



An Analytical Study on the Economic Impact of Tourism in the Global Level

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ABSTRACT

The sustainable development agenda is underpinned by the recognition that there are limits to the capacity of the earth to cope with unimpeded economic growth. Businesses, due to their power and reach, are seen as major users of natural, human and financial capital resources. Granted a societal licence to operate, businesses are under increasing pressure from a diverse range of internal and external stakeholders, who expect a higher level of accountability and transparency in regard to economic, social and environmental performance measurement. In response, businesses have incorporated practices such as eco-efficiency and corporate social responsibility, and an increasing number are now moving towards a more holistic evaluation of their triple bottom line (TBL) performance. In contrast, the special events industry has continued to rely on traditional economic measures of performance. There has been tremendous growth in the number of special events being staged in tourism destinations. Events have been used strategically to bring 'new' money into regions, promote economic development and to showcase destinations to potential visitors. As a result of these economic imperatives, the evaluation of events has predominantly been undertaken from a narrow economic perspective. This approach, however, fails to account for the impact of the event on the host community as well as the impact on the natural environment such as water and energy use and waste generation. Since the 1980's, event researchers have called for a broad-based evaluation model that incorporates economic, social and environmental measures. Recently, a number of these researchers have suggested that a TBL approach has merit as a potential framework. What has been lacking, however, is a set of standardised measures that would underpin a broad-based evaluation model. Therefore, the aim of this research is to develop a set of standardised TBL indicators, which would enable a parsimonious TBL evaluation model to be established.

Keywords :

INTRODUCTION

The background to this research lies in the emergence of sustainable development and how this concept has influenced the way that businesses operate and measure their performance. The realisation that there were 'limits to growth' of the world's population was prevalent in Greek philosophy 2000 years ago (Lovelock 1987), early economic discourse (Malthus 1973) and 19th Century European forestry practices (Davoudi & Layard 2001). More recently, a number of seminal books such as Silent Spring (Carson 1965) and The Population Bomb (Ehrlich 1972), highlighted the emerging global environmental concerns that there was an imbalance between the rate of population growth and the ability of the earth to cope. The rise of the mass media also raised public awareness, which forced individuals, businesses and governments to question the direction and pace of change (McCormick 1989).

One of the major calls to action came from the publication of Our Common Future (also known as the Brundtland Report) (World Commission on Environment and Development 1987). This report assisted in internationalising the concept of sustainable development, which was defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (1987, p. 43). The report also suggested that a summit be held that would bring together world leaders to discuss environmental concerns, and as a consequence, the Rio Earth Summit was held in 1992. One of the major outcomes of the summit was the publication of Agenda 21, in which it was recognised that

businesses should take a leading role in providing solutions to the environmental issues. One of the ways that this could be achieved was through the use of sustainable development indicators (Keating 1993).

Businesses have also been under pressure from a diverse range of internal and external stakeholders such as employees, communities, environmental groups and government to be more accountable, responsible and transparent in relation to measuring and reporting on their performance. Given an informal 'licence to operate', businesses have responded by implementing changes to practices such as eco-efficiency and corporate social responsibility. Moreover, in order to satisfy the information requirements of a diverse range of stakeholders, old styles of accounting and reporting on business performance proved to be insufficient (Elkington 1999b). As a result, businesses progressed from the traditional financial reporting to encompass measurements of their economic, social and environmental performance, which was referred to as the triple bottom line (TBL) (Elkington 1999a). TBL performance and reporting has been implemented by an increasing number of businesses, assisted by frameworks such as the Sustainability Reporting Guidelines (Global Reporting Initiative 2006b) and the establishment of organisations such as the World Business Council for Sustainable Development, which provide assistance with the process of indicator development.

Despite the emergence of terms such as sustainable busi-

ness and corporate sustainability, Atkinson (2000) claimed that there was little in these concepts beyond defining a set of pragmatic guidelines whereby a corporate entity can monitor and improve its sustainability performance. Nevertheless, Andrews (2002) maintained that the core challenge of TBL reporting was defining an approach that is grounded in appropriate principles and that employs meaningful and pragmatic indicators. As the focus of this research is on special events, the next section looks at what has occurred in event evaluation.

