

Scenario Planning
Master Class 2013

The Dinner Speeches

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De Ruijter Strategy was host to the Scenario Planning Master Class Dinner Speeches (SPMC Dinner Speeches) for the third time on the evening of 7 March 2013.

The programme brought together participants and alumni of the SPMC and a number of experienced scenario practitioners from De Ruijter's relations network.

Through this event De Ruijter aims to emphasise the need for scenario planning practitioners to engage in collaborative thinking about the important and inter-connected topics that determine our future. Guest lecturers **Martijn Schouten** (IHC Mining) and **Sebastian Reyn** (Ministry of Defence) shared their stories as scenario planning practitioners.

Scenarios at IHC Mining

Ready for a future in deep-sea mining



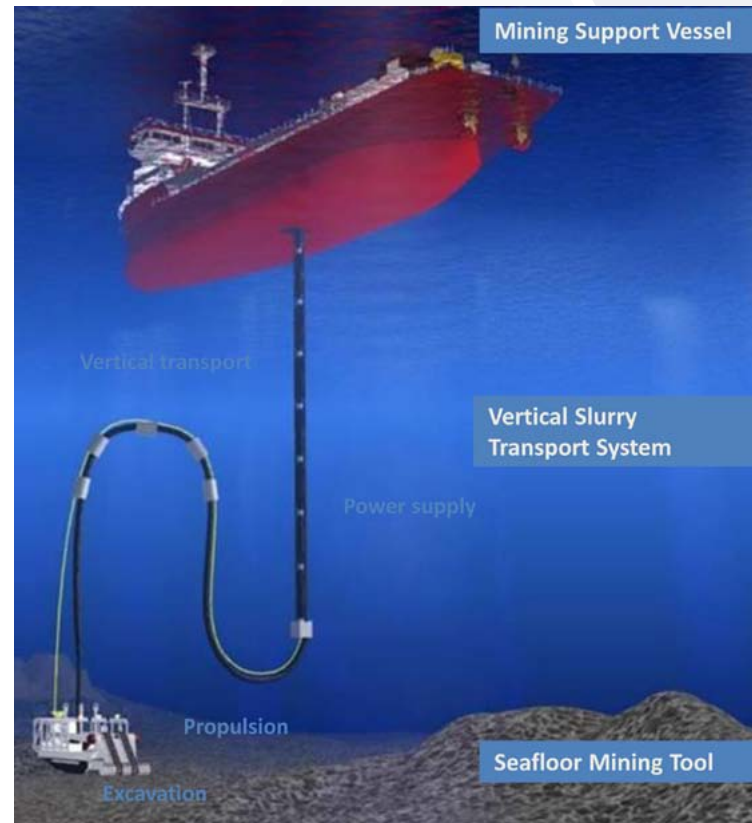
Creating value by product innovation

Martijn Schouten is Managing Director at IHC Mining. In this capacity he was responsible for the strategy project of this division. Deep-sea mining is a relatively new activity for IHC. To test the adopted strategy in this field they decided to work with a scenario project.

IHC is originally a builder of dredgers. However, the step to deep-sea mining is not an illogical one. All the activities of IHC have one common characteristic: excavation and vertical transportation to a vessel.

Besides building dredgers and other innovative and complicated vessels, IHC is also active in the fields of mining, offshore, technology and services. The overall philosophy can be summarised as: creating value in existing and new markets through product innovation.

Mining is becoming increasingly important for IHC for various reasons. First of all, minerals are the driving force behind a significant share of modern technology. Second, more and more minerals are becoming scarce on land or are only to be found in geopolitically sensitive regions. For example, considerable amounts of rare earth metals are located in China, some even more or less exclusively. With the oceans covering two thirds of the earth's surface, (deep) sea mining is becoming an interesting option.



Unexplored territory

IHC concluded that as it is specialised in vertical transport, with experience in mining and dredging, deep-sea mining may become one of its major markets for the future. IHC also concluded that – true to its philosophy – it can create value here. Deep-sea mining is still a largely unexplored territory. Only off the coast of South Africa some serious projects are underway. Mining companies are therefore in need of reliable partners with technological experience and abilities. IHC has proven to be such a partner in all the fields it is currently operating in.

