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Simon Chadwick, Daniel Parnell, Paul Widdop, Christos Anagnostopoulos

Risk and crisis management

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Introduction

Nobel Prize-winning Economist Daniel Kahneman (2011) distinguishes between System 1 thinking for those activities where humans decide almost unconsciously, quickly and almost automatically and those he labels System 2, which require focused attention with continuous judgement, making sense of many variables. System 1 reflects my motorway commute to work where I often arrive almost by surprise having been lost in my thoughts and driving on autopilot, thousands of times. Compare that to motorbike racing and the degree of focus required to be successful. In April 2015 my Australian friend and colleague was killed racing in a Thundersport GB series race at Donington Park; he was the 39th racer to die in the UK since 2000. Craner Curves, the part of the track where this tragic accident occurred, is notorious, meriting a mention in Williams’ (2010) book on the death of Ayrton Senna. My friend’s mode of operation when racing, was very much System 2, no space for autopilot here, just focus. My colleague’s death was a tragic accident and he recognised the threat, the possibility, the chance, the danger but took the gamble and calculated, favourably, the probability that his skill, that of his competitors, his machine, and the track technicians, etc. would see him through. Each of the italicised words are synonyms for risk and represent the differing ways we use the term. Risk is ubiquitous, a feature of every decision we make, albeit the consequences of a poor decision will vary significantly. Often, we increase our risk by operating in System 1 when a System 2 approach is required. Sometimes mindfulness in a System 2 context is simply not enough, but at age 48, my friend had come through many scrapes and understood the risk. Risk perception plays a vital role in identifying threats and in how to prepare for them. Thinking about how we think about risk is a vital step for each of us in minimising threats and preparing effectively to deal with them. I begin this chapter with a tragedy personal to me to emphasise that risk affects people with real consequences and can be a matter of life and death.

The death of a friend, who was a competitor in sport, is at one end of a spectrum, with the multiple deaths inside British football stadia at the other. The last such disaster in the UK, the Hillsborough Stadium Disaster (1989) where 96 spectators were crushed to death, was the subject of my doctoral research some 25 years ago. These spectators placed their trust in the hands of the police, the stadium designers, the owners’ investment, and the local regulators to provide...
a safe environment in which they might enjoy watching a game of soccer. As I write in early
2018, the police officers involved in the incident and its aftermath are being prosecuted nearly
30 years after the event.

Fortunately, despite the opening paragraph, much of risk management is concerned with
business risk and even when dealing with health and safety, the aim of risk management is to
minimise failures. This chapter aims to provide sufficient content to help a manager or leader
engage in an informed way with risk and associated practices and policies. Content covers an
overview of key terms, the scope of risk and crisis management, and a process that may be fol-
lowed from identifying potential threats through to incident management.

Sport is big business, as earlier chapters demonstrate, generating large revenues. Deloitte
(2017) calculated the revenue of the European soccer industry to exceed $25 billion per annum.
In addition to revenue and entertainment sport has an important, perhaps vital cultural influence
too. Sport unites and divides, hence strict rules in the soccer industry on what players can wear,
which meant in 2016 that British footballers were not permitted to wear a red poppy badge
in memory of fallen soldiers. Symbolic actions create impact and images of African-American
NFL players kneeling rather than standing during the American National Anthem in polite and
silent protest concerning persistent institutionalised racism received much coverage and pro-
voked a the US president to tweet a rebuke:

If a player wants the privilege of making millions of dollars in the NFL, or other leagues,
he or she should not be allowed to disrespect our Great American Flag (or Country) and
should stand for the National Anthem.

(CNN, 2017)

Trump added further fuel to the controversy with comments at a political rally:

Wouldn’t you love to see one of these NFL owners, when somebody disrespects our flag, to
say, “Get that son of a bitch off the field right now. Out! He’s fired. He’s fired!”

(CNN, 2017)

The speed and impact of so few words show the high profile of sport and the importance of
social media as a communication channel.

As individuals, we make judgements involving risk every day, from deciding how to travel,
where to live, and other choices such as whether to wear a cycle helmet. Sports competitors
have less control and must place their trust in others – their team members, construction staff
who build the facilities or the regulatory authorities. Following a death on a Luge track, the
Olympic authorities had to judge whether the accident revealed a major flaw and abandon a
once-in-four-years event or continue. It continued. Another Luge competitor, realising this
might be his only chance of Olympic glory commented when asked what it would feel like to
be the first competitor on the track following the fatal accident:

Whatever, I could have been the first or the 10th. It’s Olympic training. It’s a tragedy. I can’t
personally deal with it until after the Games.

