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Reputation and Mega-project Management
Lessons from Host Cities of the Olympic Games

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COMMON GROUND

Reputation and Mega-project Management: Lessons from Host Cities of the Olympic Games

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Abstract: Hosting the Olympic Games is not merely a sporting endeavor, but is an undertaking that is fraught with political, socio-cultural and economic pressures. Aligning these pressures with reputational issues for the multitude of event stakeholders, most notably the bidding city, if not properly managed as a mega project, can create a "perfect storm", which could result in poor decision making, destructive loss of reputational capital for stakeholders (particularly the host city) and potentially the delivery of a failed Olympic Games. Mega project management, and particularly the management of mega events, deserves special attention in the context of reputation. This is because they come under considerable public scrutiny. For example, the Olympic Games require public sector support and fiscal involvement, without which a city could not bid to host the games (Mules and Dwyer 2005, 350). In fact, due to rising costs of hosting the games, coupled with the growth in interest at an international level, the International Olympic Committee (IOC) cannot, more than ever, risk failure in the delivery of an Olympic Games. Consequently, the IOC decided that governments must act as financial guarantor when a city bids to host the Olympics (Lenskyj 2004, 370). Factors which have historically impacted negatively on the reputation of Olympic stakeholders, the IOC and host cities in particular, include bribery and inequity in the bidding process, human rights issues, international terrorism, poor fiscal forecasting, deficiencies in infrastructure development, optimism-bias, the promise-performance gap and games boycotts. On the positive side have been a limited number of games that have demonstrated successful delivery of the games, profitability and medium to long-term regional sustainable infrastructure development, with corresponding gain in reputational capital to the host city. This paper thus examines reputational issues which have encompassed the Olympics of the past by examining lessons from a review of documented Olympic Games since 1960. The outcomes of the research carry significant lessons for future Olympic host cities, most immediately London 2012 and Rio de Janeiro 2016, and have broader implications for all mega-sporting events.

Keywords: Olympic Games, Host City, Mega Projects, Mega Events, Reputational Capital

Introduction

An Olympic Games, as with other mega events, is usually considered a multi project environment, with individual projects comprising the Olympic events, transport, accommodation and sporting infrastructure, media and medical facilities, information, communication and technology (ICT) systems, security, finance, PR and sponsorship, cultural events and volunteer program, opening and closing ceremonies and pre-games trials (Eager 1997).

Consequently, the threat to the reputation of a host city of a major sporting event can come from many quarters. With the death of an Olympic luger just hours before the opening of the Vancouver 2010 Winter Olympics, concerns over safety, for example, again took centre stage. In another major sporting event, only one month earlier, the Togo national team withdrew from the Africa Cup of Nations football tournament after a gun attack on their team bus left three dead including a team player. Debate also rages in the media long before events are held. For example, the 2010 FIFA World Cup event, which was staged in South Africa, a nation second only to Colombia as the world's murder capital, and the risk to the country's, as well as the football association's reputation if the event were to be marred by unrest, was a constant theme in the press, negatively spotlighting the host city long before the event.

With acts of terrorism, accidents and other forms of disturbances becoming more common and often overshadowing major sporting spectacles in recent history, the question needs to be asked, have major sporting events, in particular, the Olympic Games, just become too risky to the

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reputation of stakeholders, sponsors and particularly host cities, to warrant participation in such a high stakes industry? And, if not, what lessons need to be drawn to aid success for future events beyond the London games of 2012? (Randeree 2012a)

In terms of scale, the summer Olympics is the largest major sporting occasion by the measures of global audiences and expenditure. Here, the games of recent years provide a good resource to help answer our question. The grandiose scale of the Olympic Games has increasingly attracted two main challenges to its security. The first is as a consequence of public demonstration and the second resulting from the threat of terrorism. The Tlatelolco Massacre, for example, which occurred during a student protest for greater human rights prior to the Mexico Olympics of 1968, resulted in approximately 300 people being killed (Berg 2008, 17). More recently, demonstrations in the run up to the Beijing Olympics of 2008 included human rights and pro-Tibetan independence protests which marred the torch lighting ceremony in Athens as well as numerous legs of the torch relay around the globe. There were also demonstrations by the Chinese Muslim Uyghur population in Xinjiang province for greater autonomy and religious freedom. Munich, which hosted the 1972 games, saw the first instance of international terrorism at the Olympic Games in the form of hostage taking (Gold and Gold 2008, 305). A pro-Palestinian group took 11 Israeli athletes and officials' hostage inside the Olympic Village during the games. In a bungled attempt at rescue by poorly trained West German police, all 11 hostages were killed along with 5 of the 8 hostage takers and one police officer. This incident reflected very badly on Olympic organizers as they were seen to be negligent in preparations for such an eventuality. In the case of the Munich massacre, inaccurate initial reports of all terrorists being killed and all hostages surviving the ordeal only served to exacerbate the harm to the reputation of the organizers (Randeree 2011, 213).

