

# Exploring the Three Horizons Framework

How to articulate innovation activity into the future in a consistent, evolutionary and coherent way.



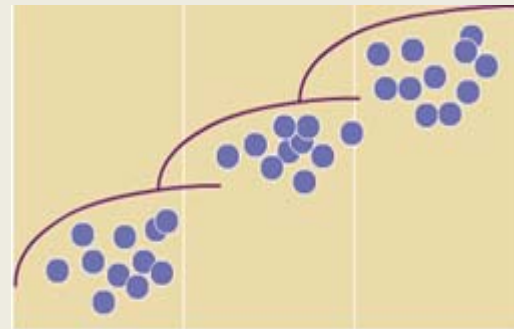
## Introduced by: Paul Hobcraft

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# An Evolutionary Perspective

To manage across your entire innovation portfolio -  
a valuable framework to manage through

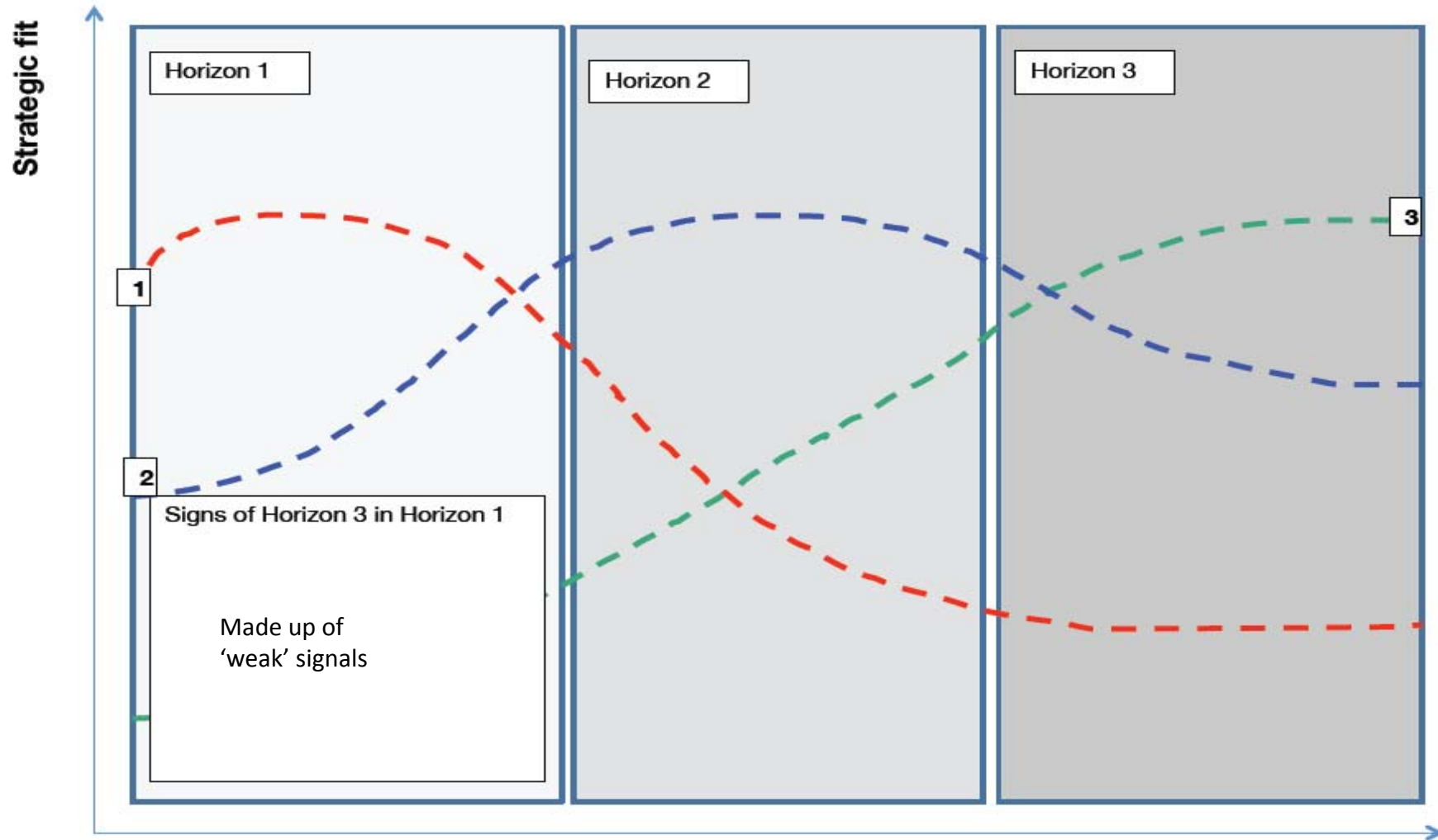


# THE REAL NEED:

## An introduction to a valuable framing technique

- Discussing the three horizons approach, this initial presentation offers a methodology for **connecting your innovation activities over different horizons** and **managing uncertainty in better ways**
- Paul Hobcraft will offer a simple way to start a conversation about where innovation fits, and is going, in relation to your present and future business strategy