(Cited in Donegan, 2010a)

Calculated risks are a part of sport, whether it is the decision on the number or timing of pit
stops in Formula One, or whether a player should pass the ball or attempt to score a goal in soc-
cer. In most cases the probabilities are uncertain and the range of outcomes unclear, although
the best teams and individuals seem able to weigh up this uncertainty intuitively. Perceptions will be shaped by a host of subjective factors, including temperament, peer group, our education, to name a few. The process of risk management is vulnerable to the limitations of human judgement and although scientific tools may play a part, it is not a science.

Sport is a source of national or local pride and is often used to achieve political ends; China’s massive investment in the Beijing Olympics symbolised China’s emergence as a great power [see Chapter 40 in this handbook]; boycotts or bans have often been used as a means of applying pressure on some regimes; and high-profile sporting events may attract terrorists such as the suicide attacks at the Stade de France in 2015.

The degree of fanaticism of some spectators distinguishes sport from many other industries, although Apple customers may come close. The popularity of sports personalities and their place as role models secure lucrative sponsorship deals, which are vulnerable to scandals if they fail to live up to their public persona, as the ongoing coverage of the troubled golfer Tiger Woods demonstrates. Sponsors may be quick to cancel contracts to avoid tarnishing their brands by association.

Sporting events often involve large, excitable crowds, in confined spaces, and safety management must be a primary concern of event organisers. These spaces are often used infrequently, and their design often reflects this as low usage equates with low revenues. Sports stadium disasters remain a feature of sport globally, despite the large investments made in investigating failure, building safe structures, and developing management systems.

Many sports organisations have struggled to keep pace with the changing commercial opportunities open to them, reflecting the amateur origins of most sports. There has been a history of a make do approach to management, covering the basics but not recognising the necessity for sports to be led in a business-like way. This is changing and in the US NFL and baseball, and in the UK the Premier League, standout in terms of their investment in leadership, but in many cases a small group or individual, often poorly trained and overworked, is responsible for a wide range of activities, from ticket sales, contract negotiations, match arrangements, to health and safety. Within such a context, effective risk management is unlikely to receive the attention required.

In summary, although the sports industry has some unusual characteristics it shares the same issues as any other organisation. The following generic framework for considering risk and crisis through a business continuity management process is the focus of the next section of this chapter.

A business continuity approach

A Business Continuity Management (BCM) approach recognises the impact of interruptions/failures upon a wide range of stakeholders and it seeks to avoid or else prevent incidents from escalating into crises, and increasingly, focuses upon building resilience.

Crisis management, its mother discipline, may be conceptualised as three distinct phases, as depicted in Figure 27.1 (Smith, 1990; Pauchant and Mitroff, 1992). These phases are the before, during, and after the crisis. The pre-crisis stage refers to the period in which the potential for failure is incubated. Decisions made during the months and years before an incident occurs determine the level of vulnerability of an organisation. Decisions, both formal and informal, such as the common practices might include accepting inappropriate staffing levels; ignoring or being slow to respond to health and safety reviews or near misses; poor training; too great a focus on the sports team side to the detriment of the back-office activities. These decisions reflect the core beliefs or culture of an organisation and research indicates that once embedded
they become difficult to change. For example, in 2015 Sepp Blatter finally resigned as president of FIFA as pressure from sponsors including Adidas and Anheuser-Busch grew, coinciding with the arrests of several soccer officials in Switzerland (Borden, Schmidt, and Apuzzo, 2015). The pressure reflected serious concerns over the ability of a Blatter-led FIFA to respond effectively to the allegations of corruption rife within the industry. That “compulsion” was required indicates that FIFA’s leadership team had lost touch with key stakeholder expectations, believed such activity was acceptable, and, quite possibly, felt itself beyond the reach of the legal authorities.

The second stage refers to the immediate incident response. A distinction must be drawn between the crisis and the trigger. The cancellation of the ITV digital contract with the Football League in 2002 triggered crises for many football clubs, especially those recently relegated but retained Premier League cost structures. The impact of this trigger was determined by the existing poor financial state of the clubs. Those that had taken such events into account within their planning scenarios were better placed to deal with the contract’s cancellation than those that had not undertaken any such scenario planning. Similarly, effective crisis management may exacerbate or reduce the impact of a trigger event.

The third, and final, stage refers to the period in which an organisation seeks to consolidate and then reposition itself. Of course, phase three feeds back into phase one as organisations may or may not learn from their experiences.

