

# Opportunity or Burden? Evaluation of the Factors behind the Decision to Host the Olympic Games

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**Abstract:** This paper analyzes the advantages, disadvantages, opportunities and threats of the Summer Olympic Games by means of literature research and SWOT analysis. The study shows that it is necessary to ensure the feasibility of bidding for the Summer Olympic Games and suggests that the host city make use of market mechanism to prepare for the Olympic Games. The specific measures of preparation include: establishing a Preparatory Committee for the Olympic Games, develop a functional public transport system, formulate long-term real estate management mechanism, and improve the venue utilization and commercial development level. Through the above measures, the host city can play to the advantages and opportunities, overcome the disadvantages, eliminate threats, and ultimately strive for an early success of the bid.

## 1 INTRODUCTION

“Higher, Faster, Stronger”, this slogan of excellence has captured the image the world associates with the Olympic Games. Being the crown jewel in the realm of sports, the Olympic Games is no longer just a gathering of the world’s top athletes, but an arena for the national powers that these sportsmen represent.

Naturally, the competition for the right to host the Olympic Games used to be as fierce as the fight for gold among the athletes. More than eleven cities submitted applications for the 2004 Summer Olympics (Thomas, Alana, Cuskeley, Graham, Toohey, et. al, 2019). On the surface, the advantages brought by such a huge undertaking seem obvious. The economic benefits include increased employment through jobs that support the event, a rise in tourism and hospitality services, boost in trade and subsequent increase in foreign investment. In addition, the host city receives a transformative improvement in city development through the improvement of city infrastructure, transportation systems, and sports venues. Besides these tangible gains, “the legacy impacts” is a concept that stresses the Olympics’ long-term effects on the host city and country. The great event will cast such a positive light on the host city that it will continue to attract the world and be a great

boost to the national spirit and unity (Atanu Biswas, 2021).

However, the enthusiasm to compete for hosting the Olympic Games seems to die down in recent years and withdrawal of initial applications to host the game is not uncommon. Five applicant cities withdrew their request in the bidding to host the 2022 Winter Olympics. Similarly, in the bidding to host the 2024 Summer Olympics, Boston, Budapest, Hamburg, and Rome withdrew from the race. Under these circumstances, the IOC made the unusual decision to award Paris the 2024 event and Los Angeles the 2028 Games without calling for bidders (International Olympic Committee, 2017).

What has caused this sudden lost in interest? A number of factors combine to put a strain on the decision to become a potential host city. To name a few, the rising cost, the future maintenance of facilities, the demand on organizing staff, not to mention the complications brought by the global COVID-19 pandemic (AtanuBiswas, 2021).

In light of this recent dip in enthusiasm in hosting the Olympics, this paper first utilizes the SWOT analysis method to discuss the strengths, weaknesses, opportunities and threats of hosting the Olympic Games. Then we move on to the specific measures

and suggestions for making the decision of bidding for the Olympic Games.

## 2 BACKGROUND

The Olympic Games is, without a thread of doubt, the most significant and influential international multi-sport event in the world. So, it is natural that they are also the most widely researched subject in the sports management field. The specific topics of research include but are not limited to: their management, the organizational work associated with their planning and celebration, the impact they make, both in the community where they are staged and also more globally; and the legacy they leave behind in these communities. (Atanu Biswas, 2021)

According to Toohey and Veal, (2007) most research from the perspectives of humanities and social science focus on the history (arguably the first area of Olympic scholarly enquiry), economics, philosophy, politics and sociology of the Olympic Games. For example, analysis of the economic impact of the Games are now being used by many cities to determine the feasibility of bidding for Games. Examples of sociological research on the Olympics would be the study of “the relationship between the media and the Games, the place of women in the Olympic Movement, as well as many other areas within critical and cultural studies frameworks”. Examining the legacy impact of the Games has concentrated on historical, economic, sociological, urban studies, management and political analysis (Toohey, Veal, 2007).

Another discipline that has shown an increase in academic interest in studying the Olympic Games is sport management. Sports management is a relatively young, yet vibrant research discipline. The links between academia and Olympic managers is “important for the former to have real world relevance and the latter to advance practice” (Toohey, Veal, 2007).

## 3 RESEARCH METHOD

SWOT analysis comes from management, which puts various development conditions of an enterprise into four factors, namely Strengths, weaknesses, Opportunities and Threats. Four strategies, SO, ST, WO and WT, are composed by pairwise combination to find the best development strategy. SWOT analysis was first proposed by Andrew, a professor of Harvard Business School, in his book *Corporate Strategy*

Concept published in 1971. In SWOT analysis, S stands for Strengths and weaknesses; W is the Weakness or Weakness of the enterprise; O represents opportunities in the external environment. T stands for Threats posed by the external environment. SWOT analysis is to analyze and explain the internal and external conditions of an enterprise, find the strengths, weaknesses, opportunities and Threats of the organization, and then formulate corporate strategies and development countermeasures. Since its inception, SWOT method has been increasingly applied in management and sociology and is an important analytical tool to solve various development strategy problems (Wu, 2017).

