Risk management within the events industry in Cape Town, South Africa

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The study is focused on effective management of the event industry with emphasis on the successful hosting of events within the city of Cape Town, in order to determine policies and legislation that govern the event industry and the nature of their application by event stakeholders in Cape Town. The statistical package for social sciences (SPSS) was used to analyze data. A total of 500 questionnaires were distributed to event practitioners, event organisations and event students within Cape Town. A response rate of 350 was achieved. Majority of event stakeholders believe that it is imperative to abide by legislation, as the event industry cannot function without policies and legislation. Policies required for proper functioning events include liability insurance, compliance with contractors and compliance with legislation. The research was limited to specified persons directly involved in the event industry. Local authorities and professional conference organisers should abide by policies and legislation established by the South African Government. Training and education is significant in terms of compliance and ethics in the tourism, events and hospitality industry. The city of Cape Town has been working hard to develop itself, as a major social development driver as well as a major contributor to experiencing events, sport, recreation, arts and culture in a special way. Therefore, the research intends to promote awareness of the importance of compliance management in the event industry.

Key words: Compliance, corporate governance, legislation, events management body of knowledge (EMBOK), ethics, risk.

INTRODUCTION

Research has shown that there are no specific risk management systems in place for the event industry in Cape Town. There are various risk management models that are used by risk management consultants in Cape Town. However, these management models are cumbersome and impractical for event managers to utilise. This can become a risk in itself.

A contextual analysis has been undertaken by Kesting (2007) on issues of governance, and most industrial players are well aware of it. Hence, stakeholders within the event industry should be encouraged to apply good governance. Simplified guidelines with reference to the existing legislation should be formulated and circulated widely to participants to stakeholders within the industry (Kesting, 2007). Some of the main legislative enactments are the Safety at Sports and Recreational Events Bill of 2004, which has been adapted by the Safety at Sports and Recreational Events Act of 2009; Occupational Health and Safety Act no 85 of 1993, and Disaster Management Act no 57 of 2002. A formal memorandum of understanding (MoU) or legally compliant document is required so that an event is provided with the necessary event approvals and permits. The permit is a binding contract between the City and the event role-players. Silvers (2005:10) has referred risk domain to include protective obligations, opportunities and legalities that are...
The objectives of the paper are:

**Research objectives**

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1) To determine policies and legislation that governs the event industry, in order to establish whether they are properly applied by event role-players within Cape Town.

2) To assess the current situation regarding risks that are prominent within the event industry in Cape Town and how these risks are being managed.

3) To undertake a research relating to procedures and lawful practices that is undertaken taken in respect of events within the broader South African context.

4) To determine various systems and logical approaches that are required for a comprehensive, consistent, proactive and reliable way to ensure safe and successful events.

5) To determine what tools and methods are used in the event industry in Cape Town and the nature of accuracy and effectiveness of these tools by event organisations and event practitioners.

6) To establish whether event organisations, practitioners and students involved in the event industry are aware of risk management procedures and policies for all minor, major and mega events.

7) To encourage the benefit of the events management body of knowledge (EMBOK) to event stakeholders within the event industry in Cape Town.

**Significance of the study**

The study is significant because of its focus on the effective management of events industry with special emphasis on successful hosting of events within the City of Cape Town. The study will also help practitioners to understand the impact of event management on the tourism and hospitality Industry in Cape Town, as well as help to show the importance of events as economic contributors to the growth and livelihood of a city.

**LITERATURE REVIEW**

Cape Town has become one of the most popular and prestigious destinations to visit. The city has opened its doors to minor and major events worldwide. Races and music festivals are the biggest earning events in the Western Cape which have placed Cape Town as the world’s top ten destinations to visit. Hosting events have become an integral part of South Africa’s competitive strategy, because events plays an important role in modern societies, in terms of enhancing cultural and social cohesion in communities and supporting urban rejuvenation and economic growth (Western Cape Business Guide, 2008 to 2009).

