

THE CHALLENGES OF HOSTING MAJOR EVENTS OWNED BY INTERNATIONAL FEDERATIONS: A CASE STUDY OF THE 2014 CHESS OLYMPICS

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This article focuses on the challenges of hosting events owned by international federations. The empirical data is from the Chess Olympiad, which was hosted in Tromsø, Norway, in 2014. The organizers met several unforeseen problems, some of which were due to lack of experience and strategic misjudgments. Some of the problems were also the result of conflicting interests with the owner of the event, the International Chess Federation (FIDE). The article gives insight into the strategies international federations can use to strengthen their power in such situations. FIDE tried on several occasions to induce bidding wars, and the effort was successful when the auctions had the character of a secret auction. The local organizers came out of the auctions the best when they could communicate with their rival, in this case the city of Albena, Bulgaria. The article paints the picture of an international federation that was willing to go quite far to exploit the power at hand, including the use of instruments of an unethical character.

Key words: Major events; International federations; Conflicting interests; Cost overruns; Auctions; Moral attitudes

Introduction

Hosting major events can bring about a number of challenges for the local organizers. Recent history includes several incidents where the revenues have been lower than anticipated or the costs higher than budgeted. Many of these incidents have been problematic for the organizers, the host cities, and the respective national federations (Andreff, 2012; Flyvbjerg & Stewart, 2012; Hultkrantz, 1998;

Solberg & Preuss, 2015). The applicants have to pay fees, plus additional fees if they are awarded the events. In addition come the costs of hosting, which depend on the nature of the event. Some require investments in venues and infrastructure in addition to the operational costs. Many organizers have had to deal with unexpected tasks and requirements after the awarding, some of which have been very costly.

The objective of this research is to analyze the factors that can influence the costs, but also the

revenues, of hosting events owned by international federations. We will pay special attention to the behavior of the local organizers and the owner of the event, as well as the relationship between them. The empirical data are from a case study of the 41st Chess Olympiad, which was hosted in the city of Tromsø, Norway, from August 1–15, 2014. The event is owned by the International Chess Federation (FIDE). The research focuses on the whole process, that is, from when the idea of applying for the event was launched until the organizing committee was closed down. So far, most of the academic research has focused on mega-events, and particularly on the investments. Because this article focuses on a medium-size event and operational costs and revenues, it contributes to filling a gap in the research. Therefore, we expect the analysis can make future organizers better prepared to host events of a similar nature and size.

The theoretical perspectives are based on elements from principal-agent theory, auction theory, and ethical theory. The hosting of such events usually involves several principal-agent relations. Very often, the government serves the role as principal, while local stakeholders (e.g., the tourism industry, entrepreneurs, the local public sector) and national and regional sports federations operate as agents, sometimes together with the event owner. The most popular events are awarded by auctions. After the awarding, there can also be situations where the behavior of the stakeholders involves ethical dilemmas. For example, how far are they willing to go to achieve favorable deals? In other words, the willingness to exploit the power at hand. We paid substantial attention to the relation between the local organizer (COT2014) and the International Chess Federation (FIDE), and the cases where there were conflicting interests.

The article is organized as follows. The next section presents details about the event and the preparations. The following section focuses on theoretical perspectives that can provide insight into the strategies of the two stakeholders, FIDE and COT2014. This will involve elements from auction theory and ethical theory. Next is an overview of methods and data collection. We then present the main findings. The section after that discusses

these findings on the basis of the theoretical perspectives, while the final section concludes.

The FIDE Chess Olympiad

The Chess Olympiad is the principal team competition organized by FIDE. The first official Olympiad was hosted in 1927, in London, UK. Since then, it has been held regularly every other year, except for the period from 1939 to 1950. FIDE awards the tournament 4 years before it is scheduled to commence, and opens its bidding procedure no later than 1 year before that. The General Assembly awards it based on the number of votes received by each candidate organizer (http://www.fide.com/FIDE/handbook/chess_olympiad_regulations.pdf). In addition, the organizer of the Olympiad must also host the annual FIDE Congress during the same period.

The initiative to host the 41st Chess Olympiad was taken by the Norwegian Chess Federation (NSF), which planned it as a part of the celebration of its centenary in 2014. According to informant F, the tournament should be “the finest gift to the members of the Norwegian Chess Federation.” However, this added a vulnerable dimension to the project. If the 2014 tournament had been awarded to others, it would not have been an option to apply for the next Olympiad in 2016.

The tournament attracted 1,518 players from 167 nations. In addition, 430 delegates attended the FIDE Congress, which was hosted in the same period. In total, the two events attracted 3,250 visitors to the city. This generated 53,100 bed nights, of which 50,400 were commercial. A total of 102,500 meals were served, excluding breakfast. Although these figures are significantly lower than for mega-events, the impacts were nevertheless very noticeable in a city of 72,000 inhabitants.

An organizing committee jointly organized by Tromsø municipality (90%) and the Norwegian Chess Federation (10%) was established in May 2008. Before the application, the city of Tromsø had ambitions of hosting the 2018 Winter Olympics. The Chess Olympiad was a part of the preparations towards the “real” Olympics, although no formal agreement existed. However, in October 2008, the Olympic application was withdrawn after

a research bureau predicted the costs to exceed the initial budget by 60%. Despite this, Tromsø upheld its plans of hosting the Chess Olympiad.