On further examination, we quickly learn that the reputational threat extends far beyond security concerns alone. The history of the modern Olympics "shows numerous instances where inadequate planning, poor stadium design, the withdrawal of sponsors, political boycotts, heavy cost overruns on facilities, the forced eviction of residents living in areas wanted for Olympic facilities, and subsequent unwanted stadia leave a legacy that tarnishes rather than enhances the reputation of the host city" (Gold and Gold 2008, 301). Furthermore, bribery and inequity in the bidding process, poor fiscal forecasting, deficiencies in infrastructure development, over optimistic predictions and games boycotts have damaged the reputation of all stakeholders' party to the Olympic 'dream'.

The challenges that face mega events are by their very nature so overwhelming, that their supporters would argue that it is practically impossible to avert every reputational threat to them. Consequently, they see the Olympics and other events, such as the FIFA World Cup football tournament, as highly successful, with the reputation of their stakeholders preserved. Evidence in favor of this is the continued and growing support of global brands seeking the Olympics as a marketing opportunity, increasing revenue from the media and a desire on the part of host cities to deliver a sustainable legacy beyond the expected successful delivery of the event itself. To this end, there have been a limited number of games that have demonstrated successful outcomes, profitability and medium to long term regional sustainable infrastructure development. Thus, for the host city of any Olympics event, the potential to prosper remains, with expectations of lasting social and economic gains, including global marketing opportunities, infrastructure development, travel and tourism, urban regeneration programs and city re-branding. Examples of host cities for the summer games proclaiming a strategy of long term economic benefit, include Rome (host of the 1960 games), Munich (1972), Los Angeles (1984) and Barcelona (1992), all of which delivered notably successful infrastructure and urban regeneration programs; the Sydney games (2000), which emphasized drawing increased future revenue from tourism; and London (2012) which had its accent on urban regeneration and city re-branding (Randeree 2012b).

In contrast, Montreal (1976) lost reputational capital for many years, directly as a consequence of financial mismanagement and debt burden created by their Olympics. The

Olympic Park in Montreal alone, the main stadium which hosted the games, had an estimated cost of C$134 million in 1970, when eventually repaid 36 years later, had cost a staggering C$1.61 billion to finance (Roche 2000). The financial implications of hosting the games became so prominent after the Montreal games, that in the subsequent bidding round for the 1984 games only Los Angeles bid, the only occasion in post-Second World War history where there was no bidding competition to host the games. Los Angeles' delivery of the 1984 Olympics was, in contrast to Montreal, so commercially successful, with profits of $200 million, that all subsequent bidding rounds to host the games have received nominations from increasing numbers of host cities. With such a mixed history, it is little wonder that the future of sponsoring mega sporting events is a matter for such corporate controversy (Roche 2000).

Mega Projects and Reputation

A mega project (sometimes called a major program) is typically large in scale, long term (minimum seven years), has high budgets (greater than £500 million, $800 million), is subject to continuous change, has multiple stakeholders and is carried out in the public interest (or is under public scrutiny). Examples include large scale construction and infrastructure developments, such as airports, road and rail transportation mega projects, major sporting events (such as the Olympic Games), defense, space exploration and ICT mega projects (Randeree 2009). By the measures of time, budget and demand forecasts, mega projects are known to have high failure rates. However, a true measure of mega project success goes far beyond these technical measures alone, as their outcomes are felt not only at point of delivery, but far beyond. Thus, with the exception of those mega projects which do not deliver at all, even those falling short of meeting their objectives could ultimately be seen as successful (Randeree 2010).

Organizations that are involved in the delivery of mega projects are often themselves large and well-known in other aspects of business and so must safeguard their reputation to ensure their successful continuation after project completion. Their reputation is thus a vital asset in making certain that consumers and corporations continue to engage with them beyond the termination of a mega project.

The intersection between mega project management and stakeholder reputation relies on a clear definition of what reputation is, since mega projects themselves are so complex in terms of their relationships with stakeholders and the public at large, that any ambiguity in understanding the subject area will simply lead to confusion rather than beneficial outcomes. Thus, the definition of Barnett *et al* (2006), which presents the idea of disaggregating the study of reputation from more general organizational issues found in other definitions, does have credence when integrated with the study of mega project management. This disaggregation can be seen in four distinct categories, namely, *Identity* (the core character of the firm); *Image* ("what comes to mind when one hears the name or sees the logo" (Gray and Balmer 1998, 696) cited in Barnett *et al* (2006, 34); *Reputation*; and *Reputation Capital* (Barnett *et al* 2006).

Based on a survey of CEO perspectives, Resnick (2004, 34) cites the two motivations for having a good reputation as being to recruit the best employees and to improve the organization's ability to forge strategic or collaborative partnerships. This view is very limited when applied to the context of mega projects, where it is reasonable to suggest that public sector involvement coupled with high investment, the consequent levels of public scrutiny and the potentially negative impact on other proposed work would indicate a greater need for nurturing or safeguarding a good reputation. In mega projects, this is likely achieved through performance (Rose and Thomsen 2004).