## 4 RESULTS

### 4.1 Benefits

As for the strengths of the Olympics, there are several. First, the economic benefits. The economic impact of the Olympics is two sided—there are obvious economic benefits and equally astounding costs. Let’s first take a look at the benefits. We can separate the benefits into the direct revenue boost and relevant positive impact on the economy. The direct financial gains mainly come from the sources of television broadcast revenue, domestic and international sponsorships, ticket sales and licensing. According to the 2014 IOC official report, the total revenue of hosting an Olympic Games has increased from 5.45 billion (2005-2008) to 8.05 billion (2009-2012), with television broadcast and sponsorships being the two major contributing factors (Atanu Biswas, 2021).

Besides the direct revenue, the hosting of the games can also bring about positive impact on relevant industries and aspects of economy. Take the Rio case for example. According to the IOC (Atanu Biswas, 2021), the 2016 Olympics generated a ton of jobs-16,000 people altogether were employed for the construction of the infrastructure or were offered jobs in these venues. At the same time, the tourism industry saw a spur in the amount of revenue earned. During the 12 months of 2016, Brazil saw 6.6 million tourists come and go, which was a 4.8% increase from the prior year. This slight spike resulted a total revenue of 6.3 billion US dollars, a 6.2% increase from before. Third, it benefitted small shops and businesses in general due to the rise in income. SEBRAE (Brazil’s small business association) and Brazil’s Olympic compete collaborated to try and benefit Brazil’s SMEs. They projected the total revenue would be around a total of 300 million, but the

result actually exceeded the projections and the number was a satisfactory 390 million. On a macroeconomic scale, the base of the social pyramid in Rio mostly benefited from the increase in labour income during the pre-Olympic period. The income of the poorest 5% grew 29.3% against 19.96% of the richest 5% (Niall McCarthy, 2021).

The second strength of hosting the Olympics is the increased infrastructure development that may be needed and required by countries with a weaker economy. Streets and bridges are refurbished or, like mass-transit lines and public buildings, constructed anew. Projects that have lingered on the drawing board for decades are prioritized and expedited. Only some 17 percent of expenditures for the 1992 Barcelona Games went exclusively toward sports; 83 percent was aimed at urban improvement. London's largely depressed East End was revitalized by construction for the 2012 Games, Barcelona's waterfront was reinvigorated, Seoul's Han River got a major cleanup for the 1988 Games, and citizens of Vancouver and its visitors love the transit. This is a benefit that is evident and has a great impact on the citizens and their daily lives. This increased infrastructure investment will not only enhance the lives of the people, it is also evident that these measures will increase employment in the country and will prove beneficial to the economy. The key to the benefits of these projects is what their long-term utility is and whom they benefit (Scott Bauer, 2021).

The third is the intangible benefits. Sources suggest that hosting the Olympics may have benefits that surpass simply numbers and money, media presence could benefit the tourism of the country and the venues that were constructed during the preparation for the games could be used for other purposes in the future. The games could have long-term benefits such as human capital, urban regeneration, and reputation. It is a common fact that all cities that have hosted the Olympics are put on the maps globally. This brings attention to the city that grants it fame that will be beneficial to the image of the city (THE ASAHI SHIMBUN, 2021).

## 4.2 Impact on the Development of the Sports Industry

There are many positive impacts that hosting the Olympics can have on the development of a country's sports industry.

First, the direct boost of the sports industry of the host city. Because of the winter Olympics in 2022, the government in China has been promoting sports such as skiing, skating and etc. The government will

try to offer more chances for athletes competing in these areas. These measures will greatly promote the chance of development for these athletes and will create opportunities for investors to create commercial events due to increased publicity. And will promote certain sports that aren't well known initially.

Second, improvement in skilled athletes. Due to the need of maintaining reputation as the host country, the country will need to do well in the own games that they have hosted. This will include extensive support to athletes that are competing and increased attention and better care of the athletes will surely motivate the athletes to surpass opponents on their road to glory. This will result could be that in the country having a better competitiveness in these events (Try Ananto Wicaksono, 2020).

## 4.3 Challenges

- The obstacles of coordination mechanism.

In order to make the hosting of the Olympics cheaper, the IOC has recently announced measures to allow the co-hosting of the Games by two cities or even two countries. However, this will also cause foreseeable challenges. During the preparation and bidding process of the Olympic Games, differences in the economic systems, administrative systems, legal systems, finance systems, currency issuing systems, economic development plans, civil rights, life styles, ideologies and so on will require the organizing committees to set up a special coordination agency to meet up the special challenges brought about by the unique arrangement of cohosting the Games.

- Pressure on the city's infrastructure.