Literature Review

Theoretical Context

In general, cities and nations have competed for major international sports events. The Olympic Games during the first years of this century have had an average of eight applicants, while the FIFA World Cup has had an average of five applicants (Source: <http://gamesbids.com/eng/past-bid-results/>; http://de.fifa.com/mm/document/fifafacts/mencompwc/51/97/81/fs-201_13a_fwc-host-announcement.pdf). A similar pattern applies to events of a medium size. One such example is the FIS World Skiing Championship, Nordic Games, which for the last eight awardings have had an average of 3.75 applicants (<http://www.fis-ski.com/>).

However, there have also been periods of exceptions. During 2014 and 2015, several cities withdraw their bids for the Olympics in 2022 and 2024. Similar attitudes appeared in Brazil prior to the 2014 FIFA World Cup, where many residents strongly opposed the hosting. This, despite the fact that Brazil is one of the leading football nations in the world.

One reason for this resistance has been the many incidents of cost overrun, which have received substantial attention in the literature (Andreff, 2012; Flyvbjerg & Stewart, 2012; Müller, 2014; Solberg & Preuss, 2015). Some local organizers have found themselves in deep financial crisis after the party was over. One example was the 1995 IAAF World Championship in Gothenburg, Sweden, which left the National Athletics Association on the verge of bankruptcy. In the end, they were saved by the Swedish government to avoid embarrassment for a nation whose capital city, at that time, had been selected as a candidate for the 2004 Summer Olympic Games (Hultkrantz, 1998). The city of Oslo, Norway, had similar experiences with hosting the 2011 FIS World Skiing Championship, which had significant cost overruns in the venues (Solberg & Preuss, 2015). Another problem has been the incidence of “white elephants,” which refers to stadiums

specially constructed for the event with a capacity well beyond the local demand in the period after the event (Alm, Solberg, Storm, & Jakobsen, 2014).

Although the events mentioned above are of larger size than the Chess Olympiad, it is necessary to bear in mind that the effects also depend on the size of the event relative to the city. In a small city, events of a moderate size can create impacts that are similar to mega-events in a metropolis. The Chess Olympics in Tromsø was one such example. The visitors occupied almost 100% of the hotel capacity.

Principal-Agent Relations

As mentioned, the government often operates as a principal by funding the events. A rationale for governmental intervention exists if the event creates positive externalities and merit goods. This can be promotion of the host city as a tourist destination, or health benefits if the event motivates people to exercise more or participate in other activities of similar character. See, for example, Stiglitz (2000) and Gratton and Taylor (2000) for in-depth discussion. Some of the stakeholders who benefit from the events operate as free riders, enjoying the benefits without funding the costs. This can apply to the local tourism industry, but also national and international sport federations. Therefore, they often expend effort on lobbying the government to fund the events.

The academic literature has documented that the benefits from hosting the events do not correspond with the investments if measured purely in monetary terms (Chalip, Green, & Hill, 2003; Gripsrud, Nes, & Olsson, 2010; Müller, 2014; Zimbalist, 2015). This pattern applies to both the short- and long-term impacts. The tourism impacts are often lower than expected, partly because of crowding-out impacts. Ordinary tourists who normally visit the city stay away due to fears of lack of accommodation and/or expectations of high prices. See Preuss (2005) for a detailed discussion of the factors influencing the short-term effects. A similar pattern applies to the long-term effects. A survey among Norwegian residents showed that the respondents who followed the events in the media were more tempted to visit future events

elsewhere in the world than to visit previous host destinations (Ulvnes & Solberg, 2016). The research has not found evidence that hosting mega-events creates sport participation legacies, that is, an enduring increase in sport participation in the host nation (Brown, Essex, Assaker, & Smith, 2017)

Auction Processes

The most popular events are awarded by auctions. In addition to paying fees, the organizers have to fulfill other requirements set by the owner, some of which can be costly, for example, investments in venues and infrastructure. The circumstances in which the auctions are staged can also affect the distribution of costs and revenues between the local organizer and the owner. If many applicants are eager to host the events, this allows the owners to add on requests without worrying about the costs. Sports federations compete with each other to attract fans and sponsors, and their most prestigious events are usually the most efficient instruments for outreach. This makes it important that “the rest of the world” get a positive impression of them in the media.

The outcome of such situations depends very much on the distribution of power between the bidders and the owner. The more bidders, the more powerful is the owner, and vice versa. When auctioning the event, the owner can choose between open and secret auctions, or a combination. In open auctions (known in the literature as English auctions), the players’ strategy in the series of bids will be a function of the following factors (Rasmussen, 2001): their own evaluation of the item; their prior estimate of other bidders’ valuations; and the past bids of all the players.

The dominant strategy will be to keep bidding just small amounts more than the previous bid until it reaches one’s own valuation, and then to stop. What is decisive is the gap between the two bidders with the highest reservation prices. The narrower it is, the more the winner will have to bid, other things being equal. In a secret auction, the bidder with the highest valuation will face two potential traps. Firstly, there is the risk of bidding more than necessary, that is, “leaving money on the table.” Secondly, by being too greedy the bidders will risk losing events they could have won if informed

about the rivals’ bids. The bidders will have to balance these two contradictory threats when deciding the strategy. For further discussion of alternative strategies, see McAfee and McMillan (1987).