Scenarios as part of the ongoing strategic process

To explore the possibilities of deep-sea mining, IHC decided on a future exploration including a scenario project. The exploration started with an analysis of the markets, its own capabilities and of the risks involved. This analysis was the basis for three scenarios.

Paul de Ruijter pointed out that this exploration of the current situation makes the IHC scenario project, in his opinion, different from many other projects. This perspective was used to re-evaluate the original point of departure, which was that IHC was seeking extra activities and it therefore decided to focus on deep-sea mining as one of operating fields for the future. The scenario project became part of an ongoing strategic process.

The market analysis examined a number of parameters, including a forecast of mineral markets, potential market players, technological requirements and developments, the investment market and of course the alternatives for deep-sea mining. All these parameters seemed to indicate a growing market for deep-sea mining.

The abilities and experience of IHC seem a good match for the requirements of deep-sea mining. The experience and competence of IHC in dredging, mining and offshore services form a perfect combination to assume an important role in deep-sea mining.

The identification of risks covered a broad area, ranging from the investment climate and the economy, (geo)politics, environment and technology, to the projected impact on the IHC organisation.

Three realistic scenarios

IHC then developed three scenarios. Scenario 1 presents a serious lack of capital and a very conservative attitude. Scenario 2 predicts successful but postponed trial operations. And in Scenario 3 environmental pressure groups win the day and deep-sea mining is postponed for at least another 20 years.

One of the conclusions IHC arrived at on the basis of the scenarios was to concentrate on large enterprises as partners. For both Scenarios 1 and 2 this was an option, although not for Scenario 3.

The audience noticed that none of the scenarios is downright optimistic. Martijn Schouten agreed. The reason being that at the moment and for the foreseeable future the amount of available capital is limited in the markets IHC is active in. Moreover, deep-sea mining is not a global market. The Chinese market for example is highly protected with little room for outside players. To complicate matters further, American clients are very reluctant to do business with companies that also have Chinese clients.

Scenarios created awareness within whole organisation

When asked about the number of people involved in the project, Martijn Schouten indicated that not very many were actually involved in the development of the scenarios, but that the scenarios have been used to raise awareness within IHC Mining and even within IHC as a whole. One of the conclusions was that adopting deep-sea mining as a new focus and as an extra field of operations would influence, in a positive way, the whole company; all of its divisions.

As mentioned before, the analysis which formed the basis for the scenarios concentrated also on the IHC's own capabilities and capacities. Still, the audience wanted to know whether IHC was possibly too optimistic about its own capabilities. Martijn Schouten disagreed. According to him, the analysis showed that IHC has the required capabilities and capacities. The challenge is to organise the playing field surrounding IHC. IHC itself is ready for a future in deep-sea mining.

According to Martijn Schouten, the overall conclusion of the scenario project was that there is a serious future in deep-sea mining for IHC and that the adopted strategy is feasible and realistic.

*a serious
future in
deep-sea
mining*

Scenarios at the Ministry of Defence

Future Policy Survey

2008: Worries about the Defence budget

Dr Sebastian Reyn is chief strategist at the Dutch Ministry of Defence. In this capacity he was the project director for the Future Policy Survey Project which was conducted from 2008 to 2010 and which resulted in four scenarios relevant to the Dutch armed forces.



The origin of the Survey Project can be pinpointed quite accurately. In 2008 the Minister of Defence expressed his worries about the budget to the Minister of Finance. The Department of Finance, however, wanted a substantiation of the necessity before even considering an increase of the budget. The Survey Project provided this substantiation. Maybe it was no coincidence that the Minister of Finance in 2008 was social democrat Wouter Bos who had worked for Shell in London before his career in politics.

The Survey Project started just before the financial and economic crisis started. So during the course of the project the parameters changed drastically. At the end of the project it was clear to all involved that an increase of the budget was no longer a serious option.

