Managing Olympic Risk

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As a mega-event without equal in the modern world, the Olympics is a force multiplier for organisational and operational risks: the event increases the probability and consequence of existing hazards and threats, at the same time as generating its own unique set of risks. The time pressures of delivering infrastructure and services on time for the main event is a critical source of risk inflation – in a context where delays or postponements of the main event are unthinkable. Olympic risk also presents a special challenge for risk managers due to the difficulties inherent to learning from other Games and sporting events, each of which are subject to the unique geographical, security, political, legal and environmental contexts which shape organisational responses to risk as well as the weighting or discounting of particular risks. The task of managing risk for the London 2012 Olympics is therefore quite distinct from the experience in Beijing in 2008 or that in Athens in 2004. Yet, some risks have required management throughout Olympic history – e.g. financial controls, stadium construction, geo-politics, and economic conditions.

The historical evolution of Olympic governance in response to risk events such as the Munich Massacre in 1972 and the financial deficit incurred at Montreal 1976, along with external events such as 9/11, has observed growing influence of risk management in the Olympic movement – in systems ranging from risk logs and registers, insurance, hedging instruments and budget forecasting. However, the London 2012 Olympics is perhaps the first ‘risk-based’ Games in terms of its over-arching organizing philosophy and the range of systems put in place to manage and mitigate the risks associated with its delivery and staging. The central role of risk management in Olympic governance also reflects the complex mix of risks facing London – with its vast programme of construction and Games operations, exposure of the UK to both domestic and international terrorism, dependence upon London’s fragmented transport network, location of the main site near to high density domestic and commercial populations, and the importance of a successful Games to the reputation of the UK. It also reflects growing influence of the risk management profession and its practices, through which the language of risk enables communication between organizers over the status of different categories of risk (e.g. security, infrastructure, finance), even if there are differences in priorities across jurisdictions or over time.

The London experience raises some fundamental questions about the role of risk and risk management in organisation of the Olympic Games and other mega-events. Might the demands of risk management at mega-events such as the Olympics continue to become ever more pervasive and sophisticated in response to continued growth in the size and scale of such events? Or will a tipping-point be reached where the aversion of organizers to risk induces gridlock in decision-making rather than facilitating it, or where the costs of risk management outweigh the benefits of risk-taking when the risks associated with mega-events (such as financial risk) prove resistant to forecasting and control? The revival of the modern Olympics is an example of the adaption and evolution of an organisation in response to risk. It also illustrates that risk, and risk management, is an intrinsic side-effect of the success and organisational expansion of such mega-events.