A BCM approach has evolved from considering how to manage crisis incidents (i.e., phases two and three), to considering how the potential for crisis may be incubated by organisations themselves (see Pauchant and Mitroff, 1992; Elliott and Smith 1993, 1997) for a detailed sports industry case study). Here traditional risk management may play a key role in identifying the types of threat, their impacts, and how effective response may be planned and resilience developed. Core beliefs and culture are important in shaping the process, often requiring a major event to trigger real change. The death of Formula One driver Ayrton Senna whilst competing triggered a crisis of confidence in Grand Prix safety. Such crisis incidents usually possess social and technical dimensions and, in this case, the causes of Senna’s crash included faulty adaptations of the steering column of Senna’s vehicle alongside poor track maintenance of the San Marino track. Lovell (2003) suggests that charges against the organisers of the event and the owners of the vehicle were either dropped or “eased” because of the political connections of key personnel with senior Italian politicians. Whatever the truth, the desire to limit driver injuries and fatalities has led to vast improvements in the design of vehicles and tracks and other safety equipment, reflecting higher expectations of what is acceptable and representing a shift in core beliefs.

Figure 27.1  Stages of crisis model (adapted from Smith, 1990)
Effective risk management requires processes to identify and assess the source and impact of threats and their likely impact on key stakeholders. Aligned with this, organisations must develop the capability to respond to incidents and limit their impact. Although plans are one indicator of preparedness, organisations should focus on learning from the planning process, tests, and exercises to develop a competence. Further, effective risk management involves learning from near misses and the mistakes of others.

Managing risk

From a practical perspective, there are four basic steps required to manage risk effectively. Step 1 concerns identifying the range of threats. Step 2 focuses upon developing an understanding of the organisation, including its key activities and vulnerabilities, stakeholders, supply-chain dependencies, and environmental issues. Growing sensitivity to issues such as banned drugs and sexual harassment should also be included, given their impact upon victims and the potential for reputational damage. Step 3 is concerned with assessing probabilities and determining priorities. In step 4, alternative options to mitigate threats are considered, ranging from avoidance (withdrawing from an activity), deferment (wait and see), reduction (improve prevention and control measures, for example, through a continuity management process), or transfer (via insurance).

Step 1: identifying threats and hazards

Anecdotal evidence from many countries indicates that the perception of British soccer spectators as hooligans remains strong (Elliot, 1998). Although hooliganism played no part in events such as those at the Hillsborough, Bradford, and Ibrox stadia, memories of the 39 Juventus fans killed in the Heysel Stadium in Brussels live on. Although hooliganism was only one factor in Heysel, our perceptions of risk are shaped by such examples rather than by the largely passive fans in the other three incidents. Elliott and Smith (2006) argued that the persistent emphasis of police and regulators upon soccer hooliganism, when considering crowd control, is key to understanding why stadia which were unsafe continued to be designed and poorly managed. The prevailing mind-set influenced how police and security personnel repeatedly misinterpreted crowd distress as hooliganism, thereby impeding their ability to stop or slow an incident from escalating into a major disaster. For example, some police officers at Hillsborough physically forced spectators back into the crush from which they sought to escape. Such prevailing mind-sets distort our ability to judge “objective” probabilities. Individuals are more likely to die or be injured as they drive to a soccer match than die as victims of hooliganism or disaster. An essential part of the first step of this BCM process is to create a mind-set poised for objectivity, open to challenge, and thereby sensibly construct and categorise the wide range of threats organisations may face.

The scope can be narrow or broad, reflecting the managerial mind-set of an organisation. A useful way of organising and presenting the scope is via a risk register, which may be produced at a strategic level or at a more operational or micro level. The aim is to focus attention and discussion on the most salient risks facing an organisation. It is most likely to be useful when produced by a team drawn from a variety of functional areas. It may not be straightforward to quantify each risk, but if it is listed, a judgement may be made and mitigation identified. This should be reviewed regularly, at least once per year for a strategic risk register and quarterly for the operational version. Table 27.1 includes strategic and operational risks. The gaps recognise that it is not always easy to assess the likelihood of a threat nor the impact as so much is dependent upon context. What is most important is that all risks be identified and considered regardless...
<table>
<thead>
<tr>
<th>Category</th>
<th>Illustration</th>
<th>Example</th>
<th>Chance</th>
<th>Impact</th>
<th>Risk score</th>
<th>Possible mitigation</th>
<th>Risk owner</th>
<th>Time</th>
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<tr>
<td>Operations</td>
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<tr>
<td>Power cut during event</td>
<td><em>Power cut in stadium during well attended evening event in winter.</em></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td><em>Backup generator available.</em> Stewards trained in evacuation procedures.* Loud hailer as back up to PA system.* Wind up torches for stewards and clear marking of exits with emergency lighting and marked with white paint.*</td>
<td>Board, Stadium Manager, Chief steward</td>
<td></td>
</tr>
<tr>
<td>Slip/fall hazard</td>
<td><em>Flooding, ice or uneven surface/stairs present a trip hazard to few or many.</em></td>
<td></td>
<td>2</td>
<td>2</td>
<td>4</td>
<td><em>Ongoing inspection and maintenance of stadium, especially pre-match and when there are adverse weather conditions.</em></td>
<td>Board, Stadium Manager</td>
<td></td>
</tr>
<tr>
<td>Succession management</td>
<td><em>Manchester United struggle to replace Alex Ferguson, with a succession of well-known coaches making unsatisfactory progress.</em></td>
<td>FC Barcelona</td>
<td>4</td>
<td>5</td>
<td>20</td>
<td><em>Long term plan to develop replacement, inhouse and/or manage change when right person available.</em></td>
<td>Board</td>
<td></td>
</tr>
<tr>
<td>Leaks of confidential and embarrassing information</td>
<td><em>Football leaks – A whistleblower website reveals secret financial details/correspondence from professional soccer. Site revealed details appearing to show both Cristiano Ronaldo and Jose Mourinho moving millions of euros avoid tax. (Rengers, 2017)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><em>First, do not behave unethically and consider how any action might viewed on the front page of a newspaper.</em> Second, develop a crisis communications plan, identifying key stakeholders, messages, and choice of modes of communication.* Build good will.*</td>
<td>CEO, Dir. of Marketing,</td>
<td></td>
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Table 27.1 Continued