According to Tarlow (2002 cited in Goldblatt, 2008: 308), all events carry two fundamental risks namely, the risk of a negative occurrence (both on site and off site) and the negative publicity that comes from this negative occurrence. It is further stated that most modern events have a potential for negligent activity that can lead to long and costly litigation. As the number of professionally managed events has increased, so has the concern for risk management and other legal and ethical issues. According to Kesting (2007), corporate governance and ethics play an important role in the event industry. However, several stakeholders do not understand the value of ethics. Accordingly, Kesting (2007) went further to emphasise the need for self-regulation since there are many regulations and acts that stakeholders have to comply with. He further observed that there are no set standards in the event industry due to poor education and training.

In a generic study on the latest developments in the event industry, O’Toole (2007) asserts that, risk management has become more important based on the fact that worldwide governments are introducing new health and safety codes. He further states that there are event inspectors who inspect the company to “enable verification of current work systems and assessment of baseline compliance” for events and festivals. Although the government spends R500 million annually on events in South Africa, there is still a lack of product quality control. It has been said that event managers should be able to identify risk, assess potential impact and consequences of the risk, in order to develop plans to...
mitigate the impact of the risk. In addition, there is a need to monitor the status of the risk throughout the planning of the event, in order to keep the management team informed. Implementation of this risk management process should be implemented in a way that is beneficial and applicable to the event management team.

Silvers (2005:1) extrapolates that much of the event industry literature on risk management is presented in the context of insurance coverage and legal liability. This is common because when people are injured or killed, property is lost, damaged or destroyed, which may lead to blames, penalties and compensation of victims. Silvers (2005:1) further asserts that it is equally important to consider the health and safety of those who create, operate, participate in these public and private assemblies. What is not prominent is a systematic and logical approach to risk management for events that is comprehensive, consistent, reliable and proactive.

According to the Managing Director of Alex Ginton Risk Management Associates in South Africa, Ninow (2007), the event industry encounters major problems simply because the event organisers do not comply with regulation or take advice from safety and security officers. Ninow (2007) argues that most businesses do not comply with the Occupational Health and Safety Act within four months of inception. Ninow (2007) further states that events lack compliance to the Disaster Management Act 57 of 2002, construction regulations and legal requirements of good corporate governance as well as a lack of training and skills of staff.

The King Report II (2002:31) stated that a comprehensive system of control should be established by the board, to ensure that risks are mitigated and that the company’s objectives are attained together with employee competence, and a code of ethics within a controlled environment. Risks should be assessed on an on-going basis and control activities should be designed to respond to risks throughout the activities of the company. The King Report II of March (2002: 29) further emphasised on providing reasonable assurance in attaining its organisational objectives with respect to effectiveness and efficiency of operations; safeguarding the company’s assets; compliance with applicable laws, regulations and supervisory requirements; supporting business sustainability under normal, as well as adverse operating conditions; reliability of reporting; and behaving responsibly towards all stakeholders.

In addition the report posited that organisations operate within the broader society and the natural environment. Therefore, what an organisation can and cannot do in terms of its strategy is not only constrained by legislation, government policies and regulatory requirements, but also by what is considered ethical and in accordance with the expectations of stakeholder and societal standards. Some of the important principles of good corporate governance are discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. It is further stated that specific focus should be concentrated on the development of a code of ethics and issues such as HIV Aids, the environment, social responsibility and human capital development. (King Report III, 2009).

According to Kesting (2007), the main aspects that should be focussed on are procurement and supply chain, health and safety, benchmarking, accountability and standards. For successful events management, there should be a strong alignment with security, media, advertising and engineering. For the fact that there is no standard authority for events, a code of standards should be set specifically for the temporary nature of events. In terms of setting up this standard, expert inputs from emergency services, security and engineering is imperative. Ninow (2007) has highlighted that the events Industry is of a global nature. It has the capacity to be measured in international terms. However, only a small fraction of the industry works internationally. Small business and local companies have no pressure to comply with those (sometimes) expensive standards.

Hence, there is a large sector that works on “cheap and nasty basis and get away with it”. Besides legal accountability, events are only accountable to the client. There is a need for client education to heighten their awareness of the responsibilities that are inherent in events. There seems to be no clear guidelines regarding health and safety owing to the temporary nature of events. Different venues apply their varying standards, while the clients apply their own standard. However, in a temporary venue, there may be none at all. With regards to national procurement guidelines, it is believed that the procurement guidelines set out by the national treasury are flaunted as timelines are disregarded because of a lack of planning, while payments are overdue. This is an area where the events management body of knowledge could play a crucial role.