Worldwide, special events have been one of the fastest growing sectors of the tourism industry. In Australia, an indicator of the growth of the events industry has been the establishment of special event divisions within the many of the State and Territory Tourism Organisations (STOs) (Jago & McArdle 1999). The role of these special event divisions is primarily to bid for and attract events to destinations, as events are seen as a way to increase the tourism appeal of destinations to potential visitors (Uysal & Gitelson 1994). Further evidence of the growth and maturation of the events industry has been the increasing number of journal articles published that are related to special events (Formica 1998; Hede, Jago & Deery 2002; Sherwood, Jago & Deery 2005b), the number of event-specific conferences held (Harris, Jago, Allen & Huyskens 2001), the number of events appearing in event calendars (Jago & McArdle 1999), and the substantial global increase in postgraduate study in event-related areas (Jago & Shaw 1998).

In Australia, many of the STOs have incorporated the staging of special events as part of their destination marketing and development strategies, as many events have the potential to attract visitors to the destination, gain media exposure, build destination branding and leverage economic benefits (Carlsen, Getz & Soutar 2001; Jago, Chalip, Brown, Mules & Ali 2002). For example, Tourism Victoria states that, in terms of events, its objectives are to 'Ensure Victoria's events leverage significant economic impact and media exposure for the state' as well as to 'further develop the considerable range of existing events to maximise the social and economic benefits as well as individual destination profiles' (Tourism Victoria 2002, p. 138). Another indicator of the importance of events to the Victorian economy was the recent release of the 10 Year Tourism and Events Strategy, which places the events industry as a high priority in Government decision-making on economic, social and environmental issues (Department of Innovation Industry and Regional Development 2006).

As a consequence of the focus on economic imperatives, support for special events has been predominantly justified by government and tourism agencies in terms of the narrow perspective of their economic contribution to the host economy (Hede et al. 2002). Further, Carlsen et al. (2001) claimed that the event tourism sector has been placed under increased scrutiny and that government agencies are having to be more accountable for their policies and programs, and particularly as the funding often involves generous incentives (Dwyer, Forsyth & Spurr 2005b), which can amount to many millions of dollars (Burns & Mules 1986). As a result of the publicity surrounding the justification and allocation of scarce taxation dollars, the general public has become more aware of the use of public resources in the pursuit of securing and funding major events (Crompton & McKay 1994).

Despite the continued use of economic impact studies, there appears to be a degree of scepticism about the methods and results of some of the economic evaluations. For example, Compton and McKay (1994, p. 33) claimed that many of these economic impact analyses 'are undertaken not to find the true impact, but to legitimise the event's public support'. Hence, there is often criticism of the government for its support of events, with critics declaring 'that the benefits do not exist or are exaggerated, or are not really benefits' (Burgan & Mules 2000b, p. 47). Moreover, the economic impacts from events may be unevenly distributed within the host region,

which has the potential to diminish ongoing public support for events (Chalip & Leyns 2002). As such, a broader method of evaluation is needed to counteract the reliance on economic evaluations.

Since the 1980's, an increasing number of researchers have called for a broader approach to evaluate the impact of special events (See, for example, Bramwell 1997; Burns & Mules 1986; Carlsen et al. 2001; Dwyer, Mellor, Mistilis & Mules 2000a; Faulkner 1993; Fredline, Raybould, Jago & Deery 2004, 2005c; Getz 2000; Hede et al. 2002; Laesser, Stettler & Rutter 2003; Ritchie 1984; Sherwood, Jago & Deery 2004; 2005a; 2005b). Amongst these researchers, one method that has gained credence is to evaluate the impact of events from a TBL perspective, which considers the economic, social and environmental impact of events (Fredline et al. 2004, 2005c; Hede et al. 2002; Sherwood et al. 2004, 2005a, 2005b). Bramwell (1997, p. 18) stated that 'events should be assessed from the outset in relation to the concept of sustainable development, with key indicators of sustainability being identified and then monitored over a long period'.

Fredline et al. (2004) proposed a conceptual framework that illustrated how TBL measurements could be integrated to enable an overall assessment of the impact of an event. This approach has particular merit, but in order for the framework to be operationalised, a suite of event-specific indicators needs to be developed, which measure the economic, social and environmental impacts and underpin the model. Indeed, Fredline et al. (2005c) suggested that substantial future research is needed to identify the most appropriate indicators to include in the model. Moreover, the TBL measures need to be aggregated so that an overall measure of an event can be achieved and standardised to enable a comparison to be made of the performance of a range of different events.

Therefore, the following research questions have been developed for this study:

What are the key impacts that are currently being used to evaluate the impact of special events?

Which indicators could be used to measure these impacts?