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<tr>
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</table>
| Health and Safety               | **Athletes** – Death of Luge competitor Nodar Kumaritashvili at Vancouver Olympics 2010  
*Spectators* – Stadia management, disasters in Abidjan, (2009), Johannesburg (2001), Bastia (1989) Hillsborough (1989) | 1      | 5      | 5          | Take health and safety seriously and ensure it is adequately funded and that CEO takes leading interest, or risk corporate manslaughter.  
The likelihood is identified as low because this an area which receives significant attention in most professional sports.                                                                                      | CEO, H&S Manager |       |
| Abuse and Harassment            | Reports of sexual harassment, discrimination, homophobia and abuse of youngsters in sports training are more common and given greater credence than ten years ago, posing threats to individual victims as well as posing legal and reputational risks. | 2      | 5      | 10         | Appoint properly trained/empowered officers to investigate allegations promptly and thoroughly.  
Establish guidelines to help establish culture of dignity and respect at work.  
Use variety of communication channels to educate and raise awareness.  
Positive discrimination where appropriate.                                                                                                           | Protection officers, Board, CEO |       |
| Strategic                       | In early 1970s Adidas dominated the running shoe industry. It underestimated the growth in demand for running shoes and the aggression of new rivals Nike.  
Golf, in the US and Europe, suffers from lower engagement from younger demographic groups, in terms of participation, spectating and product purchase – reflecting ageing profile of amateur golfers and famous players. | 3      | 5      | 15         | Adidas might have reacted to protect its position by building barriers to entry, stronger promotion, sharper pricing and ongoing research and development (Hartley, 1995). | Board, CEO       |       |
<p>|                                |                                                                                                                                                                                                          | 2      | 5      | 10         | Develop better understanding of customer wants, develop new products, service, promote appealing role models to grow youth and women markets.                                                                   | PGA, Golf bodies |       |</p>
<table>
<thead>
<tr>
<th>Access to revenue-generating competition</th>
<th>For teams such as FC Barcelona, Real Madrid, Manchester Utd, Bayern Munich, Champions League revenues are a vital source of revenue, with consequences if qualification is not achieved.</th>
<th>Man Utd 3 5 15</th>
<th>Man Utd 3 5 15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Insurance against non-qualification Different scores reflect the structure of the Premier League which creates greater uncertainty over qualification than in La Liga.</td>
<td>FC Barcelona 1 5 5</td>
<td>FCB</td>
</tr>
<tr>
<td>Declining market</td>
<td>English and Welsh cricket suffer falling crowd attendances.</td>
<td>ECB 4 5 20</td>
<td>ECB</td>
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<td></td>
<td>Creates 20-20 version and revitalises the industry.</td>
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<tr>
<td>Financial and compliance</td>
<td></td>
<td></td>
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<tr>
<td>Cyclical risk</td>
<td>FIFA leads to negative cash flow in non-World Cup years.</td>
<td>FIFA 5 2</td>
<td>Board, Dir. of Finance</td>
</tr>
<tr>
<td></td>
<td>Budget accordingly. Develop alternative FIFA revenue-generating events.</td>
<td></td>
<td>ECB</td>
</tr>
<tr>
<td>Credit risk</td>
<td>Since 1992 English Football League clubs have fallen into insolvency 53 times with an estimated £200 million unpaid to creditors.</td>
<td>English Football League 3 5 15</td>
<td>EFL, Club FDs</td>
</tr>
<tr>
<td></td>
<td>Improve financial controls and competence at club level. UEFA introduce Financial Fair Play rules.</td>
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<tr>
<td>Abuse of position</td>
<td>Adamu, (VP of FIFA and Nigerian rep.) and Temarii (from Tahiti) were banned for one year when caught out in a sting by newspaper investigators pretending to buy votes for the USA’s World Cup bid.</td>
<td>2 2 4</td>
<td></td>
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<td></td>
<td>Poor reputationally, but this has limited impact on FIFA as a whole.</td>
<td></td>
<td></td>
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<tr>
<td>Corruption</td>
<td>Former Juventus director Antonio Giraudo sentenced to three years in prison for his role in match-fixing scandal. (Guardian, 2009)</td>
<td>2 2 4</td>
<td></td>
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<tr>
<td></td>
<td>Very much a personal risk unlike the allegations of institutionalised corruption re football authorities.</td>
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### Table 27.1 Continued