# Opening Template



# The Three Horizons within the Frame:

The three horizons frame



- 1) **Clarify** how to identify the **existing prevailing or dominant system** and the challenges to its sustainability into the future, i.e. **the case for change (horizon 1)**.
- 2) **Explore** how to think through **the desirable future state, the ideal system you desire** and the emerging options (**horizon 3**).
- 3) **Identify** how to draw out the nature of the **tensions and dilemmas** between vision and reality, and **the distinction between innovations** to bring the third horizon vision **closer to reality (horizon 2)**; This is the space of transition, often unstable, called the intermediate space where views can collide and diverge.

# THE BIG IDEA:

## Managing Growth Through Different Horizons for Innovation



### The big idea

Thinking in three horizons encourages you to go beyond the usual focus on fixing problems in the present. It is an approach that connects the present with desired futures and also identifies some of the disruptions which might occur in moving towards your future vision. It first emerged in the late nineties through the work of Baghai, Coley and White (1999) and has been developed by a range of practitioners (Curry & Hodgson, 2008) since, notably the [International Futures Forum](#) in Scotland.

# **YOUR BURNING NEED:**

## **When you innovate do you consider?**

- **Innovations that improve your current operations?**
- **Extend your current competencies into new, related markets?**
- **Change the nature of your industry?**

## **How do you address these issues?**

- **How do you manage the different time dimensions on innovation?**
- **What can help reduce the uncertainty dimension associate with the unknowns of innovation not yet seen?**
- **There is always an innovation “zone of uncertainty” as the future never stays the same- how do you address this effectively?**
- **How can you capture the options to allocate the necessary resources behind these?**

# Where is our growth to come from?

## The Three Growth Horizons

Where will growth come from?

**Core** defend & extend the current core business.

- Earn the right to grow
- Operational excellence
- Define stretch targets
- Expansive mind set

**Grow** select high-potential opportunities, emerging growth engines.

- Fill the pipeline
- Define platforms of capabilities
- Take a step-by-step approach (staircase to growth)

**Seed** future offerings that are strategically aligned.

- Cultivate entrepreneurship
- Breed business builders
- Create the right incentives





# The **WINNING** NEED:

The search for a winning model that can be articulated and connected within the organizational thinking

- We so often struggle to articulate our innovation activity and then can't project our plans into the future in consistent and coherent ways.
- If this rings true in your organization for your innovation activity, then it is in danger of being seen as isolated; one-off events that fail to link to your organizational strategy.
- Furthermore you'll be missing, or not capitalizing on, emerging trends and insights where fresh growth opportunities reside.
- The three horizons approach offers the methodology for constructing plausible and coherent innovation activities projected out into the future. It looks for emerging winners.



## The Need for Different Discussions

Address the challenges in the first horizon and foster the seeds of the third.

*I like the model, because it says that innovation is restless*

### Different discussions are:

- ❑ The present position and challenges that the business faces. This can establish the case for change (horizon 1)
- ❑ Your desired future state (horizon 3)
- ❑ The tensions that might occur between moving from the present position to that of the desired state (horizon 2)
- ❑ Signs of change in the present position, which give encouragement about moving towards the desired future state (horizon 3 in horizon 1)

**NOTE: These are not an either/or, good/bad discussion**

# WHY IS THIS IMPORTANT?

*“What we have to remind ourselves is that each Horizon needs different mindsets for innovation”.*



The third horizon, the more futuristic one, is motivated by **vision, value and beliefs**.