Given the right circumstances, the applicants can avoid bidding wars by agreeing to collaborate. This will strengthen their market power towards the auctioneer. However, applicants of one-off events will find it difficult to collaborate. Many cities only bid once, and if they bid more often they are likely to meet new rivals on every occasion. This makes it difficult for the bidders to collaborate. Some federations have procedures where they first elect candidates who then are allowed to operate as candidate cities before the awarding. However, during this period the candidates are aware of each other and hence able to collaborate, given the right circumstances.

Auctioneers who fear the bidders will collaborate are advised not to stage an English auction. When all the information is made public, this can discipline the bidders to uphold the collaboration. If one of them breaks away from the agreement, the others will discover it immediately. The outcome can be bidding wars, which in the end will be unfavorable for all the bidders. Avoiding such a scenario can have a restraining effect on the applicants.

This is different in secret auctions, where any violation of such agreements is undiscovered until the event has been awarded. At that stage, it is impossible to penalize those that broke away from the collaboration. If there is no “next time,” there is neither any risk of retaliation.

Ethical Challenges

For the organizer, the financial challenges are not over once the contract with the owner has been signed. History has many examples where unforeseen incidents have affected both the cost and revenues. This has also involved disagreements between the organizer and the owner. In such cases, the *distribution of power* very often affects the outcome of the disputes. Powerful stakeholders may behave opportunistically and not comply with the agreements in the contracts.

According to Weber (1947), power can be defined as “the probability that one actor within a social relationship can carry out his own will despite

resistance” (p. 152). Weber considered legitimacy and power as distinct attributes that, combined, can create authority. However, unless the stakeholders have either the power to enforce their will in the relationship or the perception that their claims are urgent, they may be unable to influence others. Mitchell, Agle, and Wood (1997) argued that *urgency* exists only when two conditions are met:

- a relationship or claim is of a *time-sensitive* nature, and
- the relationship or claim is *important* or *critical* to the stakeholder.

They defined urgency as the degree to which stakeholder claims call for immediate attention. However, it is important that both conditions are met. Time sensitiveness can take several dimensions. Such events have a fixed deadline and will not be postponed no matter what reason. However, time sensitivity alone is not sufficient to identify a stakeholder’s claim or “manager relationship” as urgent. In addition, the stakeholder must view the claim as critical or highly important. If it is of special importance to host the event in a specific period, this can add a dimension of urgency for the organizer.

Situations of urgency can also challenge the ethical attitudes of the stakeholders. If some of them use instruments of an unethical character, this can force their counterparts to do the same. The choice of strategies can also be affected by cultural differences, for example in interpretation of *trust*, which in turn can affect the choice of strategies. Such cases can be analyzed by Gauthier’s (1990) theories about *the rationality of an egoist*, which refers to situations where moral acceptance is adjusted to the situation. Which instruments and strategies are acceptable can vary between cultures. Some cultures have characteristics of *low-trust societies*, while others have *high-trust societies*, according to Fukuyama (1995).

Low-trust societies can be societies where family companies traditionally drive the economy. The control mechanisms in such contexts are mainly based on how those in power define what is trustable or not. The process of trust depends on the premises set by those in charge of the business negotiations (Fukuyama, 1995). This is different in

a high-trust society, where the government usually administers the economy. The premises of trust in these societies are organized and controlled by the governmental institutions. These mechanisms of defining and practicing trust may be challenging in contexts where different cultures of trust meet at negotiations. When the decision-making processes are defined and led by representatives from low-trust societies in mixed cultural contexts, the negotiations will be affected. The context of internal premises of trust in a low-trust society becomes the leading structure of the negotiation processes.

In a context with mixed approaches to the understanding of a legitimate set of principles of justice, the negotiation process in a general practice may become a moral challenge. The definition of morals in competitive or potentially cooperative situations is an agreement on benefits that also makes room for an understanding of justice that includes the willingness to negotiate on the morals, as well as the benefits. In such situations, morals may adjust to the negotiation process as the “principle of minimax relative concession” (Gauthier, 2001, p. 45). The parties want the agreement to be as beneficial as possible, relative to the possible outcome (Gauthier, 2001; Rawls, 1999).

Many local organizers are nonprofit organizations. A central aspect of the process between them and the owner of the event is agreeing on the strategies that are acceptable in the negotiation. The agreement on negotiation becomes a principle of rational action (Gauthier, 2001), making justice a part of the development relative to the prospects of advantage. The understanding of justice between the parties in a competitive situation adjusts to the context and affects the behavior of the parties (Gauthier, 2001). The bargaining becomes a prison to the parties and limits their individual maximizing process (Gauthier, 2001).

This sets both morals and benefits at stake in every relation and situation. Those mechanisms also have to be interpreted in light of the cultural and ethical–political frames of the negotiating parties. In every relation, there is a demand for trust, meaning the expectation that the other party is doing what she or he has promised (Grime, 2009; Hardin, 2002). Differences can exist regarding how to understand the premises of trust and how those premises are controlled to verify trustworthiness. Challenges

appear when the internal cultural expectations of behavior diverge from the external ethical–political frames of a society. This does not devalue internal norms of behavior to being unworthy indicators of trustworthiness. Trustworthiness inside a defined fellowship is not necessarily trustworthy in the external ethical–political frames of a society. Cultural differences in trust relations between representatives from different overarching frameworks may be a challenge.

