Transformation of small and medium-sized enterprises in Pomerania due to organization of Euro 2012 with particular emphasis on the hotel industry

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31 December 2012

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Introduction

The implications of mega sports events for the organiser's economy remain virtually unexplored in Poland. The fact that our country was entrusted with organising the 2012 European Football Championship spurred interest in the issue. In the course of preparations to the event many doubts have arisen as to the actual cost-benefit balance affecting the hosting country. An attempt at arriving at the nagging question, i.e.: „Is organisation of such a large event profitable from the economic point of view?" is hindered by the specificity of events of the kind. This specificity is due not only to the huge scale of the projects pursued, but also to the long-term impact on the organiser's economy, stretching long beyond the several-year period of preparations.

The economic impact of mega sports events can be viewed from different perspectives. The most frequently indicated factors include changes in the GDP of the hosting country or region, changes in the labour market, development or upgrading of the infrastructure, and trends in the area of the tourist flow volumes. (Cashman, 2005), (Wasilczuk, 2010) The channels of impact from such huge events are, however, far more numerous and include: public, political, and cultural life, information, education, sport, and psychological aspects. (Wasilczuk, Zawadzki, 2011) While there is considerable literature on event impacts, few studies actually address the business activities and competitiveness behind them. In this paper, the micro level is considered, namely the potential impact of Euro 2012 on the business decisions in selected sectors, particularly connected with the mega sport event in the Pomeranian region.

Literature background

As was mentioned above, there are relatively few studies dedicated to impact of sporting events on the sphere of business. The vast majority are associated with the impact of infrastructure (Roche, 1994), (Essex, Chalkley, 1998), (Chalkley, Essex, 1999), (Chen, Spaans, 2009), changes in the flow of tourist (Deery et al., 2004), (Fredline, 2005), (Getz, 2005), (Weed, 2008) and creating new jobs (Baade, Matheson, 2002), (Hotchkiss et al., 2002) in the context of large areas.

Still, the long-term effects are certainly much easier to capture for a smaller area, since contribution to the overall business activity is doubtlessly highest at this level. Therefore Matheson (2006) postulates to focus on the smallest possible affected area, e.g. a city, perhaps a region, instead of the whole country. The SME sector plays an important role in the development of the region through its participation in the GDP and jobs; thanks to the SMEs allocative changes of production factors occur in the region as a result of seeking market niches, increasing business activity and efforts to develop SMEs (Strużycki, 2004).

Preuss and Alfs (2009) add that Major sport events may be perceived primarily as a public investment in the regional image and, thereby, be used as a signaling tool for the host as, for example, a business location, aiming at the reduction of informational deficiencies with regard to potential investors and visitors. The authors therefore do not focus on the corporate sector, but rather on the determinants that may affect the sector and decisions taken by entrepreneurs.

The confirmation of this thesis is the approach represented by Preuss (2007), who notes that a better business destination would be developed through event infrastructures such as an upgrade of the general infrastructure (notably traffic systems), knowledge understood as security and organisational and service skills, skilled labour, image as a business location, and political and business networks.

This dependence on a regional basis is called a local feedback (Wach, 2008). The city and the region where the event is being organized becomes more recognizable. It is perceived as being more attractive for investors, which should lead to an increase in investment. In addition, the event is associated with intensive promotion of agglomeration and the region, especially abroad. So, one can expect the improvement of the competitiveness of SMEs sector as well as the entire region.

Methodology

The research reported in this study focused on the relationship between UEFA Euro in Poland and the decisions taken by representatives of SMEs. Therefore, looking at those results in terms of general topic, I state that even the small impulse from the market would accelerate operations at the region's firms. I expected that perceived increase in demand, because of infrastructure spending, additional demand from visitors (during Euro 2012 and after), additional demand caused by multiplication effect, would encourage owners to increase their activities in the selected sector.

In order to evaluate the link between organisation of the Euro 2012 in Poland and the entrepreneurs' decisions, a questionnaire-based survey has been conducted. The main purpose was to identify the entrepreneurs' stance with respect to the opportunities and threats connected with organisation of the Euro 2012. In view of the above, the following set of questions was addressed to them:

1. What are your hopes in connection with the Euro 2012?
2. Do you anticipate any support in connection with the Euro 2012, and if so, of what kind?
3. Are you preparing for the Euro 2012 (planning to introduce new products or services, embark on investments aimed at enhancing your competitive edge, etc.)?
4. What problems can you see in connection with the organisation of the Euro 2012?