Events management body of knowledge (EMBOK)

The events management body of knowledge is an organisation that provides the event industry with a holistic framework and a logical and systematic approach to the management of risks, which surrounds events of all types and sizes (Silvers, 2005:1). Hence, the event management body of knowledge is meant to lead the event management industry from an “emerging” profession into a “legitimate” profession, which is recognised and offers the needed expertise and specialised knowledge (Silvers, 2005).

Silvers (2005) taxonomy illustrates five domains, whereby each reflect various classes or functional units within the domain and a list of topics that are relevant and appropriate to each functional unit as illustrated in Table 1.
Table 1. The 5 domains of the EMBOK model (2007).

<table>
<thead>
<tr>
<th>Domain</th>
<th>Class</th>
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<tr>
<td>Administration</td>
<td>Financial management</td>
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<td>Human resources management</td>
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<td>Stakeholder management</td>
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<td>Systems management</td>
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<td>Time management</td>
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<td>Design</td>
<td>Food and beverage design</td>
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<td></td>
<td>Content design</td>
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<td></td>
<td>Entertainment design</td>
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<td></td>
<td>Environment design</td>
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<td>Production design</td>
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<td>Programme design</td>
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<td>Theme design</td>
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<td>Marketing</td>
<td>Marketing plan management</td>
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<td></td>
<td>Marketing materials management</td>
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<td>Merchandise management</td>
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<td>Promotion management</td>
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<td>Sales management</td>
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<td>Sponsorship management</td>
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<td>Operations</td>
<td>Attendee management</td>
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<td>Communications management</td>
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<td>Infrastructure management</td>
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<td>Logistics management</td>
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<td>Participant management</td>
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<td>Site management</td>
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<td></td>
<td>Technical management</td>
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<td>Risk</td>
<td>Compliance management</td>
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<td>Decision management</td>
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<td>Emergency management</td>
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<td>Health and safety management</td>
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<td>Insurance management</td>
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<td>Legal management</td>
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<td></td>
<td>Security management</td>
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Source: The EMBOK domains (adapted from the 3rd International EMBOK; IMBIZO, 2007).

RESEARCH METHODOLOGY

Research methodology is concerned with how the information relating to the research was collected, analyzed and reported. According to Babbie and Mouton (2001, cited in Henning 2004: 36), “research methodology focuses on the process and the kinds of tools and procedures used during the research process”. There are two fundamental research methodologies, namely the qualitative and quantitative methods. Qualitative methods involves a range of interpretive techniques, which intend to describe, interpret and translate terms that occur in a social situation (Welman et al., 2006: 188 cited in Naris, 2009). Tools that are utilised in qualitative research enable one to acquire deeper understanding of social phenomenon. The main strength of qualitative research is that it permits a person to obtain a deeper insight of the research problem (Babbie and Mouton, 2001: 309). It interprets results easily and ascertains new ideas. It is as well utilised to address research objectives whose variables are unquantifiable (Babbie and Mouton,
This research method is also flexible and permits one to change the medium of data collected as the study progresses (Welman et al., 2006: 8), which helps to enhance the validity of findings (Babbie and Mouton, 2001: 309). That notwithstanding, the qualitative approach has its own drawbacks in the sense that research results are prone to the biased interpretation of the researcher. This drawback makes the results more subjective than objective and therefore, makes it difficult to generalise the findings (Babbie and Mouton, 2001:309). Qualitative research is more interactive and may only require someone with good communication and analytical skills to report the social phenomenon in a constructive and objective way (Naris, 2009).

On the other hand, quantitative research is a systematic and objective process, which investigates a research problem by utilising structured questionnaires, whereby, a larger number of respondents are involved. Quantitative research allows a researcher to use statistical inferences in order to process data and then to generalise the findings according to the selected population (Maree, 2008: 146). Despite the fact that quantitative research slips the chances of gaining insight into individual experiences, its aim is to obtain numerical data and the findings can be used for managerial operations in the form of figures (Babbie and Mouton, 2001: 308).