Trust is contextual, meaning that trust in one culture, fellowship, or relation is not necessarily comparable in other cultures, fellowships, or relations. An international sports federation appears to be a conversant world, a defined fellowship within the society in accordance with Luhmann's (1979) definition. The characteristic of a conversant world is the common history, experiences, and recognition that give trust and are experienced as trustworthy (Luhmann, 1979). Those elements form the fellowship and the participants' expectations towards each other. This presupposes a certain degree of system trust (Luhmann, 1979) in the framework of the fellowship. Trusting the fellowship as a system is important for establishing trustworthiness. Trusting the federation as an overarching system also assumes that the federation has trustable internal control mechanisms.

Methods

Data Collection

The main purpose of this research was to analyze the circumstances event organizers can meet when hosting events that are owned by international

federations, with special attention to factors that can influence the revenues and costs. We conducted seven in-depth interviews with informants who were directly or indirectly involved in COT2014. This included members in leading positions in the Norwegian Chess Federation, one of whom had previously been a vice-president of FIDE and on some occasions also served as its legal adviser. The others were representatives of the host city. All of the informants had had their hand on the process during their involvement, and therefore we expected them to have knowledge and insight. Our focus was on the perspectives of the informants who were directly involved in the application process, the preparations, and the hosting of the event. This involved their stories, experiences, understandings, and evaluations. We adopted a phenomenological approach, using a semistructured interview guide. The interviews lasted for between 1.5 and 2.5 h. Table 1 provides an overview of the informants. The interviews were conducted face to face, except for one video interview on Skype. All interviews were recorded.

The interview guide covered the following topics:

- the motivation to host the Chess Olympiad;
- the expectations the organizer had and to what degree they were satisfied;
- the competition for the event;
- the process after the awarding: factors influencing the costs and revenues, directly and indirectly;
- the relationship between the organizing committee and FIDE as owner of the event;
- cultural differences and similarities between the organizer and FIDE;

Table 1

Informants

Informant A	General manager of COT2014
Informant B	Board leader of COT2014, 2008–2010
Informant C	Commissioner of Tromsø's city council, Department of culture, business and sport 2011–2015
Informant D	Mayor of the city of Tromsø, 2007–2011. Member of project group established by the municipality of Tromsø and the Norwegian Chess federation from 2006 to 2009, whose purpose was to prepare the application for the Chess Olympiad.
Informant E	President of the Norwegian Chess Federation 2007–2015 and vice board leader of COT2014 during the whole period.
Informant F	Previous vice president of FIDE 2001–2007 and also operating as juridical adviser for a period of five years. Hired by COT2014 as adviser during the whole period.
Informant G	Board leader of COT2014 2013–2014

- requests made to the organizer and the consequences they had; and
- important experiences the organizer had after finishing the event.

The interviews as well as the analyses of them were based on the guidelines of Kvale (1996) and Tjora (2012). In the first analysis of the interviews, we coded the information in order to easily identify the factors that directly and indirectly influenced the costs and revenues. The interviewees took place more than a year after the tournament was finished and some months after the organizing committee had been closed down and the financial results completed. This reduced the motives for strategic answering in case such motives had existed. The interviewees spoke openly about their own misjudgments during the process, as for example the optimistic sponsor budget. They also admitted to having used instruments in the ethical grey area. On the basis of this, we consider their information trustworthy. That the media's coverage of the event corresponds with the information we received in the interviews further strengthens the credibility of our sources. We have read a significant number of articles about the Chess Olympiad and FIDE in web editions of newspapers and magazines. This included interviews with people who had their hands on hosting the event. Such secondhand data were a useful supplement to the primary data.

We have also collected information from several documents. This included four internal reports that analyzed alternative strategies during the application process, which were written before the awarding. These reports were written for the organizing committee and were confidential at the time they were written.

One source was a report written by the managing director of COT2014, which provided information about all the practical matters, including detailed information about factors influencing the revenues and costs (Chess Olympiad Norway, 2014). This report was published in March 2015 and covered the whole process, from the very start until the very end. It consisted of the following five sections:

- a. the intention, application, and awarding process;
- b. the preparation process;
- c. the implementation process;
- d. evaluation of the objective achievements; and
- e. the financial results, 2007–2015.

The organizing committee hired two consulting firms to measure the economic impacts from the tournament for the host city and for Norway. Their report covered the period from 2008 to 2014 and was published after the tournament was completed (Norway Convention Bureau [NCB]/Pricewaterhouse Coopers [PwC] COT2014: Verdivurdering av Sjakk OL i Tromsø)

FIDE's regulations provide detailed information of all the practical matters and procedures for the Chess Olympiad, including the requirements of the organizer. This also includes the procedures related to the application and the awarding of the tournament (https://www.fide.com/FIDE/handbook/chess_olympiad_regulations.pdf)

The documents include the juridical documents from Nord-Troms County Court on the conflict between COT2014 and the Russian Chess Federation related to the late enrollment of the Russian female team. They provide detailed information about the incidents and both parties' arguments, as well as the reasoning for the outcome, which was in favor of COT2014.

