economic activity to regions (Lau, Milne, & Johnston, 2005), there is the realisation that each dollar of event related spending initiates a broad set of economic interactions that produces additional spending in other sectors of a region’s economy (Braun, 1992; Lee 2007). In Braun’s (1992) study on the conventions industry in Orlando Florida, in which 32 sectors were identified as having an impact on the economy, the total impact of 1.67 million convention delegates in 1989 was estimated at more than 65,000 jobs, $457 million in wages, $2.28 billion in output, $88 million in local taxes and $15 million in state taxes. While there may be debate over how such figures are calculated (see Kim et al. 2003; Lee, 2007), such is the importance of hosting events – especially mega events like the Olympics and the World Cup.
– that increasingly developing nations have begun insisting on their right to host large events, thereby reaping the perceived monetary rewards (Matheson and Baade, 2004).

But what happens when the event goes bad? While events are important for their social and cultural roles, and have been promoted as tourist attractions, the extent to which they can endure as attractions is an issue of importance to policy makers along with marketing and tourism agencies (Andersson, and Getz, 2008). The viability, effectiveness and long-term sustainability of events is often questioned in light of the observation that many have stagnated or failed (Getz, 2002), while others have achieved longevity and appear to have become permanent institutions and hallmark tourist events in their community.

The extent to which events are sustainable is an issue of considerable importance (Andersson, and Getz, 2008). While it may be that some do not adopt a marketing orientation (Mayfield & Crompton, 1995; Lade & Jackson, 2004; Mehmetoglu & Ellingsen, 2005) due to their more socialistic not-for profit nature, there are still other factors that need to be addressed as sustainability will often depend upon the political and tangible support of key stakeholders (Andersson, and Getz, 2008).

Using stakeholder theory and commitment-trust theory as applied to the events marketplace and taking a case study approach, this paper critically evaluates a major international motor sports event and the factors leading up to its demise and the resultant social, organisational, and political ramifications.

**Theoretical Foundations**

**Stakeholder Theory**

In his seminal work on stakeholder theory Freeman (1984, p 25) advocated a broad definition of a stakeholder as “... any group or individual who can affect or is affected by the achievement of the firm’s objectives.” This is in contrast to shareholder theory in which management must place greater importance on the return on investment for investors who own the company. Stakeholder theory applies to the sports event marketplace in that event management must relate to the wider environment of people or entities that can affect, or be affected by, an organization’s actions irrespective of whether or not they are part owners of the event management organisation (Andersson, and Getz, 2008). Based on a set of cases studies in Canada and Sweden, Getz, Andersson, and Larson (2007) identified 6 external event stakeholders: the “facilitator” (provides resources and support); the “regulator” (usually government agencies); the “co-producer” (other organizations and persons who participate in the event); the “allies and collaborators” (such as professional associations and tourism agencies); and those impacted (mainly the audience and the community). Thus one may see that stakeholder theory encompasses many publics.

While different stakeholders may be more or less important depending upon the stage in the organisations life cycle (i.e., formation, growth, maturity, decline or revival – see Jawahar and McLaughlin, 2001) success and survival depends on an organization’s ability to provide some degree of wealth, value, or satisfaction for all these primary stakeholders (Clarkson, 1995). As there is a longitudinal aspect to an organisations lifecycle, indicating some form of evolutionary perspective to stakeholder theory, different strategies must be required for stakeholders at one point of time and over time (Andersson, and Getz, 2008).
Relating to an organisation’s investment in the stakeholder relationship, Batt and Purchase (2004) mentioned four strategies for a firm to use when relating to its key stakeholders: grow, develop, maintain or abandon. Other strategic choices are to defend, monitor, collaborate or involve, often referred to as the classic strategic stakeholder management choices (Savage, et. al., 1991). These strategies relate to management’s perceptions of the stakeholders’ ability to threaten the organization, support or collaborate with it. In the non-profit marketplace event organisations often engage in some form of collaboration strategy with, for instance, “regulators” to help increase resource acquisition (Kramer, 2000; Reilly, 2001).

Alliances may come in many forms dependent upon their level of formality. In terms of collaborations and other inter-organizational relationships, co-operation is the most informal and carries the least risk regarding sustaining an organisation’s core values. Co-operative behaviour is generally encouraged by the network of those providing resources (Snively & Tracy, 2000). Alliances in form of joint ventures, partnerships and mergers are more formal and as such carry more risk. In extreme cases an organisation’s identity can be lost altogether.