The survey was conducted under the direct interview method in October 2009, i.e. less than three years before the Euro 2012. Hence, one can request a fairly expansive approach to business and big business ambitions. If only 2 percent of respondents intend to reduce or eliminate the activity, it means that despite the economic downturn they perceive their prospects more optimistically. The population sample was made up of 300 businesses employing at least one person and no more than 250 people. In other words, the survey focused on the SME sector, except for the self-employed. The rationale for the latter's exclusion was that businesses hiring no employees were formed primarily to create jobs for their proprietors and their developmental potential was marginal. The surveyed businesses operated in Pomerania, and specifically in three municipalities: Gdańsk (40%), Gdynia (20%), and Sopot (10%), and their vicinities, i.e. the communes of: Kartuzy, Puck, Nowy Dwór, Tczew, and Wejherowo (30% in aggregate). The inclusion of the municipalities next to the tournament venue was obvious. However, it was resolved to go deeper into the neighbouring communities because of the assumption that entrepreneurs from outside Gdańsk and the Tri-City might join in the preparations for the Euro 2012. The distances from Gdańsk to the capital towns of the communes were: Kartuzy – 32 km, Tczew – 32 km; Nowy Dwór – 39 km, Puck – 57 km, Wejherowo – 45 km. The authors then selected the branches they thought should benefit most from the organisation of the Euro 2012. The survey comprised the following industries: hoteleering, transport, catering, and construction. Each industry was equally represented (25%). The tourist trade was consciously excluded from the survey, since a vast majority of firms operating in the industry deal with outbound tourism, which means that organisation of the Euro 2012 will be neutral to them. Most businesses included in the survey have a long history and enjoy a well-rooted position in the market. 15% of companies were established earlier than in 1990, 42% SMEs were formed between 1990 and 1999, which was the period of peak entrepreneurial explosion in Poland, 33% were set up in 2000-2006, and only 11% represented young firms with the history going back to 2007-2009. As concerns the legal form of the analysed entities, proprietor businesses predominated, which is typical for SMEs (44%), limited liability companies represented 34%, whereas joint stock companies and general partnerships accounted for 4% of the population each. The remaining 14 % of the respondents represented other legal forms, or did not answer the question.

In addition to a survey conducted three years before the Euro 2012 an analysis of the state of accommodation during the event. For this purpose one defined the requirements set by the UEFA to the host cities and the state of preparation of the hotel industry already during the final round. In the final part of the study the attempt to determine the impact of the legacy of the Euro on the development of the Pomeranian region was undertaken.

UEFA requirements to meet by the hosts in the field of accommodation

UEFA set out guidelines for the preparation of the hotel base for the four groups of recipients (UEFA):

- UEFA and the Event Company and their respective employees, officials and representatives;
- the delegation of each of the national associations which are participating in UEFA EURO 2012 (including, without limitation, players, coaches, medical doctors and officials);
- referees; and
- doping Control Doctors.

UEFA require one 5-star hotel in each Host City from the commencement of UEFA EURO 2012 until each match scheduled to be played in the relevant Host City has been played. These hotels will be used as UEFA and the Event Company’s organisational centres for the Official Sites in the relevant Host City. The number of rooms to be occupied during UEFA

EURO 2012 vary depending on a variety of factors including the final match schedule. Nevertheless, a minimum of 40 bedrooms should be available for UEFA and the Event Company throughout the required period. In addition, each of these hotels should provide four offices as well as one permanent meeting room and be no more than 45 minutes drive from any relevant Stadium.