Results

Findings

The Chess Olympiad did not go as planned in economic terms. COT2014's final account showed revenues of €15.9 million (NOK 133.5 million) and costs of €16.4 million (NOK 137.6 million), and hence a deficit of €0.5 million (NOK 4.1 million). This was so problematic that one creditor submitted a bankruptcy petition to the organizing committee after the tournament was finished. However, the petition was withdrawn after COT2014 offered the creditors 90% of the debt (<https://www.nordlys.no/borge-robertsen/tromso/sjakk-ol/sjakk-ol-blir-ikke-slatt-konkurs/s/5-34-25389>)

There were several reasons for the financial problems. Six months after submitting the application for funding, FIDE announced that the host of the Olympiad also would have to host the 2013 World Cup, which was a qualifying tournament for the individual World Championship. COT2014

was financially unprepared for this because the tournament had only costs, not revenues. The costs amounted to €1.5 million (NOK 13.5 million). However, when the issue came up, they had no choice but to accept it. Informant A admitted that it was problematic and that it caused frustration towards FIDE: "The World Cup was not expected and made quite an additional cost. The rules seemed to change and develop during the process, supporting the interests of FIDE." Another reason for the deficit was the number of participants, which became higher than predicted. This was problematic because FIDE's regulations require the local organizer to pay for accommodations and food and drink for the players. COT2014 first expected 2,150 visitors from 150 nations. This was based on experiences from previous Olympiads. In actuality, the Chess Olympiad attracted a record attendance of 2,900 visitors from 181 nations.

One reason for this miscalculation was the conflict between the Russia and COT2014, and its consequences. Russia enrolled its female team 2 weeks after the deadline had expired. The reason why the Russians were late was their intention of including a former Ukrainian player in their team. She had applied for Russian citizenship, but the formalities were not completed when the deadline expired. Therefore, COT2014 rejected Russia's enrollment. This happened despite the fact that late enrollments had been common at previous Olympiads. However, FIDE's regulation, paragraph 3.7.1, fully supported COT2014's decision. The same applied to their invitation prior to the tournament, which left no doubts regarding the deadline for enrollment: "Registration (names of participants, etc.) will be open from April 1st to June 1st, 2014."

Russia's enrollment was submitted in mid-June, that is, 2 weeks after the deadline. The incident caused substantial controversy. FIDE supported Russia in the conflict, and at one point they even threatened to move the Olympiad to Sochi. The Russian Chess Federation sued COT2014, where they required a compensation of €155,000 to cover legal costs. They also asked North-Troms County Court to take an order of attachment in COT2014's properties to secure the claim. However, the court rejected the request, and its overall decision was in favor of COT2014. The court also ordered the

Russian Chess Federation to pay for its opponent's court costs.

However, because of the pressure and the risk of losing the tournament, COT2014 reversed its initial decision and accepted Russia's late enrollment, as this quote from its press release indicates:

COT2014 has decided to take a positive attitude to the FIDE President's request out of consideration for the players, federation, and good sportsmanship. Consequently, COT2014 accepts that the federations that have not registered teams by the deadline of June 1, 2014, are hereby permitted to register their respective teams, as they would have been on June 1.

The incident had financial consequences because COT2014 also had to accept late enrollments from 14 other teams. This alone increased the costs by €120,000. Hence, the board and lodging costs ended up €240,000 above the initial budget.

Another reason why the tournament attracted more players than expected was the application strategy. The minimum fee to host the Olympiad was €775,000, according to FIDE's regulations. However, this does not prevent the applicants from bidding more. Tromsø decided to bid €1,650,000, which was more than twice the minimum fee. Of this, €575,000 was earmarked for travel expenses. The idea was to motivate nations that otherwise would have stayed at home to attend the tournament. Most likely, this increased the number of participating nations.

COT2014 knew from the very beginning that it was dependent on governmental funding. An application for NOK70 million (€8.3 million) was submitted to the Norwegian Ministry of Culture in May 2009. The application was approved in June, 2010. Later, the Ministry granted an additional NOK5 million (€595,000) earmarked for ceremonies and culture. Because they submitted the application 5 years before the tournament, they asked that the amount be adjusted for inflation. This was rejected, which reduced its value by €730,000.

It soon turned out to be more difficult than expected to recruit sponsors. The first prediction, which targeted €6 million, was more a matter of guesswork than based on qualified projections. COT2014 first tried to appoint a director for

sponsorship but failed to find a qualified candidate. Instead, they decided to use agents who would work on commission basis, but this strategy was not successful either. Because of these problems, the sponsor budget was gradually reduced. In the end, €2.1 million of support was received, of which €1.4 million was monetary while the rest came in the form of barter deals and discounts from suppliers.

It is worth noting that FIDE did not have any commercial sponsors, which is very unusual for an international federation of that size. At the time of this writing, it has 186 members. Thus, COT2014 received no support from the FIDE, either in monetary terms or with recruiting sponsors. Informant G, who had long experience with sponsorship deals from his previous career as managing director at a major bank, expressed how unusual the situation was:

One might expect that an organization such as FIDE would give the local organizer some support in the recruitment of sponsors. This was not the case. FIDE gave absolutely no support in this matter. They only had a list of requirements.

Previous Chess Olympiads have mainly been funded by the national governments in the respective host nations, and not by commercial sponsors. Many of them have been hosted in Eastern Europe and Asia. These nations do not have the same traditions with the commercial sponsoring of major events, as do Western nations. Since 1990, 10 of the 12 Chess Olympiads have been in these regions. The ticket revenues were moderate and amounted to €42,000, which was 44% of the initial budget.

Because of the problems, COT2014 realized that additional governmental support would be necessary. Indeed, the problems were so serious that the board leader threatened to resign unless more funding was granted. Therefore, an application for additional funding of €1.8 million was submitted to the government. It was at first rejected, but after intense lobbying from local politicians, the government reversed its decision and granted additional funding of €1.4 million.