Quantitative research is suitable when research objectives are to be addressed through enquiry regarding “how much or how often”, and when one wants a profile of a targeted audience (Martin, 2005: 122). Quantitative research tends to concentrate on generalisation and is based on assessing theory, which is composed of variables that are selected and measured against the research problem. The researcher has a strong control of the variables in question. Quantitative research is based on the assumption that the world and the laws governing it are predictable, which makes it possible to apply scientific procedures to investigate an identified research problem (Singleton and Straits, 2005: 130). Quantitative research permits a researcher to reach approach large number of respondents. The research findings can be generalised to the entire population under study if it is a representative sample (Singleton and Straits, 2005: 140). The researcher is not directly involved in the data collection process, which, allows respondents to complete the questionnaire in their own free time (Maree, 2008: 68). Hence, the researcher can obtain objective responses without allowing his or her personal bias to influence analysis and interpretation of the data (Naris, 2009).

Since, quantitative research restricts respondents to only answering “what you know”; it limits answers. Therefore, deeper insight that is provided by interviews or open ended questions is missed (Babbie and Mouton, 2001: 312). There is also a high potential risk of misunderstood questions by respondents, which may lead to incorrect answers. However, quantitative research is of great utility when the research problem is understood by the target population (Singleton and Straits, 2005: 142).

As an empirical study, both the qualitative and quantitative researches were utilised in order to take advantage of their merits and minimise the disadvantages of their risks. This was achieved by designing an approach that provides a platform for the researchers to be able to view the research phenomena from more than one perspective. The Primary data was obtained through a systematic process of (qualitative) interviews (structured and unstructured) and (quantitative) self-administered questionnaires (structured). A total of 500 event practitioners, event organisations and event students were used in the primary data collection. Students from a University of Technology were afforded the opportunity to partake in the survey-based questionnaires during selected events. The secondary data was obtained from various other sources such as articles, journals, internet sites, books and policy papers. The statistical package for social sciences (SPSS) version 17.0 was used to analyse the research data (Naris, 2009). SPSS is considered as a most widely used computer software package for analysis of quantitative and qualitative data (Bryman, 2004: 244). By using SPSS, the researcher could quickly generate meaningful and reliable information for effective decision-making, which resulted in high quality outputs (SPSS, 2008).

The study also adopted the univariate analysis, which refers to the analysis of one variable at a time. The analysis consists of a frequency table, which provides the number of respondents and the percentage that belongs to each of the categories for the variable in question. This frequency table is interpreted through a bar chart, which states the percentage (%) and scale or level of agreement of the respondents’ response.

Data analyses

Importance of compliance management within the event industry

The rationale behind this area is to find out the importance of compliance management from the perception of respondents. Table 2 shows that 72.7% of respondents agreed that compliance management within the events industry are important. However, only 27.3% of respondents were undecided in terms of response. Responses to Figure 1 indicate that 2.9% of respondents disagreed that policies and legislation are ethically applicable in adhering to the Occupational Health and Safety Act, No. 85 of 1993, while 64.2% agreed with the statement. Responses to Figure 2 indicate that 3.9% of respondents disagreed that policies and legislation are ethically applicable in adhering to the Disaster Management Act, No. 57 of 2002, while 61% agreed with the statement. Responses to Figure 3 indicate that 3.5% of respondents disagreed that policies and legislation are ethically applicable in adhering to the Safety at Sports and Recreational Events Bill of 2004, while 61.3% agreed with the statement. Responses to Figure 4 indicate that 68.7% of respondents agreed that corporate governance is a major concern in terms of physical risks within the event industry, while 5.8% disagreed with the statement. Responses to Figure 5 indicate that 63.2% of respondents agreed that the risk domain is based on compliance management, while 5.2% disagreed with the statement. Responses to Figure 6 indicate that 70.3% of respondents agreed that the risk domain is based on legal management, while 3.9% disagreed with the statement. Responses to Figure 7 indicate that 10.6% of respondents disagreed that there is a demand for a proper, comprehensive risk management policy. However, 59% of respondents agreed with the statement. Responses to Figure 8 indicate that 5.5% of respondents disagreed that there is a demand for a proper, comprehensive risk management system for minor and major events. However, 59% of respondents agreed with the statement.