In their study of two public events Erickson and Kushner (1999) make the argument that a firm’s value as a network partner is based on its identity within the network; an identity based upon a combination of its core competencies, other connections, and ability to gain further network-specific knowledge. This then opens up the question of what happens when an organisation loses the trust of those stakeholders both within the network and those impacted by the alliance? Does this then mean that their commitment to the event diminishes?

**Commitment-trust Theory**

For any management organisation wishing to build a relationship with its network of stakeholders, maintenance and development must be two fundamental purposes of their management strategies (Batt and Purchase, 2004). Organisations can improve their bottom line through the development of such relationships, and in so doing establish stronger structural bonds and get those impacted (i.e., customers) to increase their propensity to tolerate price increases or service failures as well as to accept opportunity costs (Dwyer et al. 1987; Zeithaml et al. 1996; Bell et al. 2005). As such, it is imperative that the organisation focus on the commitment of its stakeholders.

This applies to the events marketplace as well, where there has been a paradigm shift in both marketing theory and practice (Morgan and Hunt, 1994). This shift has been in the area of relationships between partners and encompasses trust in relational contracting (MacNeil, 1980), working partnerships (Anderson and Narus, 1990), strategic alliances (Day, 1990), and co-marketing alliances (Bucklin and Sengupta, 1993). Though this relationship marketing concept, with its network of organisations, has been developed in the competitive global commercial marketplace (Morgan and Hunt, 1994), these concepts pertain to the events marketplace given the collaboration requirement between event stakeholders (Erickson and Kushner, 1999; Kramer, 2000; Reilly, 2001). Networks are held together by means of “norms of sharing and commitment based upon trust” (Achrol, 1991, p 89). In this respect, both stakeholder commitment and trust within the events marketplace are important, although they each play a different but complementary role (Aurier and N’Goala, 2010).
**Commitment**

Relationship commitment can be perceived as a key antecedent of relationship maintenance and thus is important in establishing a long-term perspective in stakeholder relationship management (Aurier and N’Goala, 2010). This commitment helps shape the relationship itself in that it defines with whom to partner and how long that partnership will last. Based in social exchange theory (Cook and Emerson, 1978), commitment may be defined as a belief by one of the exchange partners that the relationship is important enough to warrant maximum effort maintaining it (Morgan and Hunt, 1994). As Moorman, Deshpande and Zaltman (1993, p 316) state: “commitment to a relationship is… an enduring desire to maintain a valued relationship”.

Commitment is one of the most studied variables in organisational behaviour theory (Reichers, 1985); it leads to both organisational support (Eisenberger, Fasolo, and Davis-LaMastro, 1990) and increased organisational citizenship behaviours (Williams and Anderson, 1991). From a services marketing and branding perspective, commitment encompasses more than just loyalty (Newman and Werbel, 1973) as defined by repurchasing (Morgan and Hunt, 1994), it also contains both spurious loyalty (Day 1990) and psychological attachment (Gundlach, Achrol, and Mentzer, 1995) found in positive attitudes. These attitudes, established through involvement and event attractiveness, then drive the relationship engagement (Saaksjarvi, et.al., 2007) and commitment (Garbarino and Johnson, 1999).

**Trust**

“One of the most salient factors in the effectiveness of our present complex society is the willingness of one or more individuals in a social unit to trust others. The efficiency, adjustment, and even survival of any social group depends upon the presence or absence of such trust” (Rotter, 1967, p 651).