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<tbody>
<tr>
<td>Relegation and revenue</td>
<td>Leicester City gets relegated and loses £65 million.</td>
<td></td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>Plan on basis of worst, likely, and best scenario and ensure that you have a plan for revenue/costs of worst scenario.</td>
<td>Board, CEO</td>
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<tr>
<td>Political</td>
<td>Korean organisers</td>
<td></td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>Not ideal but unlikely to damage revenues and viewing figures.</td>
<td>None</td>
<td></td>
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<tr>
<td>International relations</td>
<td>Threat to PyeongChang Winter Olympics (2018) with boycott/ban of Russian team.</td>
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<td></td>
<td></td>
<td></td>
<td>Part of a bigger political picture. Organisations must make a judgement re. the impact of such protests in terms of ethics and then reputational/legal/financial. Such examples are difficult to quantify, but listing them means that they will be considered.</td>
<td>None</td>
<td></td>
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<tr>
<td>Equal rights</td>
<td>President Trump criticism of NFL players kneeling during US National Anthem to protest about mistreatment of African Americans, highlights the contrast between Black players and primarily white owners. (CNN, 2017)</td>
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<td>Equal pay</td>
<td>Recent research suggests that 83% of sports award equal prize money to men and women, but only one woman is in the Forbes list of the richest 100 athletes. Certain sports, including soccer and golf, retain massive pay differentials. (Perasso, 2017)</td>
<td>UK Soccer</td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>It is difficult to see the pay gap being closed in those areas where it is widest in the short term as pay is linked to revenues earned. Only legislation is likely to effect change.</td>
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<td>Operational and reputational</td>
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<tr>
<td>Collective reputational risk</td>
<td>Rising awareness and growing capabilities to identify drugs used to enhance athlete performance have seen the World Anti-Doping Agency declare the Russian Anti-Doping Agency non-compliant and subsequent restrictions on Russian athletes’ participation in the 2018 Winter Olympic Games (Press Association, 2017)</td>
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<tr>
<td>Individual reputation risk</td>
<td>Since reports of Tiger Woods marital infidelity were widely circulated, triggering Accenture and A&amp;T to withdraw sponsorship in 2010, Woods has not won a single major title. (see Donegan, 2010c; Finn, 2017)</td>
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Each case is unique, and it is difficult to suggest mitigation except don’t do it or ensure that drugs testing agencies are well resourced and empowered to act. Building strong links with the media and having plan to deal with media (especially social media) are vital.

There are many examples of individuals losing reputation and often this is because they fail to live up to a carefully constructed false identity or else they have a track record of misdemeanour.
of whether it is possible to allocate a weighting to them. It is a question of judgement rather than one of getting a number correct.

There is a danger that the risk register focuses solely upon physical or technical threats such as health and safety, systems failure, fire, etc. These are, of course important, but so too are the business and reputational risks and those emanating from human conduct such as corruption and sexual harassment.

Soccer stadium disasters and the well-publicised deaths of spectators and drivers in Formula One have been well reported, and even baseball has seen five spectators die since 1970. These are the most tangible of hazards. However, as the sports industry has become more professional, the threats from other categories of risk have become more obvious as Manchester United’s insurance policy against non-qualification for the European Champions League indicates; it protected them when in 2016/2017 Premier League Champions Leicester City qualified and Manchester United did not.

Within the soccer industry, and in sport in general, the growing separation of coaching from business management recognises the importance of employing staff with business and other skills. In an early study of the soccer industry, Fynn and Guest (1994) identified a serious lack of business acumen. Fifteen years later, in 2010, Lord Mawhinney, the Football League chairman, observed:

The way football clubs do business fundamentally does not work … I think people are taking this issue much more seriously now. What is given to players and agents is not sustainable. There has to be some element of control and restraint.