When looking back, several interviewees admitted that they should have asked for more funding in the initial application. This would have made the organization and the operations more efficient.

“We thought it would be easier to get funding if the amount was moderate. Afterwards, I admit that this strategy was a mistake.”

*FIDE and COT2014: A Meeting
of two Different Cultures*

Although the organizer made some mistakes and misjudgments, the financial problems were also the result of conflicting interests with FIDE. Who comes out of the conflicts well is often influenced by the distribution of power, which in turn is affected by the competition. FIDE has a policy of encouraging cities to apply for the Olympiad, according to informant F, who also has served as vice-president of FIDE:

If FIDE fears that there will be few applicants for the tournament, they will encourage cities to apply. This in order to create a competition that is favorable for them, which in turn makes it easier to add on requirements.

The members of FIDE come from different cultures, which also reflects their financial background. Some federations are poor in financial terms, a pattern that is also reflected among the delegates. For example, for some of those who are recruited to positions as members of committees or tasks during a tournament, the revenues they can earn are important, according to informant F:

FIDE is based on democratic principles, but I do not believe that it is capable of preventing corruption and nepotism. There are many different cultures in the world, and what we call corruption and nepotism is for others a means of livelihood. . . . If I receive €5,000 for being a member of a committee, this is not lucrative for me. This is different in other cultures, where such an amount is a respectable annual income.

This creates situations where monetary rewards can influence decisions. One example is the election of the president. FIDE's regulations prevent federations that have not paid their financial contingent obligations from voting in the General Assembly. This means that they cannot vote in the election for president (<https://www.fide.com/fide/handbook.html?id=39&view=article>). Several federations have

difficulties with paying the fees. According to informant F, this is a situation presidential candidates have tried to take advantage of when seeking votes before an election: “It is a well-known secret that before an election, candidates seeking the presidency have offered federations to pay the outstanding fees, assuming they vote for them.”

To prevent this, delegates have now been forbidden to bring their mobile phones with them when voting, because phone cameras were used to document which candidate they voted for. These examples illustrate an environment where unforeseen situations, some of which can have financial consequences, can occur. Therefore, in order to prevent unexpected surprises, COT2014 hired an adviser to operate as a mole and seek vital information. Additionally, he was to promote Tromsø’s candidature. This person had long experience in FIDE, among other capacities as a former member of the presidential board. Additionally, he also had a large network of contacts in “the world of chess.”

The interviewees mentioned several situations where FIDE tried to take advantage of its position as owner of the event. The most controversial incident occurred during the candidacy period (i.e., after the deadline for application but before the awarding). Tromsø was informed that FIDE had offered Albena the chance to “buy” the Olympiad at a price of €300,000. The information first came from a member of the FIDE board. The president of the Bulgarian Chess Federation confirmed to informant F that the information was correct, but was astonished when he learned that COT2014 was informed about the offer: “How do you know about that offer?” was his reaction when I confronted with the information. How this was planned to be implemented is unclear. However, because the General Assembly elects the host, it would have required a sufficient number of delegates to vote for Albena. We can only speculate about which instruments were planned to be used. However, the representatives of Albena rejected FIDE’s offer.

Before the awarding of the Olympiad at the 2010 congress, FIDE invited representatives of the two candidate cities to a joint meeting where the federation encouraged them to improve their bids. On this occasion, both were given a 24-hr deadline. However, Tromsø and Albena were

prepared for this and had already agreed to reject such an offer if it came up. Informant F describes Albena’s reaction towards FIDE’s representative at this meeting:

What is this. . . . We are not going to increase the bid’ was his ultimate reaction. . . . This was a surprise for FIDE. You could see on their faces that they were shocked and understood we had made an agreement with Albena.

The incidents mentioned above gave the representatives of COT2014 unexpected challenges that were difficult to handle. A quote from informant A clearly illustrates how the “rules of the game” differed from what they were familiar with, but also that some of the situations involved challenges of an unethical character:

This was a world that was driven according to traditional sport policy models, where power, positions, strong relations, and incentives are important . . . and where you get an impression that corruption and bribes are common . . . it is not driven according to traditional Norwegian morals and values.

Some informants admitted that COT2014 found it necessary to “play the game” in the same way as FIDE to achieve its objectives (i.e., to operate in a way that caused moral challenges). Informant E formulated the dilemma as follows: “If it is extremely important to win the bid, let others do the dirty work.” This involved the use of instruments that in some contexts would be considered in the ethical grey area. It applied to their own behavior as well as those they operated together with. One example was the relationship they established with the president of the Bulgarian Chess Federation, who was seeking the presidency of the European Chess Federation. Before the election, the Norwegian Chess Federation made an agreement that obliged it not only to vote for him, but also to promote his candidature among the Nordic nations. As payback, he promised to moderate his efforts on promoting Albena, their Bulgarian rival. This agreement may explain why Albena rejected FIDE’s offer of “buying” the tournament. A crucial point in this matter is that having a position in FIDE is very prestigious in many eastern European nations.