In relation to accommodation centres for the 16 Teams, their delegations should be offered appropriate accommodation which satisfies the following requirements (UEFA):

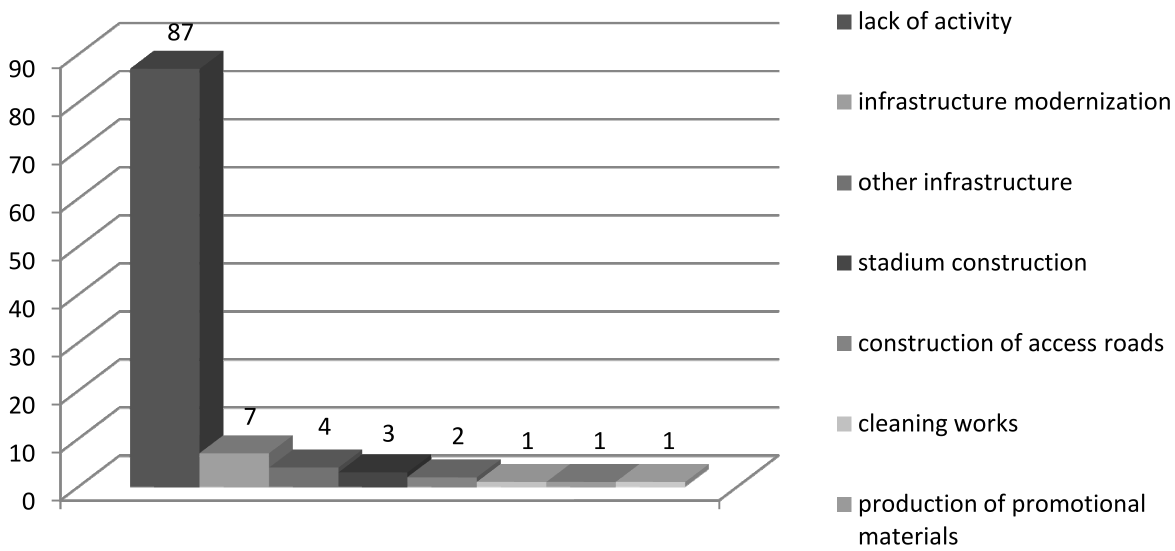
- most of the hotels offered should be 5-star but a few 4-star hotels should be offered for cost-conscious teams;
- the hotels should have recreational facilities (e.g. fitness rooms, swimming pool, billiards, etc.);
- a minimum of 60 rooms should be reserved at each hotel. Some teams may wish to book the entire hotel on an exclusive basis and others will permit members of the public (other than media representatives) under certain conditions. In each case, the team and the immediate staff require absolute privacy with segregated entrances and walkways;
- hotels should offer the possibility of installing team offices, team meeting rooms and specific rooms for medical treatment and massage;
- hotels should offer flexible food arrangements and for team’s cooks to use their kitchens;
- hotels should offer preferable rates with regard to bedrooms and meeting rooms/offices;
- it should be possible to implement strict security measures in and outside the hotels;
- bidders should present a good mix of city centre and country-side hotels.

Besides the specified requirements, UEFA indicate the need to prepare accommodation for other target groups such as Commercial Partners, media and broadcaster representatives and supporters, nevertheless in this case specific, detailed guidelines have not been determined.

The results of the survey among Pomeranian small and medium enterprises' representatives

Entrepreneurs can actively prepare for the event so as to generate additional profit in the phase of preparation to it or in its course. Alternatively, they can remain passive watching for the potential changes following the event, and only then make decisions about injecting additional funds in the business, if any. Due to research 87 per cent of the surveyed companies did not conduct any activities related to the organization of Euro (Fig. 1).

Figure 1. Involvement of businesses in the SME sector due to the organization of Euro 2012 [in %] (more than one answer possible)



Source: Author's own.