Which indicators would enable a parsimonious TBL evaluation of the short-term impact of special events to be gained?

Contribution of the Research

This research makes a number of contributions. Firstly, the study provides a synthesis of a large number of event evaluation-related academic publications and industry evaluations to identify key trends and crossovers in order to understand what impact have been used in event evaluations from an academic and industry perspective. Secondly, using a Web-based Delphi survey, the study identifies indicators that event experts see as most relevant, which can provide a platform for further studies to fine tune a TBL model for event evaluation. Thirdly, the study undertakes two full-scale TBL event evaluations, in which a subset of the indicators will be tested for their appropriateness for a parsimonious TBL evaluation model. This is one of the few examples of this type of broad-based analysis of the impact of events. The final chapters address these contributions in more detail.

Justification for the Research Research Problem

Since the 1980's, researchers have acknowledged the need for a broader approach to event evaluation than merely evaluating the economic impact. For example, Ritchie (1984) maintained that there was a need for a more comprehensive approach to the evaluation of the impact of hallmark events than was being used at the time. Similarly, Faulkner (1993, p. 18) noted that 'the monitoring and evaluation of environmental and social impacts of events has generally been perfunctory or nonexistent'. Getz (2000, p.21) concurred and claimed that 'there is a need for more standardised methodology for evalu-

ating events and their impacts; more comprehensive methods and measures of value must be used'. More recently still, Carlsen et al. (2001, p. 256) stated that 'a standardised model for evaluating tourism events has never been proposed in Australia, despite the need for such a model', and that the lack of a standardised approach limits the comparability between event evaluation results. 'There is potential for the development of an agreed framework for evaluation of tourism effects that could be applied to all major events' (Carlsen et al. 2001, p. 247). 'Clearly, there is needed some framework of analysis that can be used to help determine which events should be supported' (Dwyer et al. 2000a, p. 176). Nevertheless, despite the numerous calls for a broad-based model, it has yet to be developed.

Importance of Special Events and event Industry

The events industry has been divided into two distinct sectors, namely, tourism events (special events and festivals) and business events (meetings, incentives, conferences and exhibitions). Moreover, this division of the events industry is reflected in the structure of Tourism Events Australia. Whilst it is widely acknowledged that there has been considerable growth in the events sector as a whole, there does not appear to be any study that has determined the size of the tourism events sector in Australia. In the State of Victoria, however, the economic impact of major events in 2002-03 was estimated to be \$960m (Tourism Victoria 2005). Moreover, a recent study of the business event sector estimated the Victorian business worth to be \$770m per year in terms of expenditure (Deery, Jago, Fredline & Dwyer 2005).

In terms of the importance of the events industry from an Australian national policy perspective, the Commonwealth Department of Industry Tourism and Resources released a major White Paper (DITR 2005) in which it signalled that a new unit would be established within Tourism Australia called Tourism Events Australia. This division of Tourism Australia was launched in 2005 and the general aim was to 'focus on working with industry and government partners to attract major events and business tourism' (DITR 2005, p. 7). Fur-

thermore, from an industry perspective, one of the activities that Tourism Events Australia is to undertake is to develop a 'National base measurement for the economic, social, cultural and environmental impact of major events in Australia' (2005, p. 3). Hence, there was high-level industry recognition for a broader approach to event evaluation. Indeed, the present study formed part of a larger project that was supported by Tourism Australia to develop a TBL evaluation of special events. The support enabled the two special event evaluation case studies used in this thesis to be undertaken.

The results of this study will benefit organisations involved in the development or support of special events, such as state and territory tourism organisations and local governments, which are the main providers of funding for special events. The development of a broad-based approach to special event evaluation will provide a more holistic understanding of the impacts of events. This type of event evaluation will assist the decision-making process made by tourism agencies determine which special events merit support.

CONCLUSION

The analysis of events from a TBL perspective will bring events in line with trends in the wider business community, where the social and environmental impacts are being measured more frequently along with the traditional financial performance (Mays 2004). Although this study does not advocate that a TBL evaluation equates to a measurement of the sustainability of events, it will encourage events to be managed in a more sustainable manner. Recognition and measurement of the environmental impacts of events will better align events with broader destination tourism strategies such as the Ecological Sustainability Framework proposed by Tourism New South Wales (2003), which is being used to underpin an economically, socially and environmentally sustainable tourism industry. In addition, the development of a set of standardised measurements will enable comparisons to be made of the performance of a range of different events, which has been lacking in event evaluation.

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