Discussion

That the costs exceeded the revenues with a deficit of 3% of the total revenues was not in itself a catastrophe. However, the process included several incidents where the outcome could have been worse for the organizers. This involved misjudgments on their part due to lack of experience, strategic mistakes, or a combination of both. One example was the application for governmental support, which did not make adequate consideration for additional costs. One reason for this was the expectation that it would be easier to get funding the lower the amount they applied for. Several interviewees admitted that this strategy was a mistake, which may be a useful lesson for future applicants. First-time organizers of such events ought to have in mind that unforeseen tasks and situations are likely to appear during the preparation. The interviewees were convinced that the initial application for funding would have been accepted even if they had applied for, say, an additional NOK20 million. This would have saved them many worries and allowed the organizing committee to operate more efficiently, for example by appointing more employees. However, the interviewees gave the impression that during the first stage their focus was more on how to be awarded the tournament than on precisely calculating the revenues and costs. One illustration was the first sponsor budget, which soon turned out to be unrealistic. That the support from sponsors only accounted for 35% of the initial budget speaks for itself.

However, the financial deficit was also a result of conflicting interests with FIDE. International federations such as FIDE have experiences with the situations that appear during the preparations. FIDE tried on several occasions to arrange situations where they could benefit from orchestrating bidding wars, as has been illustrated by McAfee and McMillan (1987). The first situation, before the deadline expired, was a traditional *secret auction–first bid*. Tromsø could only speculate who its rivals were. It was during this period that FIDE announced that the applicants would also be expected to host the World Cup. Among those they feared were wealthy cities like Abu Dhabi, Dubai, and Beijing. Tromsø's strategy was to stand

forward as a serious applicant, which may explain why it offered a bid more than twice the minimum amount FIDE required.

The jubilee of the Norwegian Chess Federation made it important to host the Olympiad in 2014. Therefore, it was not an option to apply for the next Olympiad in case it lost the 2014 tournament. This activated an additional dimension of *urgency* that made Tromsø more vulnerable than other applicants (Mitchell et al., 1997). These circumstances explain why the organizing committee felt it had no choice but to accept hosting the World Cup. Such situations, where the international federations add own requirements, have been common in the event history (see Solberg & Preuss, 2015, for more details). Cities that already have spent substantial efforts on preparations may find it difficult even to stop the process, even when it is possible to withdraw the applications.

The situation was different when FIDE tried to create a bidding war between the two cities shortly before the awarding. At that time, representatives of the two organizing committees had agreed not to bid against each other. One reason for this may be that events such as the Chess Olympiad generate moderate economic impacts for the host city. Tromsø's only rival, Albena, is a tourist resort, and the Chess Olympiad was hosted during a period where the chess visitors would have displaced ordinary tourists. Therefore, the local hotel industry, which supported Albena's bid, may have considered the economic gains from it not to balance the additional costs of €300,000, which was the amount FIDE asked for when it offered to let Albena "buy" the tournament. The literature has documented that crowding-out impacts can reduce the tourism impacts from such events significantly (Preuss, 2005). An impact study showed that the hotels in Tromsø normally have an occupancy rate of 50% the month the Olympiad was hosted. Therefore, the Chess Olympiad caused substantial crowding-out impacts. For Tromsø, the regional benefits came mainly from the governmental funding, not from the spending of the visitors (Denstadli & Solberg, 2017).

These circumstances may have moderated the support from local stakeholders who normally back the hosting of such events. This effect may have

been stronger in Albena, since the Olympiad was a part of the jubilee of the Norwegian Chess Federation. However, because Albena backed out, this reduced FIDE's ability to orchestrate a bidding war. It takes two to tango, which also applies when it comes to orchestrating bidding wars.

The outcome of such situations can also be influenced by the level of trust the stakeholders have in each other. Representatives of the rival cities had established a relationship where each had reason to believe that the other party would be doing what it had promised, which reduced the risk of the agreement (Grime, 2009; Hardin, 2002). That Albena had already rejected FIDE's invitation to "buy" the tournament may have worked in the same way and increased Tromsø's confidence. In turn, this made it less likely that Albena would go behind Tromsø's back and accept FIDE's invitation to bid higher. Tromsø's agreement with the president of the Bulgarian Chess Federation may have had a similar effect.

The situation when FIDE threatened to move the tournament to Sochi also had the character of an auction. However, Sochi was more a fictive candidate than a concrete rival. This prevented Tromsø from communicating with Sochi as it had done earlier with Albena. This allowed FIDE to benefit from a strategy that is common in secret auctions, where the bidders are uninformed, both about the strategies of the rivals as well as who their rivals are (McAfee & McMillan, 1987). In this case, Tromsø was played out in a bidding war against a rival and did not know whether it was for real or not.

Although Sochi was not a bidder, it had invested heavily in accommodations prior to the 2014 Winter Olympics and was going to host the next Chess World Championship match later the same year. Hence, there were no doubts that it was capable of taking over the event at short notice. The situation also involved a strong dimension of *urgency*, 1 month before the tournament was supposed to start (Mitchell et al., 1997). Contracts had been signed with local hotels and other suppliers, who would have to be compensated if the tournament was cancelled. Losing the tournament to Sochi would be considered as loss of prestige, both for the Tromsø and for the Norwegian Chess Federation.

These incidents illustrate how communication can affect the outcome of such situations. Tromsø

came best out of the situation that had the characteristic of open (English) auctions. However, it was not the auctioneer (FIDE) but the communication with a rival they trusted that made it an open auction. This was different from the situations that had the characteristic of secret auctions.