In defining reputation and reputation capital, Chun (2005) expounds three 'schools of thought,' namely the *Evaluative School*, where reputation is based on evaluating financial performance; the *Impressional School*, which considers reputation as public image; and the *Relational School*, where reputation is assessed based on a comparative relation between

stakeholders. In terms of mega sporting events and host city reputation, all three of these schools present value. Furthermore, by extension of this analysis, reputation capital can be seen as the extent to which financial performance, public image and comparative relation between stakeholders is positively met by any individual games. In terms of host city, the timescale for such measurement is naturally variable when recounting issues such as legacy and sustainable development.

Even though reputation represents an intangible asset, it can add substantial value to an organization. Take for example the acquisition of a corporation. If the acquiring organization buys a company with a good reputation, not only are the assets of that firm attained, but also its reputation. This ultimately represents a monetary value which is evident as part of mergers and acquisitions activity (Rose and Thomsen 2004, 201). Furthermore, the greater the ratio of market value to book value, the stronger the reputation of the acquired firm, and thus would serve as a useful measure for intangible assets (reputation, in this case) (Hall 1993). These interrelationships between the strategic and personal concepts of reputation are of paramount importance within the context of mega project management, which is a multi-stakeholder environment, heavily reliant on good reputation as a mechanism for sustainability.

Mega projects rely heavily on the participation and collaboration of many stakeholders. However, these ever-growing business links can cause one's own reputation harm as a consequence of such a relationship – the project management equivalent of 'guilt by association.' Additionally, multiple stakeholder environments naturally result in a greater propensity for conflict and the need to find resolution is consequently both an inevitable part of mega-project management (Randeree and El Faramawy 2011, 27) and further impacts reputation management. This gives rise to reputational interdependence. Examples include Merrill Lynch, which lost more than $20 billion of its value through reputational damage caused by its associations with its business dealings with Enron, its relationship with Martha Stewart and the Wall Street analysts' scandal (Alsop 2004, 21); another is Amoco through their relationships with Exxon (Barnett and Hoffman 2008, 1).

Recommendations

In answering the questions of risk to the host city and deriving lessons for success, there are a number of recommendations which emanate from this study, for the benefit of future host cities. It is clear from this research that several areas will require ever-increasing focus to mitigate risk and thus improve success probability. These are:

1. Realistic Forecasting

Overrun, specifically in terms of cost in the case of the Olympics, continues to be problematic, through over optimistic forecasting. Reputational impact, for example for the London games, which was otherwise successful, is proof that more accurate modeling and realism are needed.

2. Social Conscience

Concern for the citizens of a host city is required, particularly prior to the event, with special consideration for the impact of new infrastructure on their livelihoods and neighborhoods. Overcoming issues in this area, prominent in Beijing prior to the summer games in 2008 and in Sochi prior to the winter games in 2014, is a necessary risk mitigation focus.

3. Transparency

It is recommended that, in addition to measures required during the bidding process discussed, the selection of stakeholders and contracting mechanisms in both public and private arenas requires further attention.

4. Security Investment and Infrastructure

The London games, which only suffered from minor infractions during the torch relay, provided clear evidence that high investment in security measures increases the likelihood of a successful Olympic Games.

5. Long-term Benefits

Long-term, particularly economic benefit gained through added value to a host city's brand can deliver reputational capital enhancement. Candidate cities have too often assumed that hosting the games would bring greater prosperity by default, but this has proven not to be the case.

6. Alleviating Risk through Reputational Interdependence.

It is recommended that significantly more research be done to examining reputational interdependence as finding solutions in this area has proven difficult.

These recommendations are by no means exhaustive, rather indicative of the areas where trends, which if not addressed, will continue to increase reputational risk to future cities.

Conclusions

One thing is clear, and it is a stark lesson for the organizers of future games. It is that history ultimately judges the reputation of any given Olympics by association with the host city and, although the reality may be that other stakeholders may be to blame when things do go wrong, all the examples of failure and success given in this article is testimony to that. It may be the reputation of the IOC or its leadership that suffers when there is corruption in the bidding process or favoritism in host city selection, it may even be the character of individual athletes or the standing of entire competing nations bearing the reputational brunt of doping scandals, but it is the city's legacy at stake – the city will ultimately reel or be rewarded, long after the Olympic flame has been extinguished. And whether an individual games' Olympic legacy is one of prosperity or poverty, its reputational assets will only accrue based on the efficient interconnectedness of its infrastructural resources; successful contingency planning for 'known unknowns'; the effective organization and execution of the games itself; and transparency in reporting, truthfulness in conduct and accuracy of disseminated information on occasion that things do go wrong.

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