The sudden influx of a large number of coaches and athletes during the Games and the increase in traffic will bring extra pressure to hosting cities, especially those densely-populated metropolitans already plagued by congested traffic. Beijing instituted the alternative day driving policy during the 2008 Games (cars with license plate number ending in an odd number can drive on dates with an odd number and vice versa) and that helped to ease the pressure of traffic during the Games. However, it caused inconvenience for the local residents and could lead to public animosity towards future large-scale sports events. In addition, this measure might not be feasible in all host cities. Therefore, how to balance the needs of the local residents and the demand for the Games is a challenge the hosting committee must seriously consider.

- Inflated cost of living caused by high real estate price

According to the experience of previous Olympic Games, the real estate price will rise sharply in the host city. In particular, the price of land and real estate near the Olympic venues will be connected to the "Olympic concept" and their price will rise even more outrageously. Therefore, the high cost brought by the raised housing prices will bring great economic pressure to the local residents. What's more, the "bubble" created by the temporary sports event might burst and lead to great financial loss for locals who have made the decision to invest in real estate (Zhou, 2017).

#### 4.4 Threats

- High investment and risk of outliving expenses  
The Olympic Games take place every four years, but it takes years to prepare for the Games.

The cost of hosting the Games is huge, and expenses including the construction of venues, security expenses, opening and closing ceremonies, medal production, etiquette services, catering and accommodation, etc., all require detailed financial budgeting. What's worse, due to various reasons, over-budget spending has been an inevitable trend in the past. Many countries withdrew from the Olympic Games because of the overwhelming burden. Hamburg in Germany, Rome in Italy and Budapest in Hungary all withdrew their bids for the 2024 Games for financial reasons, leaving Only Paris and Los Angeles to bid for the games. In 2008, China successfully hosted the Olympic Games while the total cost was estimated to be over \$ 40 billion. The subsequent Games, London 2012 and Rio 2016, were criticized for their lack of funding. The Hosting of the Olympic Games involves investments in many aspects. How to budget and manage the funds is a huge challenge for the organizers. It is becoming more and more a topic whether the huge investment of the Olympic Games can bring good profits or even break even (Niall McCarthy, 2021). On many occasions in history, the Olympic Games had to bear huge losses because the income could not cover the expenditure. For example, Montreal in Canada even took 30 years to pay off the debts incurred when it hosted the Olympic Games (Zhou, 2017).

- Utilization of venues after the games

After large-scale sports events, some stadiums lack reasonable planning and maintenance, or are poorly designed and have remote sites. It is a common phenomenon in all countries around the world

that after the Olympic Games the utilization rate is not high or the venues are even abandoned. How to make better use of the venues built with huge costs has always been the focus of the research of insiders. Some of the less popular events, such as cycling venues, rowing and slalom, were often abandoned afterwards because of lack of commercial development or poor management. Because of the particularity of space for some less popular sports, it is difficult to develop them into other commercial projects, resulting in huge capital losses and waste of social resources. For example, Venues constructed for the Athens 2004 Games famously remain unused and have fallen into disrepair. Today, Beijing's magnificent Bird's Nest stadium hosts football (soccer) games, but its schedule is open enough that, for a fee, one can ride a Segway around it (baidu.com). Therefore, the consideration of the long-term use of the Games' venues needs to take place during the planning stages to avoid huge waste.

- Competition from other bidding cities

Although in recent years, the cost of hosting the Olympic Games is getting higher and higher, many cities have even withdrawn the bid for the Olympic Game, the Olympic Games are still the biggest, most influential, most commercially and culturally valuable sporting event in the world, and there are still a large number of cities actively competing for the bid for various purposes. Due to the fierce competition, the bidding process itself is a costly affair. The Olympic Committee of the host city will have to undergo the complicated process of organizing and preparing for the bid with the high risk of losing the bid in the end and therefore lose all the money invested in the bidding.

- Risks of real estate speculation

Historical experience shows that the process of preparing for the Olympic Games will inevitably lead to the rise of land and housing prices. The construction of Olympic venues, especially around the main venue of the opening and closing ceremonies, will cause the land and housing prices to soar. Home prices doubled or tripled in the run-up to the 1992 Barcelona Olympics and tripled in Sydney in 2000. If the bid for the Olympic Games is successful, a large number of speculators and investors will flock to the city, which will push up the housing price and cause the real estate bubble, which will in turn bring serious negative impact on the real economy, and will also lead to the decline of local people's quality of life and higher living burden (Zhou, 2017).

## 5 CONCLUSIONS

In recent years, with the continuous development of society, economy and culture, the Summer Olympics has also been enjoying a golden period of development. But opportunities and risks both abound in the decision to host such a large-scale international sporting event. The reasons for the phenomenon of hosting the Olympics being in and out of fashion are clearly stated in this study. For cities contemplating putting their hat in the ring to play host for the Olympic Games, they should seriously consider the answer to the question: Is hosting the Olympics a privilege or a burden? This seems more imminent in light of the still raging pandemic

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