The intermediate one, which straddles between the present and the future is more an **entrepreneurial mindset**, attempting to detect the shifts

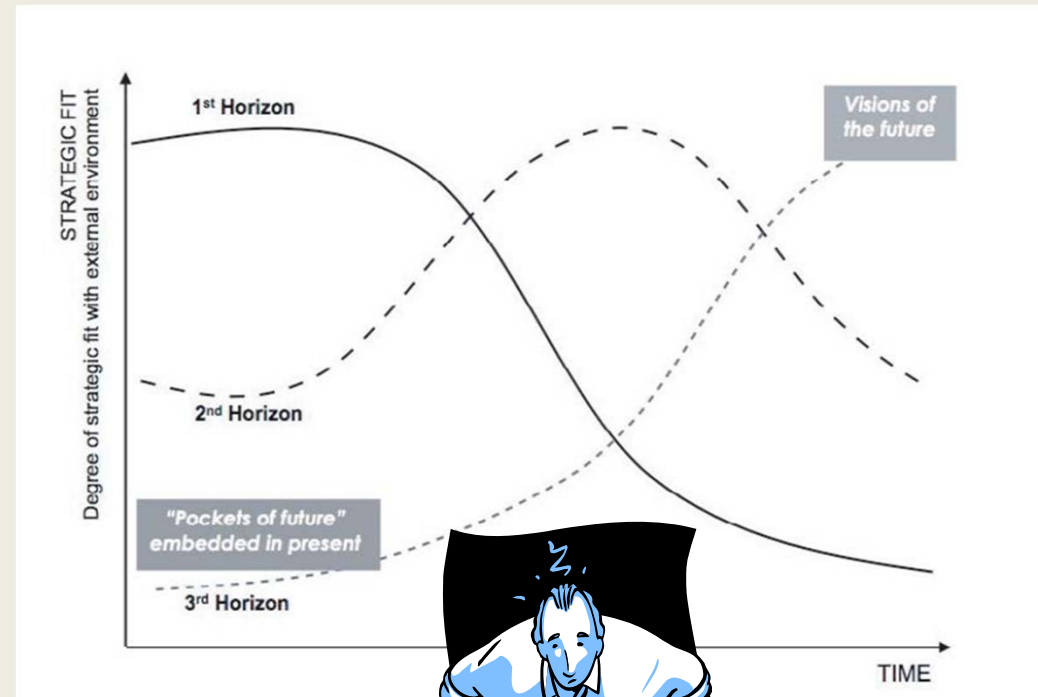
Today's mindset (H1) is focused on the here and now, **a translating, action orientated one** of what we know into what we think ,executed as best we can, to exploit the existing opportunities seen

# “Pockets of the future are embedded in the present”

**Taking a stake in a new business** and trying something out buys an option in horizon three.

The trouble is that we don't know in advance what will eventually pay off and what won't.

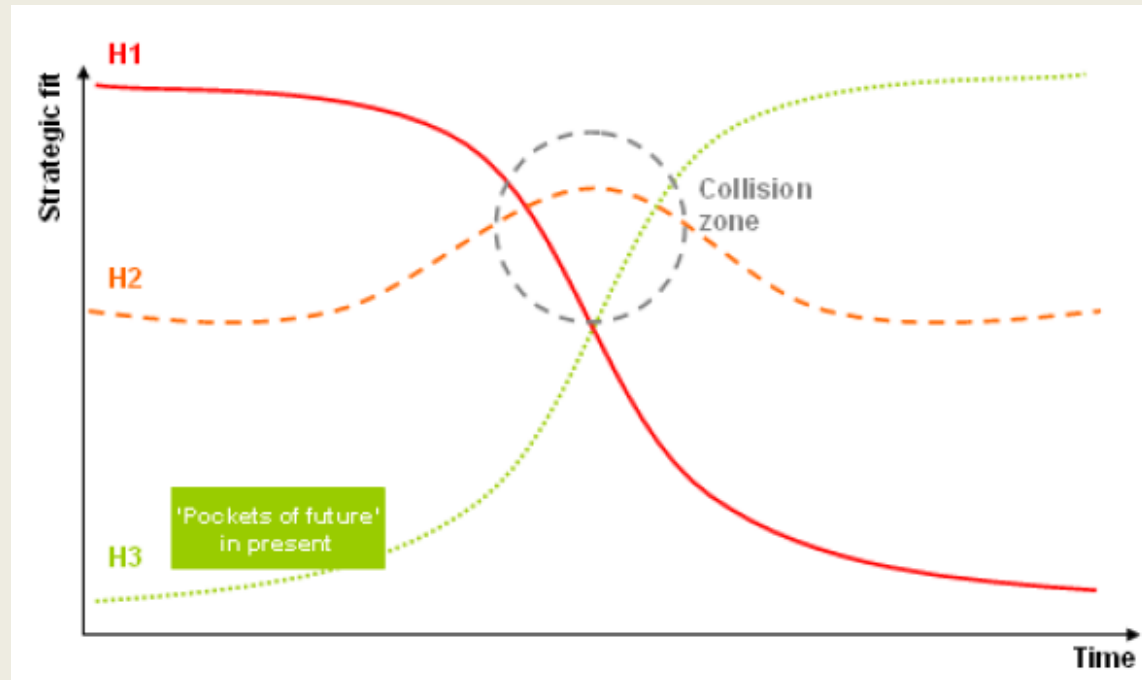
Taking a conventional analysis will prevent innovation because innovations, by definition, involve taking measured risks to do something that hasn't been done before.