(see Conn, 2010)

Organisations such as Ali Baba, Apple, Google, Ryanair, and Samsung have sustained success through ongoing market research, competitor analysis, and a sound understanding of how their competences fit with their environments and by pursuing continuous innovation. They also practice good risk management, with some success, most of the time. Although the introduction of new consumer-driven formats such as 20-20 in cricket have emerged innovation in sports, these tend to be focused upon improvements in equipment (e.g., motor racing, cycling), nutrition (athletics, cycling), or on reducing the inevitable human error of referees through video playback (rugby, cricket). Media companies often take precedence as the key customer over consumers, and sports organisations may pay too little attention to understanding their consumers and in adapting their offer to changing needs and demographic profile, as seems to be the case with golf.

Different threats may result in similar risks. For example, banned drugs, bribery, and match-fixing, and the identification of key staff as racist would all combine both legal and reputational dimensions and might benefit from a similar response. Planners are limited in terms of time and resources and cannot account for all eventualities. The case of the global soccer industry provides evidence of the failure of corporate governance to deal firmly with investigating and rooting out corruption. Law breaking, dubious ethics, tax avoidance/evasion, and reckless spending may be endemic and have been a blight on the industry for many years. The “Football Leaks” shared evidence of tax avoidance and evasion involving many players and coaches, including Barcelona’s Messi, Real Madrid’s Ronaldo and Manchester United’s Mourinho, amongst many others (Rengers, 2017). Members of the European Parliament accuse football officials of being “enablers” of a corrupt system that permits players and agents to avoid tax (Aarons, 2017). The resignation of FIFA President Sepp Blatter in 2015 was forced through by sponsor pressure and arrests of senior figures (Borden et al., 2015).
These issues are a key part of the backdrop to FIFA facing a financial shortfall in revenues from the World Cup in Russia (2018). This shortfall emerges from the difficulties in attracting new top tier and local sponsors, with the view of FIFA as a “toxic brand”. Nally (2017) asserts that unless you are from a country “where the fact FIFA is in court in New York and associated with corruption doesn’t matter, no corporation is going to consider it safe to get involved with FIFA.” The lack of local partners is especially worrying, both as a source of revenue and because Russian partners would help build excitement among local fans. President Putin may also have worries about being too closely associated with a team, currently 65th in world ranking (Hyde, 2017).

Where there is a perception that corruption and related behaviours are institutionalised within an industry, the consequences will be significant. Soccer’s ongoing popularity has perhaps insulated it for a while, encouraging complacency and hubris with senior executives isolated from the real world and left feeling a sense of invulnerability. Parallels might be drawn with some of the worst excesses of the finance sector before the credit crunch of 2007, the effects of which are still being felt.

Macro environmental shocks may have unexpected consequences. When Britain voted for Brexit, the value of the pound sterling versus the euro fell sharply. This meant that a €40 million bid for a Spanish footballer increased from £31 million to £34 million for a British Club (Aarons, 2016). If Brexit occurs, there may be restrictions of the movement of workers, including sports coaches and players. A second consequence could be restrictions on the movement of players and coaches between the UK and its EU partners, a move, which might trigger the decline of the Premier League. Spectators will be affected too. Tennis fans travelling to Paris for the French Open or Motor-racing enthusiasts attending the German or San Marino Grand Prix will find tickets more expensive. Travellers may require visas, may lose their EU wide mobile roaming tariffs, and may no longer have access to free emergency health care. Falling land prices in London, following the 2007 monetary crisis, escalated the costs of London 2012 Olympics, by reducing the value of the post-2012 asset sale, which was to be offset against the initial investment (Taylor, 2010).

Another commonly occurring risk is the threat to reputation, as the sorry case of Tiger Woods exemplifies. In the age of social media and given the importance of media, brand, and image rights, an increasing source of revenue for sports organisations and individuals [see Chapter 9 in this handbook]. Allegations of impropriety, proven or unproven, may be highly damaging; whether they relate to infidelity (Tiger Woods), sexual harassment (Amelia Rayno), banned drug taking (Lance Armstrong), suspicions of banned drug taking (Team Sky, Bradley Wiggins), missing drug tests (Mo Farah), or result fixing, all provide a threat to the people involved and to other organisations with which they are associated, be they sponsors (see Roberts, Chadwick and Anagnostopoulos, 2017), employers, or regulators. It is not whether the allegations are true and proven which counts, rather it is the immediate, and potentially long-lasting, threat to reputation, whether fair or not. Those organisations or personalities that maintain positive relationships with the media and other key stakeholders have a real advantage over those who fail to if rumours or scandal breaks.