The processes involved several situations with ethical dilemmas. By offering to sell the tournament to Albena, and later threatening to move it to Sochi, FIDE showed that it was willing to go far to achieve its objectives. Such instruments would in most contexts be considered both unethical and illegal. The extent to which such strategies are successful depends on the distribution of power between the stakeholders involved. As owner of the event, FIDE defines the premises by deciding the rules and regulations. However, the situations described above show that it has created an environment where procedures that contradict the defined rules are common—a context that *makes rules relative, changeable, and adjustable*.

In the most controversial situations, FIDE operated according to a logic that corresponds with *the rationality of the egoist* (Gauthier, 1990, p. 253). The choice of strategies also has to do with moral attitudes and trust. The stakeholders involved in the tournament come from different cultures with different moral values. Morals are not universal but contextual and therefore relative. Moral agreements in one context are not necessarily transferable to other contexts. The agreements are unique to this context and understood in the framework of the "world of chess," where FIDE sets the premises.

The fact that Tromsø hired a person to seek vital information signaled its lack of trust in FIDE as an organization, as well as the overarching system of the process. The most controversial strategies unveiled in this article are common in a low-trust society (Fukuyama, 1995). The powerful nations in FIDE are from Eastern Europe and Russia, where the economy and social structures are strongly influenced by the local cultural and traditional ways of organizing both relations and negotiations. Elements of low-trust societies can be found in some eastern European states (Fukuyama, 1995; Luhmann, 1979). For example, this has been identified in Bulgaria and some regions of Russia, where individuals and families are in strong societal power positions. In these countries, the economies

are structured differently from nations like Japan or Germany, to give two examples of high-trust societies (Fukuyama, 1995; Luhmann, 1979), which both have political systems that are similar to Norway. In Russia, the political and economic structures are powered by the government, but also strongly influenced by oligarchs, leaders of different regions, families, and individual investors. The findings presented in this article clearly indicate that FIDE has imported low-trust structures into its organization.

International federations often have an internal power structure. Ideally, they should operate in a way that ensures trustworthiness for the stakeholders within the context. However, the most controversial incidents present a picture of an organization that is not trustworthy. Under such circumstances, the rational choice for applicants is not to trust the federation. FIDE defines the framework and the premises of the context. They are in a strong position of power, where pushing the limits is a part of the game in the negotiations.

When FIDE threatened to move the tournament to Sochi, it had already shown that it was capable of using controversial instruments. By doing that, it also made clear that neither Tromsø nor other host cities should have trust in FIDE. The situation showed how the characteristics of uncertainty define the practices in this context. For COT2014, the deadline added a dimension of pressure and urgency. The principles of justice took on a structure of relativity. This illustrated how patterns of practice that are morally challenging or provocative to the general sense of justice can be established when the time dimension is crucial. It shows how the practice in the context depends on the willingness of the event owner to push the moral borders to maximize its own benefit. If there is no, or limited, room for negotiating the deadline, this strengthens the urgency dimension.

That such events operate within an international context creates some challenges in itself. National sports federations have to follow the laws of the respective countries in which they operate. Although the federations have their own regulations, the national laws will in general rank above these regulations. This is different for events owned by international federations. Firstly, there is the question regarding which national laws should be followed? Secondly, many international federations

have their headquarters in nations where transparency is limited. This makes it easier to conceal irregularities. Thirdly, international federations may have better opportunities to decide the premises than those operating in a national context. This may allow them to construct rules and procedures that benefit themselves. Ideally, the federations should follow their own rules and safeguard the interests and rights of the members in the fellowship. This article has shown a federation that does not operate according to such principles. Instead, FIDE presented itself as an organization that could not be trusted. Limits were pushed, and on some occasions they even violated their own regulations. When international sports federations adopt such strategies, this creates situations that are difficult to handle for the local organizers and which the article has shown several examples of.

Conclusions

This article has focused on the challenges of hosting major events owned by international federations, in this case the Chess Olympiad owned by the International Chess Federation (FIDE). The hosting caused problems for the local organizer, some of which were due to lack of experience combined with strategic misjudgments. Such a pattern is quite common for one-off events.

However, some of the problems were results of conflicting interests between the local organizer and FIDE. FIDE used instruments of an unethical character on several occasions. Local organizers are often unprepared for such situations. For many of them, the event is a "first time ever." This is different for the international federations, who are experienced with the situations that can appear during the preparations. This allows them to decide premises and regulations that are favorable for themselves in case of conflicting interest and unforeseen incidents.

Often, the distribution of power affects the outcome of the situations. This explains why many international federations encourage cities and nations to bid for their events. The more bidders, the easier it is to decide the premises. Similar situations can occur in negotiations after the awarding, as was the case when FIDE threatened to move

the tournament 1 month before it was supposed to start.

The analyses showed that local organizers came best out of the situations with conflicting interests when they were able to communicate with their rival (i.e., the cases that had the characteristic of open auctions). On the other hand, FIDE had the best cards when such communication was impossible, that is, when the situation had the nature of a secret auction.

These experiences are important to bear in mind for cities that have ambitions of applying for such events. Recent history has shown that FIDE is not the only international federation that is willing to go far to maximize its benefits. Therefore, applicants for events owned by international federations should be prepared for situations where their counterparts have ethical attitudes they are unfamiliar with. This is important to have in mind before deciding the strategies. If the consequences are very dramatic, they may even reconsider whether it is a good idea to host the events.

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