

Managing Olympic Risks

Dr Will Jennings
University of Southampton



Outline

1. Risk and mega-events: complexity and decision-making under uncertainty
2. A brief history of risk management and the Olympics
3. Lessons from Vancouver 2010
4. Risk management and London 2012

Risk and Mega-Events

- Mega-events as a target for threats (e.g. terrorism, cyber attacks, fraud, illegal betting) and as a venue for hazards (e.g. natural disasters, transport accidents, contagious infections and disease).
- Mega-events as a source of disruption, displacement and strain on existing infrastructure and services (e.g. traffic volume, population movements, airports and passport controls).
- Mega-event organisation as a source of risk for agencies and other stakeholders (e.g. financial, operational, reputational risk).
- Mega-events are subject to a high degree of complexity, technical uncertainty and conflict, leading to the under-estimation of risks and over-estimation of benefits in planning and project management.
- Mega-events vulnerable to 'normal accidents': i.e. incomprehensible 'emergent' properties of complex systems.

A Brief History of Olympic Risk Management

- Over time, Olympic organizers have sought to manage risk through a range of mechanisms.
 - Insurance is a longstanding mechanism for securing protection against financial liabilities. Prior to 1988, risks tended to be managed via reviews of liabilities and OCOG's procurement of insurance coverage.
 - 1900-present: property and personal injury
 - 1984-present: cancellation/television revenues
 - 2001-present: cancellation (IOC)
 - Recently, other forms of financial risk management have come into use: e.g. risk-transfer arrangements, hedging instruments.

The Birth of Olympic Risk Management at Calgary 1988

- The Organising Committee for Calgary's 1988 Winter Olympics (OCO'88) was the first OCOG to make formal provision for risk management.
 - Reviews of draft contracts for indemnities and liabilities
 - Representation at meetings to assess risks and responsibilities
 - Reviews of documentation and other information
 - Inspections of venues and other facilities
 - Reviews of contracts (e.g. between the OCOG and venues) to analyse risk exposures and consider contingency plans
 - Consultations with department managements
 - Research of past events to inform evaluations of exposure.

Lessons from Vancouver 2010

- VANOC 'the first OCOG to implement full Enterprise Risk Management in organisation of the Games': with internal audit integrated within the RM function (audit was risk-based).
- RM through a top-down mandate, but risk registers for fifty-three functional areas developed from the bottom-up. Risks categorised as 'pre-Games', 'Games-time' and 'post-Games'. Systematic ranking and categorisation of risks. Functional and strategic risk registers were merged within a central database.
- ERM was 'about creating a culture of risk management' and cultivating 'proactive thinking'. RM as leadership: linked to functional objectives and achieving outcomes.

The IOC as Risk Manager

- Selection of host cities through the bid procedure has become an explicit 'exercise in risk assessment' (including 'fuzzy set' analysis to indicate uncertainty of technical evaluations).
- Manages financial risks to the IOC through its reserve fund (i.e. self-insurance), cancellation insurance, hedging contracts and sovereign risk (via guarantees by the host government in the host city contract).
- Manages political risk through diplomacy and protocol (as well as at operational levels, e.g. security).
- Reputation management and brand protection (e.g. news management, legislation against ambush marketing).

