Blackout in Europe: Lessons for business for when the unexpected occurs

The increased pace of natural disasters and other business threats should cause us all to rethink lean management dogma.



May 9, 2025

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On April 28, 2025, a massive blackout knocked out power in nearly all of Spain, Portugal,

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Andorra and parts of France. While the precise causes are still being assessed, what we were immediately faced with were the consequences: disruption, economic effects to the tune of hundreds of millions of euros, and a glimpse of how vulnerable we are as citizens, institutions and organizations to risks that are beyond our control.

This isn't our first such lesson, of course. In recent years, there have been volcanic eruptions in Iceland, tsunamis in Japan, wildfires in many countries, flooding, war and the small matter of a pandemic. As a senior adviser to Hillary Clinton once said, the 21st century is a terrible time to be a control freak.

But given climate change, the rising rate of natural disasters and the myriad geopolitical risks on the horizon, it is imperative that when we build our businesses, we build them resilient.

Understanding the risks that businesses face

A common framework for understanding risk runs from "known knowns" and "known unknowns" through to "unknown knowns" and "unknown unknowns." In life as in business, there are things we can anticipate with a high degree of confidence: for example, ice cream sells better in the summer. Other things have more variability: for example, we know that if we promote a product, demand will go up, but we don't know by how much. When we're dealing with occurrences that aren't common — trade wars, pandemics, cyberattacks, regulatory changes or blackouts — sometimes the best we can do is try to mitigate the consequences. And events that are a true surprise require an on-the-spot response.

Many managers, when assessing risk, map probability and severity. But this often results in less preparation for events that are individually highly unlikely but also highly destructive if they do occur. This is complete mismanagement.

What can we do about black swan events? Prevent, mitigate and become more resilient

We need to accept that while some events are beyond our control, their effects on our companies are greatly influenced by prior management decisions.

One key to weathering risk is supply chain resilience. We all know that you're meant to diversify your supply chain so that a single shock doesn't set you back significantly. Research on supply chains shows that the denser and more complex your supplier network is, the more

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exposed you are to risk. So, we want to reduce complexity and avoid choke points. We want to be able to see, at a glance, who is supplying us and know there aren't any unwelcome surprises, like a single supplier being responsible for all the other companies supplying us. We also want to prioritize alternative sources, so we aren't left empty-handed in a crisis.

The need for alternatives and buffers

One early explanation for the blackout is the unpredictability of renewable energy outputs, which depend on wind, sun and variable weather conditions. Such an energy system requires buffers to deal with unpredictable supply issues. It requires being able to pull from nuclear sources when necessary; to mobilize and import energy from, say, France or Morocco; or to turn on hydroelectric plants within seconds. When a system can turn to alternatives quickly, an outage won't translate into so much disruption.

Another example is the 2018 beer rationing crisis in Europe, which was caused by a drop in the supply of food-grade carbon dioxide used in carbonated beverages. Routine maintenance in several fertilizer plants, which produce carbon dioxide as a byproduct, left many beer and soft drink makers unable to source enough to keep up with a demand spike caused by the World Cup and a heatwave in Europe. Essentially, a few suppliers had immense knock-on effects on many global beverage producers.

This lesson is directly applicable to all businesses: You need to ensure that you will always have what you need. At times like these, effectiveness trumps efficiency.

In supply chains, this also comes into conflict with lean management and just-in-time principles. I always say that while lean management is good, lean dogma is bad. It really only works when there is high predictability in both supply and demand. The pandemic was a wake-up call for many people, but five years later, structural changes have, for the most part, not been made. Many businesses are hedging their bets against further black swan events — but betting against nature is a losing game.

4 keys to a healthy supply chain

What can managers do to prepare for events they won't have full control over?

- **Know that you aren't in control.** Optimism isn't the same thing as stupidity, and managing well in times of crisis often means being able to make firm decisions,

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even when you're not totally certain they're the right ones.

- **End lean and JIT fundamentalism.** In volatile times, employing buffers, exploring alternatives and building in extra capacity can make the difference between being operational or not.
- **Watch out for diamond-shaped supply chains.** Having six different suppliers of a product won't help you if they're all receiving *their* supplies from the same place. You need to truly diversify. Put energy into relationships with the suppliers who will most affect you if there's a problem, not the ones you do the most business with.
- **Systematically plan for disruptions.** The only sure thing is change. Be ready when it comes.

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