RESULTS AND DISCUSSION

According to the data analysis, a majority of event stakeholders believe that it is imperative to abide by legislation because the event industry may not function properly without policies and legislation such as liability insurance, compliance with contractors, the Disaster Management Policy of 2001 and the Safety at Sports and Recreational Events Bill of 2004. According to the data analysis, compliance management is one of the most
Table 2. A frequency table on compliance management.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid percent</th>
<th>Cumulative percent</th>
</tr>
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<tbody>
<tr>
<td>Valid</td>
<td>Undecided</td>
<td>6</td>
<td>27.3</td>
<td>27.3</td>
</tr>
<tr>
<td>Agree</td>
<td></td>
<td>16</td>
<td>72.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>22</td>
<td>100.0</td>
<td>100.0</td>
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Policies and legislation are ethically applicable: Adherence to the OHS Act, No. 85 of 1993

![Figure 1. Adherence to the Occupational Health and Safety Act 85 of 1993.](image1)

Policies and legislation are ethically applicable: Adherence to the Disaster Management Act, No. 57 of 2002

![Figure 2. Adherence to the Disaster Management Act, No. 57 of 2002.](image2)
Policies and legislation are ethically applicable:
Adherence to the Safety at Sports and Recreational Events Bill of 2004

Figure 3. Adherence to the Safety at Sports and Recreational Events Bill of 2004.

Much attention needs to be focussed on complying with corporate governance

Figure 4. Compliance in corporate governance.

Statement 1.1.1: Risk domain established by EMBOK and its importance is based on compliance management

Figure 5. Compliance management.
important risk management domains. This is because a majority of event stakeholders believe that there are no options but to comply with the legislation as set out by the South African Government. Also, a majority of event stakeholders believe that there is a need to comply with the City of Cape Town Events (Draft) Policy for the Events industry. Compliance should incorporate elements such as codes and regulations, health and safety inspections, food services codes, liquor laws and permits.

Although, a majority of event stakeholders feel that corporate governance is important, a broad understanding of ethics is also a crucial element within the event organisation. Event stakeholders should have a clear understanding of the concept of “ethics” which complements corporate governance. Corporate governance plays an active role in compliance and the event stakeholder has no choice but to comply with the necessary legislation which has been established by government and the City of Cape Town for the event industry.

Analyses of the findings suggest that local authorities and professional conference organisers within the event industry should abide by policies and legislation, which have been established by the South African Government. Policies and legislation are powerful risk management tools. The data analysis shows that a majority of event
Statement 1.2.7: Related to the seven management areas of EMBOK, there is a demand for a proper, comprehensive risk management system for minor and major events

Figure 8. Risk knowledge domain: Comprehensive risk management system.

Respondents' views

stakeholders feel that there is a need for a proper, comprehensive risk management policy and system. The events profession as outlined in the EMBOK risk framework is a comprehensive and complex structure, which encompasses processes, phases and core values that define the event industry. It is therefore clear that the event industry is a 24/7 industry. Hence, the risk management framework formulated in this study may offer some leeway for the events industry in Cape Town to leapfrog. It is important to note that each event stakeholder has its own management policies and systems in place as long as those systems are applicable, legal and comply with the necessary policies within the events sector in the City of Cape Town (Cape Town, 2012). An updated EMBOK risk management framework has been devised, which is applied to the events industry and will make risk management much easier and convenient to operate. The Safety at Sports and Recreational Events Act of 2009 includes sporting, entertainment, recreation, in addition to venues, stadiums, routes and within precincts. Emphasis should be placed on safety and security planning. Compliance with safety certificates is as well important. Safety certificates are issued by the local authority in respect of existing sports venues, the design of new stadiums and the renovation and extensions of existing stadiums. The act emphasised that necessary criteria should be put in place in the alteration of sports venues such as safety capacity, seating, turnstiles, emergency exits, access points, spectators’ barricade and traffic management (Spoor and Fisher, 2009).