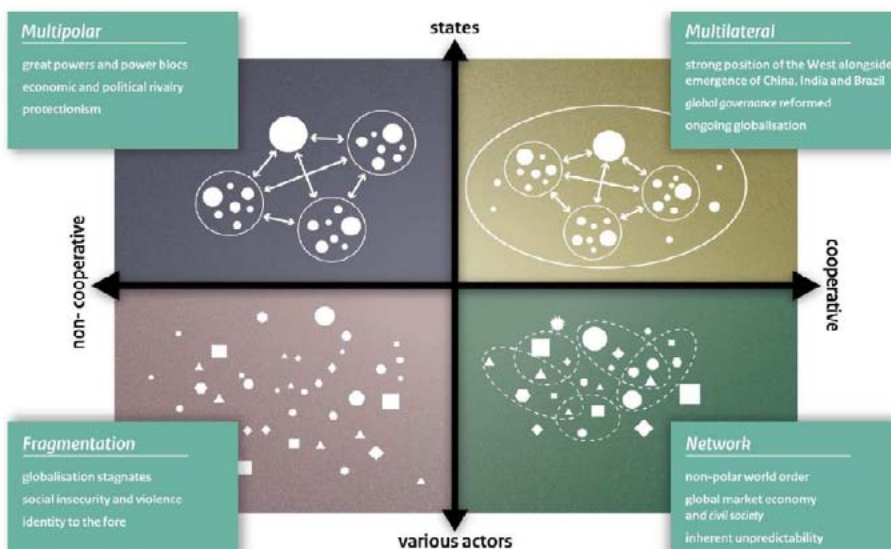
The fact that the project and its outcome were still relevant in a world that had completely changed between start and finish says something about the quality of the project and the dedication and efforts of those involved.

Two major uncertainties

The analysis of the outside world with which the project started resulted in two major uncertainties. The first one being the question whether in the future only states will be the principal actors or whether other actors also will play a major role. Other actors include a wide range of candidates, such as NGOs, terrorist groups, peoples without a state, to name but a few. The other uncertainty is the question whether parties will be willing to cooperate on a global level or not. These two uncertainties resulted in four scenarios.

As they should, the scenarios were a means, not a goal in itself. Equally important were the policy options associated with the scenarios. For some of the people involved it was somewhat of a disappointment that the scenarios and the very clear options did not result in an increase of the budget. For them it was more or less self-evident that there should be an increase in the budget. Sebastian Reyn does not share their

disappointment. He accepts the reality that the world changed when Lehmann Brothers collapsed. For him the Survey Project is still useful in this new reality.



Broadly shared awareness about different futures

Why, then, was the project still useful while increasing the budget as an answer to the global challenges was no longer an option? For a number of reasons. The project resulted in a strategic consensus and in a broadly shared awareness about the different futures and options. The Survey Project was not limited to the Department of Defence, it was an interdepartmental effort. Therefore it has resulted in more integrated policy-making.

A good example of the awareness was the role of cyber space. Before the project, the cyber realm had not really been a topic of discussion. However, in all the scenarios and options cyber space played a major role. Since the project, cyber has become an integral part of all considerations.

The scenarios resulted in four options for the future of the Dutch armed forces:

1. The protection of national and European territory and interests.
2. Early intervention in conflicts, in cooperation with partners inside, or sometimes, outside of NATO. These operations should be limited in time.
3. A stabilisation force, which means a long-lasting presence in conflict and post-conflict areas. The most expensive option, because of the amount of personnel needed.
4. An agile force with an emphasis on flexibility, while realising that such a force cannot perform all tasks. Cooperation and a functional division of labour are required.

All options considered in the same way

In the end the last option was adopted. When asked whether politicians chose this last option because it was the cheapest one, Sebastian Reyn denied this. First, it is not necessarily the cheapest option. Second, in spite of the economic crisis, the project was not held hostage by financial considerations. It was decided not to let what politicians might like to hear play a role.

This approach was made possible because it was decided early on that all options should have variants with bigger and smaller budgets. Therefore all options could be considered in the same way. This decision paid off when the consequences of the economic crisis became clear: all options had a low-budget variant.

The audience was curious about the political discussions when the Survey Project was presented. Sebastian Reyn indicated that no real political discussion about all the scenarios and all the options had taken place. "Weren't you disappointed about that?" was the follow-up question. Not really, the fact that politicians took a serious interest in the whole process and its outcome was an achievement in itself. Since the project, politicians have been talking about defence policy in a different and more informed way. There is a growing awareness.

In the end the Survey Project played a major role in the political decision-making regarding the future of the Dutch armed forces and the defence policy.

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