London 2012

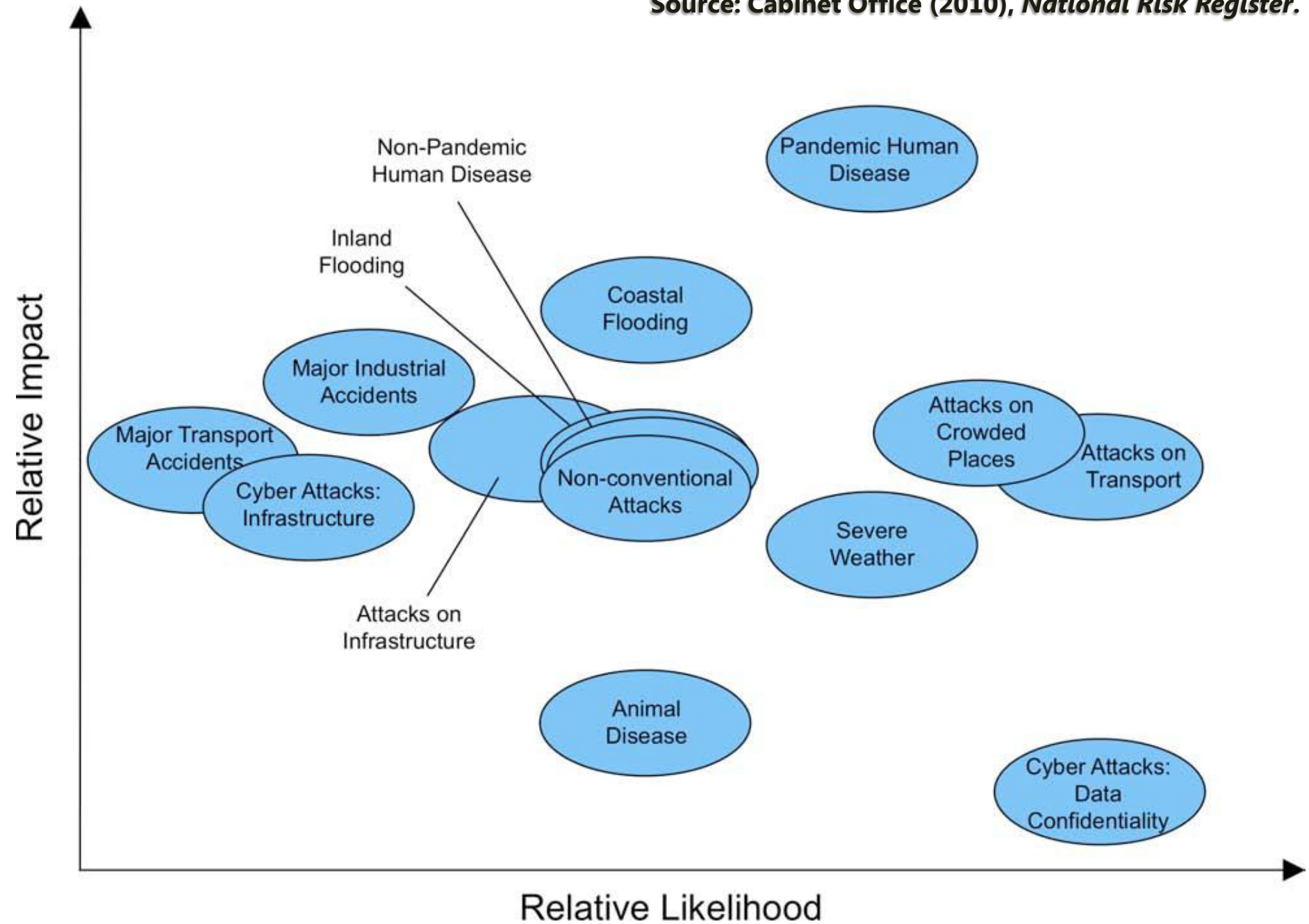


Programme

- Government Olympic Executive-led management of programme-level risk:
 - Integrated risk register (probability/likelihood) traffic light scheme, with codes for proximity (time to event) and visibility (mitigations in place or not), assurance teams, run monthly updates. Standardised risk assessment forms across functional teams.
 - Information populated from lessons-learned from other Olympics and other stakeholders.
 - System designed to focus on *changes* in risks to event organisation and *current state* of mitigations, with scope for 'horizon scanning'.
 - Challenges: definition of what a 'strategic risk' is varies from organisation to organisation.

Security

- Home Office's 'Safety and Security Strategic Risk Assessment (OSSSRA) and Risk Mitigation Process' identifies threats and hazards relating to terrorism, serious organised crime, domestic extremism, public disorder, and major accidents and natural events (OSSSRA 'refreshed' on a regular basis).
 1. Risk analysis: identification (intelligence, consultations, agreement of 'worst case scenarios'), assessment (analysis of likelihood and impact of identified risks), comparison (risks then mapped onto a risk matrix enabling "at a glance" comparisons, evaluating mitigations through movement of hazards/threats, i.e. to more or less likely/costly) .
 2. Risk mitigation: implementation of strategic design requirements (SDRs) which provide a framework for contingency planning and mitigations, used by the Olympic Security Directorate in partnership with other agencies, commissioned to put in place measures to meet the criteria set by the SDR.
 3. Understanding residual risk: 'risk reduction assessment' (RRAt) process undertaken to assess mitigations, recognise duplication or gaps, and determine residual risk.



Health

- Information populated through OSSSRA (Home Office), Olympic Risk Assessment, National Risk Assessment (Cabinet Office).
- Resilience planning for generic and specific scenarios (e.g. emerging infectious and communicable disease during the Games, conventional explosion(s), heatwave, chemical or radiological attack, aircraft attack, major electricity disruption (affecting NHS Services)).

The Risks of Risk Management

- Type I errors (risk over-identification): e.g. ahead of the Albertville 1992 Olympics the identified list of risks was "a little too 'catastrophic'".
- 'Fantasy documents', and the dangers of box-ticking mentalities: inability of budgeting technologies to contain costs.
- 'Incomprehensibility' of complex systems: e.g. minor glitch in the police dispatch system had unanticipated consequences for the bomb warning at Atlanta 1996. Unanticipated consequences.
- Problem of moral hazard: e.g. insurance expensive and difficult to obtain after 9/11.

EPG

EXECUTIVE POLITICS AND GOVERNANCE

OLYMPIC RISKS

WILL JENNINGS

DAYS

3 19

HOURS

3 44 08

MINS

SECS

to the Opening Ceremony of the
London 2012 Paralympic Games

london

Paralympic
Games

S

3 19

44 08

MINS

SECS

to the Opening Ceremony of the
London 2012 Paralympic Games

Will Jennings. [*Olympic Risks*](#), forthcoming with Palgrave Macmillan in June 2012.

Will Jennings © 2012