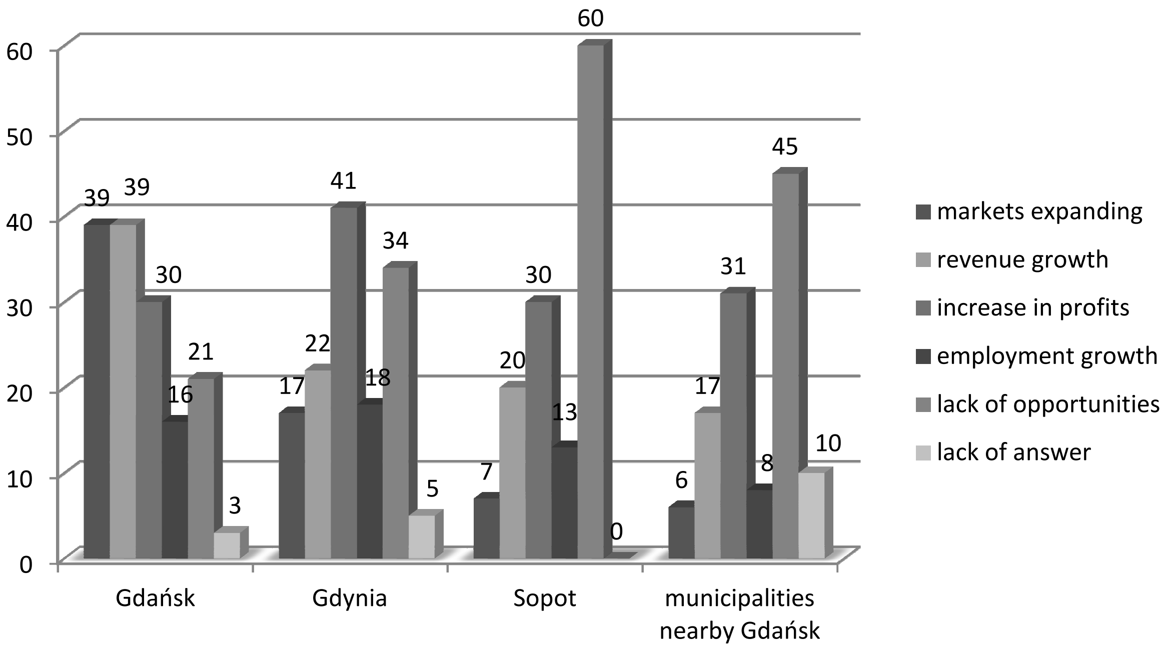
These results confirm that many small and medium-sized companies are established ad hoc, using this opportunity at a time. Rarely comes to planning activities, especially in the long term. Such a high percentage of companies not planning to engage may also indicate the absence of Euro 2012 in the minds of entrepreneurs at the end of 2009, when the study was conducted.

The research results In the figure 2 indicates the fact that Pomeranian enterprises anticipated however the possibility of utilization of Euro effect. Only 21% of companies in Gdańsk did not see any prospects for development.

Most, because 39% of them have suggested the possibility of expanding the market and revenue growth.

Apart from Gdansk most opportunities to use the fact of the organization of Euro 2012 saw the companies from Gdynia. In turn the most pessimistic were enterprises from Sopot.

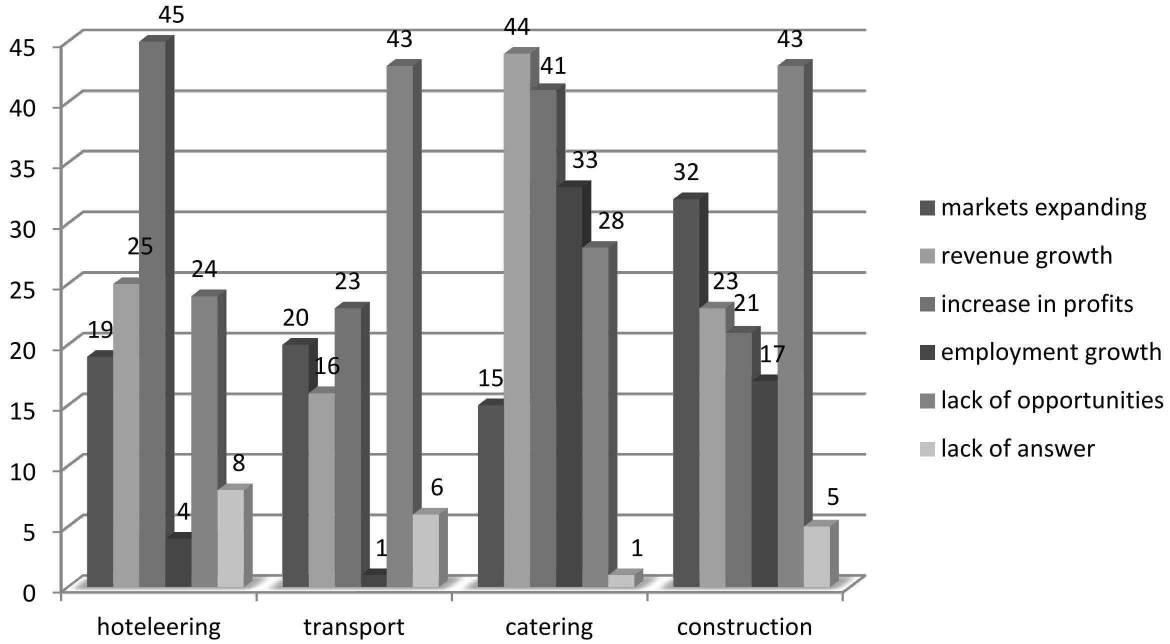
Figure 2. Opportunity for the development of enterprises in relation to the Euro 2012 depending on location [in %] (more than one answer possible)