In 1967 Rotter (p 651) defined trust as “a generalised expectancy held by an individual that the word of another … can be relied on”. From an organisational exchange perspective, Moorman, Deshpande, and Zaltman, (1993, p 82) defined trust as “a willingness to rely on an exchange partner in whom one has confidence”. The central core of both these definitions is confidence (Morgan and Hunt, 1994); confidence that the trusted party will be reliable and have high integrity. From an outcome perspective trust between firms must therefore encompass the belief that the actions of one partner in the network will result in positive outcome for others in the network and unexpected action of one partner will not have negative outcomes on the others (Anderson and Narus, 1990). This trust is so important in relationships that it provides the cornerstone of the strategic partnership (Spekman, 1988) and imparts basis for loyalty (Schuur and Ozzane, 1985) given its capacity to regularly satisfy stakeholder expectations of reliability, credibility, and general reputation (Aurier and N’Goala, 2010). Thus trust is central to all relational exchanges (Morgan and Hunt, 1994) in that repeated violations of trust negatively affect stakeholders’ commitment (Wang and Huff, 2007).
Methodology

Using a now defunct major international motor racing event, this paper uses a qualitative within case analysis to describe the antecedents and ramifications of the demise of what was once a multi-million dollar event. From this phenomenological holistic approach, we interpret the underlying mechanics involved (cf. Miles and Huberman, 1994). While there may be those who are critical of single case analyses in the events marketplace (Wardrop, 2010), Flyvbjerg (2006, p. 222) rightly observes:

Context-dependent knowledge and experience are at the very heart of expert activity. Such knowledge and expertise also lie at the center of the case study as a research and teaching method or to put it more generally still, as a method of learning. Phenomenological studies of the learning process therefore emphasize the importance of this and similar methods: It is only because of experience with cases that one can at all move from being a beginner to being an expert. If people were exclusively trained in context-independent knowledge and rules, that is, the kind of knowledge that forms the basis of textbooks and computers, they would remain at the beginner’s level in the learning process.

The case was chosen because of its extreme nature. Analysis of such cases can be very illuminating and “relevatory” (Yin, 1984), especially this one due to its size and its setting, both important components for qualitative research (Miles and Huberman, 1994; Werner and Schoepfle, 1987).

The Event

In the latter part of every year 800 horse-power, open-wheel racing cars displayed their prowess on the streets of a major Australian tourist region. Over the years the event had become a major part of the State’s events calendar and in 2002 generated 175,000 visitor nights, created 700 jobs across several industries, and injected more than $50 million dollars into the states economy (Pentecost, 2010). Such is the events significance that the state government contributed over $11 million dollars annually towards staging the race (Thomas, 2010): “money well spent” according to the state Sports Ministry. Since its inception this motor race has evolved into an event of international standing with 700 accredited media representatives from across the world attending the event and television coverage reaching 195 countries. In the same year the event was indicted into the states Tourism Awards Hall of Fame for the third year running (Pentecost, 2010).

Since its inaugural inclusion into its associated World Series in 1991, the event had undergone many transformations. Originally held earlier in the year, it was competing with a rival event at the same time period and local residents did not want their local streets closed off for the duration of the event. The event became a political football due to its financial troubles. Rather than axe the event a decision was made to transfer the date of the event to the current time period. With backing from the local authorities, new management took over and changed perception of the event to more of a party atmosphere with the addition of both on-track and off-track activities, such as modelling, car shows, parades, motor driving displays, bands and dancing. Expansion followed as the event grew not only in attendance but also in televi-
sion ratings. In 2001 a major national motor event was added as a specific leg of their yearlong series in which drivers and teams competed for crucial points. The event was now seen as a “double header” with both forms of racing (international and national) given equal billing on any promotional material. Attendance had now doubled from its original 1991 event to just over 300,000 in early 2000. Such a doubling could partially be attributed to repeat customers, people attending the event that tasted the excitement of the action and entertainment, and, satisfied with their experience, came in subsequent years.

Over the years many changes have occurred in motor racing, with mergers and takeovers redefining the industry. The international component was purchased by a new owner in 2008, which then pulled the event out due to timetabling issues. A decision was made to replace the original international open-wheel race with the International A1GP series (an event where countries compete against each other rather than teams compete against teams). This new configuration was to have its inauguration in 2009 and the event was then rebranded (www.a1gp.com). However, one week before the new event was to take place the A1GP Chairman announced that the series went into liquidation mid-year. Access to the A1GP cars and the ability to pay its suppliers had been impeded. Subsequently the cars could not leave their warehouse to be on the track by the required date even though there was a 5 year signed contract (Bruce, 2008) and a payment of $2 million dollars had been made by event management only weeks prior to the event (Thomas, 2010). Since the international component had withdrawn from the event it became essentially a national motor race only (Mival, 2009). Added to this the naming rights sponsor withdrew just before the event start date (www.supergpucks.com). Attendance for the 2009 event dropped below 190,000 resulting in a significant loss of trade compared to other years (ABC news, 2009).