As these cases illustrate, the sports industry may be faced with a wide range of threats, some strategic in nature, other more operational failures but which have the potential to escalate into a crisis. The above case material also indicates warning signs in terms of overcrowded stadia, police misperceptions, and many football clubs metaphorically sailing close to the wind financially. The threats to FIFA, of business risks, low liquidity, cyclical cash flow, weak corporate governance may equally apply to other governing bodies as well as to the small and large sports businesses. Similarly, threats to spectator safety inside stadia are as apt to sports such as motor rally, Formula One, and athletics as to football (soccer).
The aim of this section has been to consider the wide range of threats to sports organisations. The frameworks provide a focus for considering the broad scope of risk and for considering which may be the most relevant for sports business. However, as the examples illustrate, threats, when realised, rarely impact upon one organisation alone, the nature of risk and crisis is that they encompass multiple stakeholders.

**Step 2: identifying and assessing the risk**

Two broad approaches to risk assessment have emerged, the heuristic and “scientific” approaches. The heuristic (rule-of-thumb approach) is qualitative and based on judgement. The “scientific” approach utilises statistical modelling. Toft (1993) has argued that all risk assessment, no matter how sophisticated the modelling, remains inherently value-laden and is, therefore, a judgement.

Elliott et al. (2010) offer a qualitative framework for risk assessment, one emphasising the interdependence of organisations and the importance of a full stakeholder analysis. Key questions to be examined include:

- What is the potential impact upon our business and other stakeholders?
- What is the probability of a failure occurring?
- What are our key business and operational objectives?
- How do we exploit our resources to achieve our strategic objectives and create value?
- What linkages and dependencies exist within our supply network?
- What seasonal trends or critical timing issues might impact us?
- Is the threat acceptable to our stakeholders and us?
- What should be done to manage risk?

These headings (which lead to related questions) should be adapted to meet the needs of the organisation. These questions should stimulate data gatherers and managers to consider risk and how threats might affect business processes and stakeholders. Elliott et al.’s (2010) framework highlights the importance of understanding an organisation’s internal and external environment. Table 27.2 highlights functional dependencies, both within an organisation and its supply chain (see Chapter 26 in this handbook). Understanding such dependencies is crucial as no part of an organisation is an island and often it takes a crisis to highlight where the “hidden” dependencies are. There may be single points of failure not readily identifiable. A stadium control system with no proper contingency would be a single point of failure. A common example is the dominant sports club owner who insists on making all major decisions but then falls ill or loses interest. Similarly, the lack of proper succession planning for a coach might be a single point of failure.

The aim of the risk assessment stage is to better understand the degree and nature of threats in terms of severity of impact and probability of occurrence. Categorisation may occur from a simple ranking exercise using the scores from the risk register. Although risk analysis and assessment may be aided by complex mathematical modelling, these only aid judgement as they are based upon many subjective assumptions.

**Step 3: risk assessment**

Given the potential hazards of Formula One, safety issues receive detailed consideration, especially as new technical innovations emerge. The introduction of pit stops (1982) enabled cars to run with lighter fuel loads and softer tyres and provided an opportunity for sponsors to publicise
Risk and crisis management

their logos. However, it increased the hazards associated with blasting fuel into tanks via pressure hoses and after an incident involving Keke Rosberg’s car, it was banned until 1994. Then, Bernie Ecclestone, aware of the dramatic impact of pit stops on television, successfully advocated their reintroduction – the risk was considered worth the television entertainment value (Lovell, 2003). Risk practice results from a trade-off; in this case, driver safety versus revenue streams. The use of a safety car, in Formula One, to slow competitors following an accident reduces the need for lengthy restarts, an issue for global television companies that were concerned that long waits for restarts would encourage bored television viewers to switch channels. Drivers’ concerns that the slowness of the safety car could cause the tyre pressure to drop and seriously reduce handling capability were given less consideration.

These two examples illustrate the balance that sports managers strike between conflicting objectives. The purpose of risk assessment and analysis is that such decisions are grounded in a critical evaluation of the evidence. A danger is that commercial factors outweigh health and safety, especially where threats to participants are more difficult to quantify. Risk strategies may also be evident in preparations for managing the crisis, the subject of the next section, and in the preparation of business continuity plans (BCPs).

Simply explained, a BCP is the outcome of a thorough process in which the links between an organisation’s objectives, resources, environmental context, and dependencies are critically examined. The resulting plan identifies how an organisation will re-establish itself in the event of an interruption. It may include a blueprint of key personnel, contact details, equipment, activities, key deadlines, etc. in order that any business recovery can be achieved quickly (see Elliott et al., 2010 for a full discussion of BCM). The objective of BCM is to ensure that recovery occurs in an orderly manner in a way that supports the strategic objectives of an organisation.