Source: Author's own.

If one take into account the impact of the industry on the perception of opportunities for development, the best prospects in the organization of Euro 2012 predicted units from hotel and catering industry, mainly specifying the opportunity to revenue growth grow revenue and increase in profits (Fig. 3). Much worse projections were shared by companies in the transport and construction industries. Having regard to the units which have not answered, almost half of the companies in these two sectors did not see growth opportunities in relation to the Euro.

Figure 3. Opportunity for the development of enterprises in relation to the Euro 2012 depending on sector [in %] (more than one answer possible)



Source: Author's own.

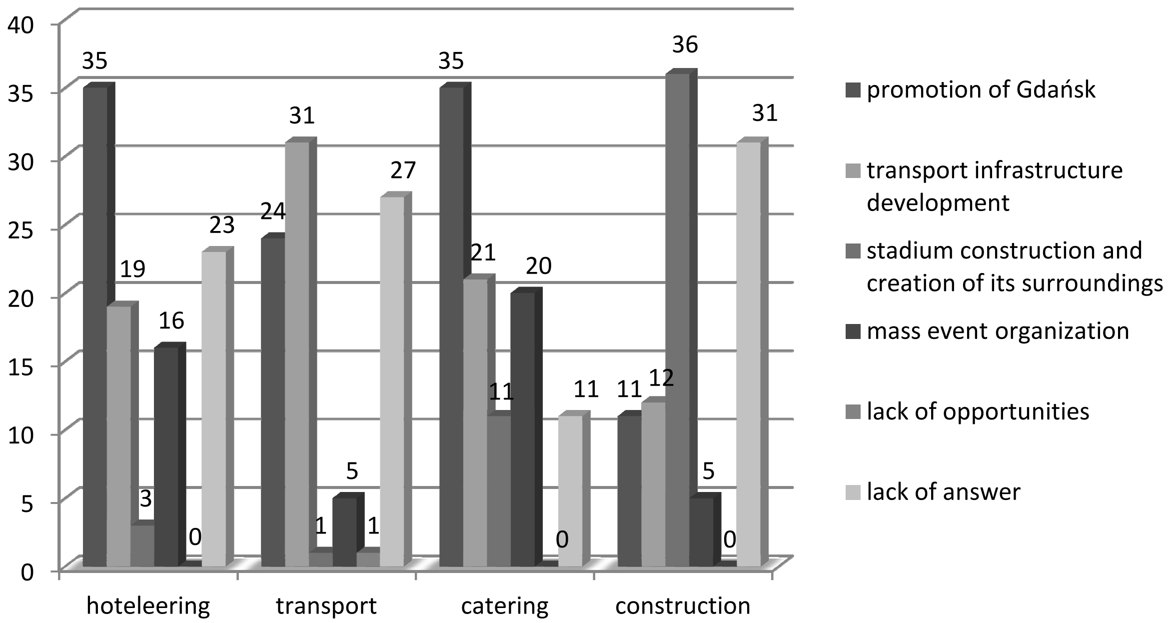
Such state of affairs can be explained by the positive correlation between the increase in the number of tourists and the increase observed in the hotel and catering sectors. In the construction industry merely the greatest units may expect the lucrative contracts. Smaller companies can apply only to subcontracting.

On the other hand, considering the transport services it was difficult to clearly determine which channels the fans get into Polish. There was also a lot of risk that the necessity to move around the various host cities would be solved by modernized, efficient public transport.

Surveyed entrepreneurs were asked to indicate the changes taking place in Gdansk, which were associated with the greatest opportunities for growth(figure 4). The hotel and catering industries associated highest hopes with the promotion of the city.