**Ramifications**

The loss of the international race prompted cries of mismanagement and reviews were set up to look into the matter. Aired through the media throughout this period of time were the suitability of the region for future motor events due to its ecological validity (ABC news, 2009), whether the ministers/government were misleading (ABC government news, 2009), the lack of knowledge by the events management group (Vernon, 2010), and lack of due diligence by the both the chairman of the events committee and its general manager (Thomas, 2010). From the reports given by both the auditor general and independent reviewer the contract signed between the international race series and the event organisers had no termination clauses, and lack of communication between the state government facilitating and funding the event and the event management (Vernon, 2010). As indicated in the newspapers the structural arrangements within government for the funding and overseeing of the events company were lacking in that the minister of sport relied primarily on the chairman of the event for verbal briefings and advice, with little input from his department or the Government’s events agency.

Several ramifications were manifested based upon this report.

1. The 50/50 partnership between the government and the event management group was dissolved with the event management group receiving a $4.3 million settlement.
2. Many jobs were lost as the event management company removed itself from the area.
3. Both the chairman and the general manager of the organisation set up to run the event either resigned or were removed from office.

4. A new event incorporating only the national motor race was developed even though businesses in the area said they would not support the event unless it had some special drawcard such as the open wheel race cars (ABC news, 2009).

5. The new event will be one day less in length and racing run over a smaller track. While helping to save costs these changes are likely to reduce the number spectator days in the region and reduce the economic impact of the event.

Findings

The major finding from this case study is the diminution of trust, the cornerstone of the strategic partnership (Spekman, 1988). Stakeholders were no longer satisfied as to credibility of the event management through the loss of both the major intentional race and the naming rights sponsor. One could surmise from such a situation that this would have an effect on spurious loyalty (Day 1990) and psychological attachment (Gundlach, Achrol, and Mentzer, 1995) in turn influencing attitudes and subsequently the relationship engagement (Saaksjarvi, et. al., 2007) and commitment to the event (Garbarino and Johnson, 1999). With regards to commitment to the event of the major stakeholders it was the “regulators” (the government agencies), the “co-producers” (those organisations and persons participating in the event) and those impacted (the customer) who had the biggest bearing on the future of the event. The lack of trust and its effect on relational engagement shown by the customer was evident in the precipitous drop in attendance. The peak of approximately 300,000 had now dropped to below 200,000 attendees. Such a one third reduction in the number of attendees would, by inference, result in a drop of the same amount in the economic value of the event through its effect on the “co-producers” of the event. For instance, no longer were there long queues wishing to purchase merchandise at the event, rather there were the “fire sales” in which products were reduce by 50%-60% in an effort to recoup costs. In fact a look at the products for sale during the event revealed merchandise being sold still showing the withdrawn naming rights sponsor embroidered on the garment. The structural bonds of the customers to the event whereby service failure could be accepted were broken (Dwyer et al. 1987; Zeithaml et al. 1996; Bell et al. 2005).

Not surprisingly, the effect on the event management was severe. Loss of trust in management could be attributed to not only the loss of public attendance but also the loss of belief there would be no future negative outcomes (see Anderson and Narus, 1990) for both the general public (the impacted) and the government (the regulators). The resultant effect of such belief is that stakeholders’ perceptions of the event had changed. This was compounded by event management losing the ability see how such stakeholders could threaten the organization given the growth of the event in the preceding years. The management had not planned for contingencies (Vernon, 2010) to ensure wealth, value, or satisfaction (Clarkson, 1995) for its stakeholders.

In summary, loyalty to the event was reduced through lack of trust (Schuur and Ozzane, 1985). Trust is central to all relational exchanges (Morgan and Hunt, 1994), hence violations of trust negatively affected stakeholders’ commitment (Wang and Huff, 2007) and subsequent attendance. Stakeholders’ satisfaction with the event through expectations of reliability, credibility and general reputation had deteriorated (Aurier and N’Goala, 2010). Future event
management needs to always take into consideration stakeholders’ trust and plan for developing this trust even during times of prosperity. As the saying goes: “in times of peace, prepare for war”.

References


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