<table>
<thead>
<tr>
<th>Dependencies</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Operations management and production</td>
<td>Sporting events require crowd management and facilities management. Refreshment suppliers Crowd monitoring systems Growing reliance on IS providers for core business</td>
</tr>
<tr>
<td>Information and communication technologies (ICT)</td>
<td>Automated crowd control systems CCTV Social media capability (technical) Strong media relations to build strong brand</td>
</tr>
<tr>
<td>Reputation</td>
<td>Social media capability in terms of communicating and harvesting customer data</td>
</tr>
<tr>
<td>Marketing (shared brands, marketing and promotion)</td>
<td>Tiger Woods loses sponsorship</td>
</tr>
<tr>
<td>Distribution channels (type, number and mix of wholesalers/retailers)</td>
<td>Increasing concentration of power in media companies with TV rights – how to respond?</td>
</tr>
<tr>
<td>Purchasing and procurement (raw materials and components from suppliers)</td>
<td>Collective bargaining from professional players’ unions. Providers of key sporting venues</td>
</tr>
<tr>
<td>Logistics (whether in house or otherwise) Organisational support activities (such as legal, finance, etc.)</td>
<td>Ever growing online ticket and merchandise sales Lawyers give advice on key contractual issues</td>
</tr>
</tbody>
</table>
Step 4: managing the crisis

Handling events

Major sporting events bring together thousands of people and may be characterised by dynamism, excitement, and the unfamiliarity of many spectators with their temporary surroundings. Despite the widespread understanding of how to keep crowds safe, injuries and even deaths inside sports stadia still occur at a frightening frequency. Time is likely to be of the essence in incidents where there are deaths, injury, or serious threats to property, although a longer time-frame may be more important where there is a significant threat to an organisation's reputation.

A key component of effective incident management is the crisis management team. In addition to the day-to-day structures required to implement risk management, a command and control structure for managing crisis incidents is useful. A commonly used format is a three-tier structure, as advocated by the Home Office (1997a, 1997b), mimicking the structure used by the British Police Service who label the three levels bronze, silver, and gold system (respectively tactical, operational, and strategic). This structure emerged from an attempt to encourage consistency between the emergency services and thereby minimise confusion when dealing with an incident (Flin, 1996).

The purpose of the three levels is to ensure that an organisation's response to an incident is coordinated. Bronze (operational) corresponds to the normal operational response provided by the business continuity team. The immediate response to an incident is likely to be managed at this level. For example, a sudden snowfall or build of ice outside a stadium would be dealt with by small groups of staff as a routine matter, laying salt and marking out especially slippery areas. Should there be an exceptional issue such as a major snowfall with spectators already in the ground, then a more coordinated (silver level) approach might be required to ensure that a small number of pathways through the snow might be dug, through which spectators might be guided by stewards, to ensure their safety. The event manager and team would work to ensure that this was conducted in a considered way. It is difficult to see this escalating further unless all means of transport from the stadium were closed because of the adverse weather, leaving thousands stranded. This would require escalation to the strategic (gold) level as most sports organisations would require emergency services' help to deal with thousands of people caught outside in freezing conditions with little shelter.

There is no one best way, and organisations should plan to use structures that best fit their needs and resources. The most important part of the response is effective communication, which brings together key decision-makers. The three levels identify a minimum of three roles to be undertaken when managing an incident. In smaller organisations, one team or individual may perform these distinct roles. Sport abounds with examples of task specialisation: fielders, bowlers, and wicket keepers in cricket; forwards and backs in rugby; strikers, midfielders, defenders, and goalkeepers in soccer. Individuals may switch from defence to attack depending upon need and revert as necessary. This is an apt metaphor for the crisis team. The same individual may fulfil distinct roles as necessary.

Teams are important because, generally, they outperform individuals although, as Janis' ground-breaking work identified, teams may be fallible. Errors may arise from the inadequate quality of information available, a lack of monitoring key indicators (e.g. accident statistics, budgetary controls), the cognitive abilities of the group and political differences within a group. Inevitably, political manoeuvring may reduce team effectiveness. Smart and Vertinsky (1977) identify a range of remedies to the potential difficulties of fallible teams, including the inclusion of independent experts, encouraging alternative viewpoints, protecting minority perspectives, and holding crisis simulations. Implicit in Smart and Vertinsky’s analysis is the
development of the critical team that continually questions decisions and information whilst possessing the mechanisms, personnel, and communication channels to support quick and effective action.

Conclusions

Risk, crisis, and BCM processes have developed rapidly during the early twenty-first century in all industry sectors. As the management of sport professionalises and moves away from its amateur roots, it too needs to meet the challenge of dealing with uncertainty and the threat of business interruptions. Indeed, the volatility of many sporting organisations’ environments, with close links between performance and revenue streams, in addition to the more tangible health and safety type operational risks, highlights the relevance of risk and crisis management to this industry. It has been argued that crises impact upon a wide group of stakeholders, not simply the host organisation. A multiple stakeholder perspective is thus the starting point for effective risk management and should flow through subsequent analysis. The four-stage process outlined in this chapter provides a useful starting point and is only constrained by the imagination of the analyst.

References


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