The specificity of these industries is the fact that they always benefit the promotion of the region because it is related to the influx of tourists and the increased demand for the service offered by these industries. Not surprisingly, most transport companies involve their chances with the development of transport infrastructure. However, the construction industry counted most on building the stadium in Gdansk and the creation of a new district in surroundings of this building.

Figure 4. **Changes in Gdansk and the perception of opportunities by sectors [in %] (more than one answer possible)**



Source: Author's own.

Analyzing the results of the research prospects of the hotel industry in Pomerania relative optimism should be noted that representatives of the industry combined with the organization of the Euro 2012. In comparison with the representatives of other sectors, they have high hopes pinned primarily due to increased revenues and profits as a result of the expected increased flow of tourists. With the promotion of the city of Gdansk hoteliers long before Euro predicted chance of developing its activities after the event.

Development of the tourist accommodation in Gdańsk in relation to the organization of Euro 2012

Before the event, in accordance with the requirements set out by UEFA there was a need for the development of tourist services infrastructure, which led to the necessity in prior preparation and development of the hotel base. Therefore, there was an increase in the investment made in the hotel industry. In preparation of accommodation for the teams, UEFA Family and fans a special purpose vehicle PL.2012 along with host cities engaged in intensive action to ensure the preparation of a suitable accommodation.

In each city run municipal coordinator for accommodation, which cooperated closely with the national coordinator of accommodation. The main objectives of accommodation area indicate: (Sprawozdanie..., 2012)

1. Accommodation centers for teams – Poland indicated 21 locations in the official catalogue of centres sent to 53 European Football Federations. From 16 teams of finalists as many as 13 teams chose the stay in Poland (not Ukraine) what is outstanding evidence for the quality, the standard and fulfilling the expectations of the teams.

2. UEFA Family hotels – according to UEFA guidelines Poland should prepare a sufficient number of rooms in the highest standard 4 and 5 stars in various host cities ,i.e..: Warsaw – 6.100, Gdańsk – 3.075, Poznań – 2.765, Wrocław – 2.745. The total fulfillment of these requirements by the cities took place at the turn of 2011 / 2012, when the official agency for the accommodation guaranteed UEFA the appropriate number of rooms.

3. Accommodation for fans – due to the number of fans which arrived in Poland this operational task was the most difficult in the area of the accommodation. Cities, based on hints of UEFA experts identified a range of accommodation within 2 hours drive from the stadium. According to these data the number of existing accommodation ensured an adequate number of beds for the fans, which was confirmed during the tournament among others with fact of appearing of vacancies in hotels, available on match days.

In June 2012, there came to Poland 652 thousands of fans from 119 countries (Sprawozdanie…, 2012). Apart from hotels, at fans' disposal there were also available: motels, boarding houses, hostels, private rooms, farm tourism boarding houses, halls of residence and campings. The following table presents a list of available accommodation databases in Gdansk, along with the regions located within a 2 hour drive from the PGE Arena stadium.

Table 1 Availability of accommodation in Pomerania in relation to Euro 2012

Specification	buildings	rooms	beds
hotels	193	9118	19111
non-categorized objects	6 178	41846	149583
hostels	5	22	153
motels	7	98	230
guesthouses	63	466	2148
farm tourism boarding houses	842	3517	12889
apartments	57	198	653