As earlier mentioned, The King Report II (2002:31) maintained that a comprehensive system of control should be established by the board, in order to ensure that risks are mitigated and that the company’s objectives are attained together with employee competence, and a code of ethics within a controlled environment. Risks should be assessed on an on-going basis and control activities should be designed to respond to risks throughout the activities of the company. The King Report II of March (2002: 29) further emphasised on providing reasonable assurance in attaining its organisational objectives with respect to effectiveness and efficiency of operations; safeguarding the company’s assets; compliance with applicable laws, regulations and supervisory requirements; supporting business sustainability under normal, as well as adverse operating conditions; reliability of reporting; and behaving responsibly towards all stakeholders.

Organisations operate within the broader society and the natural environment. What an organisation can and cannot do in terms of its strategy is not only constrained by legislation, government policies and regulatory requirements, but also by what is considered ethical and in accordance with the expectations of stakeholder and societal standards. Some of the important principles of good corporate governance are discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. It is further stated that specific focus should be concentrated on the development of a code of ethics and issues such as HIV Aids, the environment, social responsibility and human capital development (King Report III, 2009).

The data analysis also shows that legal management is perceived as one of the most important and necessary risk management areas because a majority of event stakeholders believe that without the necessary legal documentation and permits, an event organisation cannot
operate. Therefore, it is imperative that event stakeholders adhere to liability insurance and contractual requirements. Event stakeholders can consult with insurance providers. In that sense, a majority of event stakeholders should ensure that there is proper negotiation and execution of contracts, as well as other legal documents. Stakeholders should ensure that agreements are legal and that they are beneficial for the event organisation and its organisational articles or mandate. Legal management would include elements such as access to the Information Act, codes of good practice, contract negotiation, policies, liquor laws, public safety laws, fundraising laws, statutory compliance, taxation laws, zoning laws and traffic laws. These laws provide substance to goals and objectives via ethical and moral guidelines, and assist in making important decisions, which can have a positive impact on the success of events and the events organisation. Compliance management requires aggressive implementation within the events industry in Cape Town. Research has shown that much focus should be concentrated on the mismanagement within the event organisation, which event stakeholders agreed to, with a 70.6% ratio, lack of leadership with a 72.9% ratio, time management with a 76.1% ratio and equity within the event organisation with a 71.6% ratio.

**Conclusion**

In conclusion, policies and legislation are the most powerful risk management tools. Policies and legislation give substance to goals and objectives in providing ethical and moral guidelines and assist in making important decisions, which can have a positive impact on the success of events and events organisation. The findings suggest that local authorities and professional conference organisers within the event industry should abide by policies and legislation, which have been established by the South African Government. Policies and legislation are powerful risk management tools, which provide substance to goals and objectives via ethical and moral guidelines. It also assists in making important decisions, which can have a positive impact on the success of events and the event organisation. Compliance management requires aggressive implementation within the event industry in Cape Town, as the legislation that is in place by the South African Government are ignored and not effectively implemented.

The City of Cape Town is ranked as the best city in Africa and the Middle East region by a Travel Magazine in New York, USA. It is further re-iterated by Mr Mohamed, the City's Executive Director for Economic, Social Development and Tourism, that Cape Town has beaten popular Middle Eastern and European destinations such as Dubai and Paris. It is further added that the strengths of the city lies in its natural beauty, arts and cultural diversity (Cape Town, 2008).

Application to tourism and hospitality education and training is significant in terms of ethics and compliance. The City of Cape Town emphasises the importance of developing and hosting events to support achievement of its strategic objectives and service delivery. The City of Cape Town intends to develop the city as the highest standard of safety and integrated management, where importance of events is acknowledged as a major social development driver, as well as a major contributor to experiencing sport, recreation, arts and culture. The 2010 FIFA World Cup has been a catalyst of economic growth and development for South Africa.

In terms of proper events management in Cape Town in particular, and South Africa in general, a majority of event stakeholders are of the view that corporate governance is important in addition to a broad understanding of ethics within the events industry. Therefore, event stakeholders should have a clear understanding of the concept of “ethics” which complements corporate governance. Corporate governance plays an active role in compliance and the event stakeholder has no choice but to comply with the necessary legislation which has been established by government and the City of Cape Town for the events industry. Finally, events management is an emerging profession of which risk management is one of the key components requiring attention by event stakeholders. Much attention needs to be focused on education within the event industry, and more attention needs to be focused on training and development of events stakeholders within Cape Town.

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