

IAF BUSINESS INNOVATION SYMPOSIUM (E6)
Strategic Risk Management for Successful Space & Defence Programmes (4)

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MANAGING BLACK SWAN RISK IN THE SPACE SECTOR - OBSERVATIONS FROM LESSONS
LEARNED BASED ON INSURANCE AND CONTRACT PRACTICE

Abstract

The last two years have made it clear to all sectors of the economy that management strategies were based on risks that were well known and identified, or risks that while new developed gradually and entrepreneurs had the opportunity to prepare for them. With the outbreak of the pandemic, many sectors were severely disrupted, among them the space sector. Facts that had an overwhelming impact included: (1) cutting transportation routes for goods, resulting in disrupted deliveries, (2) restricted movement of contractors and employees involved in the performance of the contract, (3) delays in obtaining parts/components due to production stoppages or closure of production facilities due to actions of administrative authorities, (4) failure to obtain parts/components due to supplier bankruptcy, (5) Higher costs of obtaining supplies / components - as a result of having to change supplier, (6) Reduced quality of work and final products. It turned out that this risk and its sources were not sufficiently covered by existing corporate risk management strategies. They often appeared as so-called silent risks. It was only when the risks of the pandemic materialized that the shortcomings in their proper assessment became apparent. What conclusions can we draw from this experience, which may prove useful also in the current geopolitical situation, to build resilient space enterprises? The author draws on two examples, namely the insurance method of risk management and the allocation of contractual risk in the space sector. Particular analysis will be given to the risk of business interruption in the space sector and how to manage it within the Enterprise Risk Management frameworks.