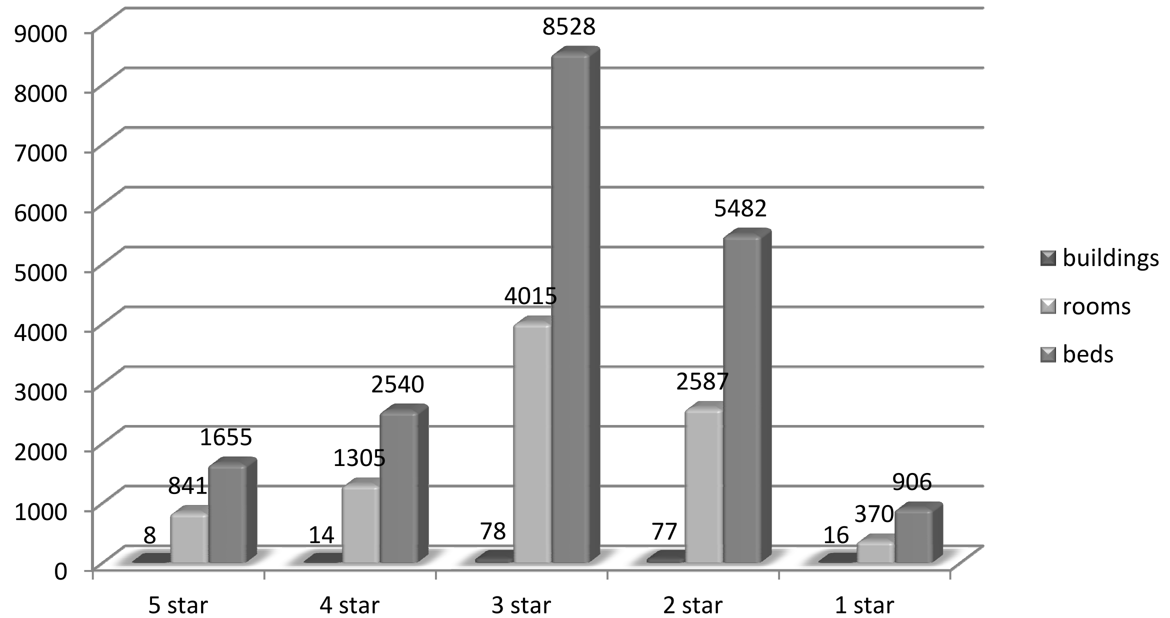
halls of residence	25	2468	6012
campings	96	498	5713
Razem	**7466**	**58231**	**196492**

Source, Author's own based on: (Sprawozdanie…, 2012).

From the point of view of the number of the offered accommodation facilities in Pomerania, it is worth emphasizing the great importance of private quarters which are included in the category of non-categorized buildings. The total number of beds with their involvement is exceeding the total number of all remaining units repeatedly.

A presence of halls of residence is also paying attention. Some universities, such as Gdansk University of Technology decided to shorten the academic year, in order to be able to offer a place in the halls of residence for visiting fans.

Figure 5. Number of hotels, rooms and hotel places in Pomerania divided into categorization

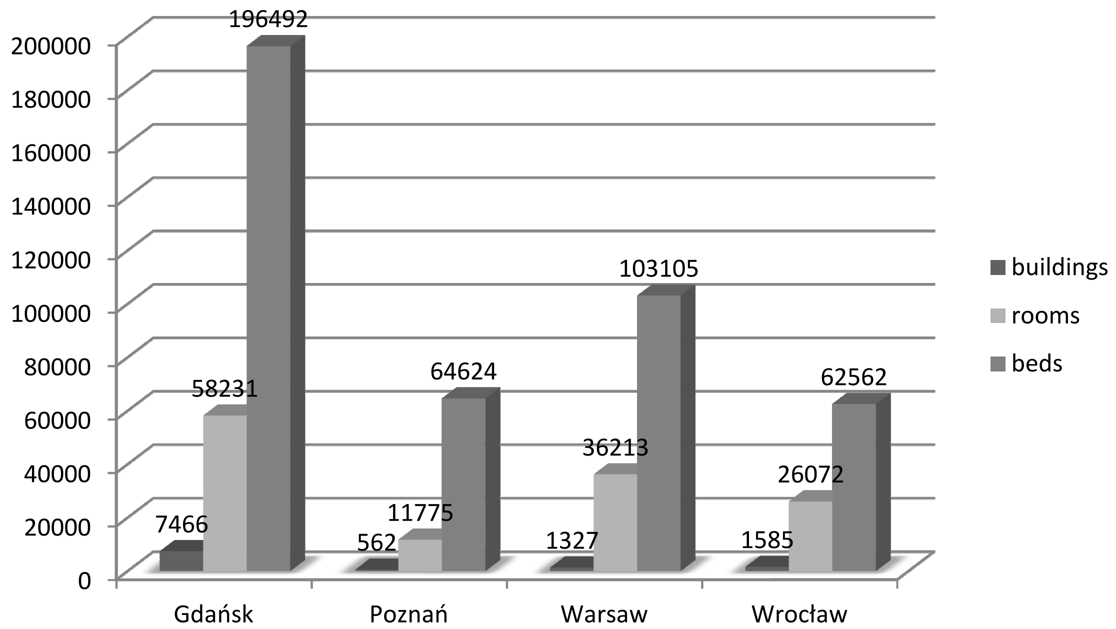


Source: Author's own based on: (Sprawozdanie …, 2012)

For most hotels there were prepared three-star facilities,not much less two-star. The least, not surprisingly, were offered hotels with the highest, five-star category. Despite this, the number of rooms and beds exceeded those which were in the offer of the lowest standard hotels (Figure 5).

It is worth noting that Gdańsk and wider the Pomeranian region can boast of the largest number of available beds among all Polish Euro 2012 host cities / regions (figure 6). In terms of the number of buildings, rooms and beds the Polish capital - Warsaw were even overtaken.

Figure 6. The total number of accommodation places divided into host cities



Source: Author's own based on: (Sprawozdanie …, 2012).

Moreover Tri-City in Poland, which consists of Gdansk, Gdynia and Sopot, achieved with regards to hotels the highest average daily rate (ADR) across all the Polish cities during the tournament, with ADR reaching €225.61 (+199.3 percent). The city also managed to keep ADR level close to €220 during the games played there: ADR reached €219.94 (+169.9 percent year to year) on 14 June, €222.46 (+176.5 percent y/y) on 18 June and €240.43 (+219.9 percent y/y) on 22 June.(http://www.hotelnewsnow.com/Articles.aspx/8472/Daily-hotel-performance-data-from-EURO-2012; date: 25.10.2012)Naturally It does not change the fact that the hotel sector whilst benefiting from the influx of visitors on the night of a game, still had rooms available throughout the championship period. The average length of stay was a short one and was 2 days. The total occupancy of Pomerania hotels is estimated at 75%.

The impact of the legacy of Euro 2012 on tourism in Pomeranian region

The mega sport events tourism legacy is largely positive because the media coverage increases the desire of potential tourists to visit the country after the tournament due to change in perception. From the economic point of view it is interesting to look at the infrastructure that was built for the event and its post-event impact. Chalip (2003) demonstrated that many sport facilities ran at the deficit or were torn down because they were too underutilized. The UEFA evaluation commission puts great weight on the accommodation structure when visiting the applicant cities during the bid process. Cities have to provide at least thousands of hotel beds during the event time.

Owing to the fact that hotels are private properties, the huge demand for hotel rooms in order to successfully bid for the event, forces local governments to provide public incentives for private hotel construction. Both, the opportunity to get subsidiaries and high expectations in the games like European Football Championships may create an oversupply of hotel rooms after the event. It must be questioned whether a possible gain in image and the publicity effect of the mega sport event will suffice to increase the bed supply for the few days of the tournament in such a way that an adequate occupancy rate of the hotels after the event can be achieved. A new image and higher awareness, new and upgraded infrastructure and additional tourist attractions will increase the post – event tourism. However to what extent, depends on the ability to use the short Euro effect to leverage tourism.

Conclusions

The organization of Euro 2012 in Pomerania was an event without precedent. Never before has such a large event had no place in Poland. The consequence of this state of affairs is unprecedented scale of the changes in the infrastructure environment.

These changes flow to the SME sector, which attempted to capture the benefits from the fact of the Euro organization, although the results of the research presented in the article indicate the exceptional restraint in this regard. As many as 87% of the surveyed companies had not taken any action before the final tournament, even though they treated the event as a chance to develop. Because of football meetings played in Pomerania the hotel business was an industry which expected the greatest benefits. It should be emphasized the importance of promoting the city and wider the whole region for the future operation and development of this sector.

Pomerania region turned out to be the best prepared to accept hundreds of thousands of visitors - football fans. In quantitative terms, the extent of various types can be counted at almost 200 thousand beds. The number of hotels rose, including those of the highest standard. At this moment in Gdansk and the surrounding area there are eight five-star facilities.

Significant is the fact of using the Euro by hotels, which is reflected in the increase in the average price of accommodation.

Gdansk led in this regard across the country reaching an annual ADR growth close to 200 per cent. It is a surprising growth in terms of its scale, which, however, was not discouraged potential tourists to use hotels. It is Evidenced by the high 75 per cent occupancy rate of the hotel beds throughout the duration of the tournament.

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