# Resistance to change

The issue we need to face increasingly is Joseph Schumpeter's view, of '**creative destruction**', that is happening at ever increasing pace all around us.

Management must **stop looking backwards to compare events**, it must look towards different horizons to **see where they need to go** and this is a real mind shift to bring about this change.

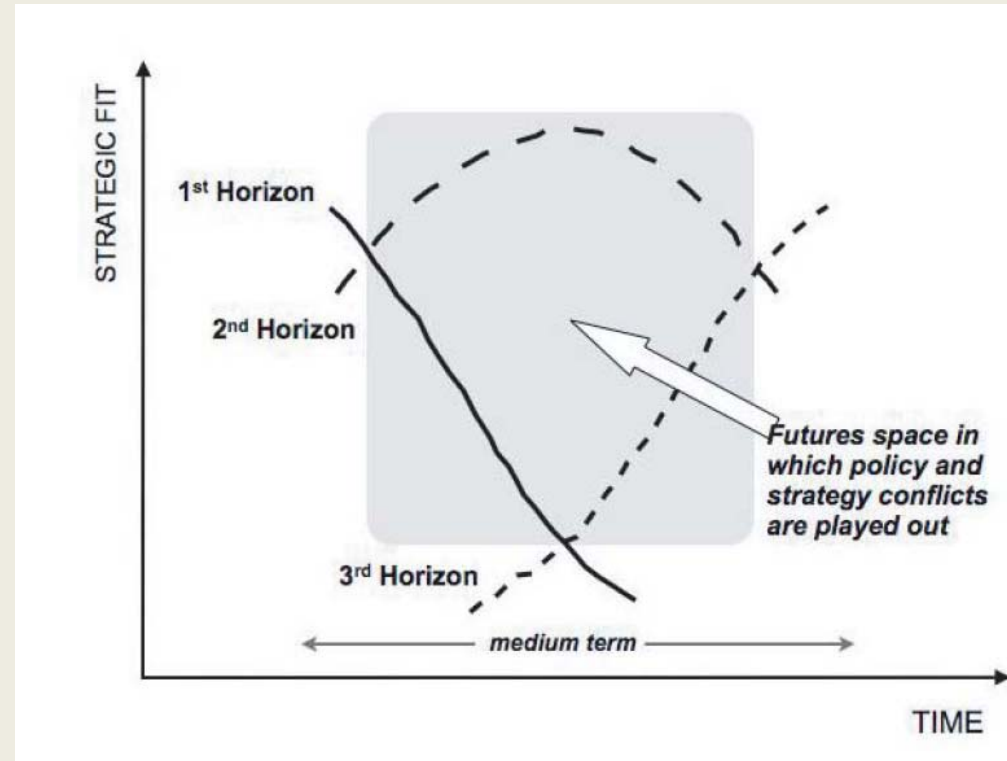


The rear view mirror only tells you who is coming up behind you, not what is ahead of you and that is where you need to focus, to anticipate, react and respond

# The four devious mindset traps & H2 dangers

- 1) fixation on the status quo ,
- 2) short term thinking dominates at the expense of longer term,
- 3) too much incremental innovation and
- 4) ignorance of the real meaning of change, its rate and impact

**Horizon 2 is incredibly difficult to manage.** H2 innovations seem very similar to your current products and services, and the **overpowering temptation is to use the same metrics to assess their success.**



However, because these ideas are new, it takes time to get them configured effectively. This means that if you treat H2-oriented innovations just like H1-oriented innovations, you are likely to abandon them too quickly because it will seem like they're not performing well. **You have to figure out a way to ring fence H2 innovation efforts.**

# The linkage that does occur with different mindsets can be confusing

We need to change our way of 'seeing' innovation and recognize there are different time horizon approaches

Innovation grows in its potential the more we recognize it just does not fit neatly within a calendar year or operational business cycle approach.

Great innovation 'beats' to its own timing. It needs to be correctly framed to see its potential value

|           | Innovation categories               |                      |                              |
|-----------|-------------------------------------|----------------------|------------------------------|
|           | Degree of uncertainty and ambiguity |                      |                              |
|           | Relatively low                      | Moderate             | High                         |
| IBM       | Horizon 1                           | Horizon 2            | Horizon 3                    |
| Company 2 | Making the most of what we have     | Getting new business | Breaking new ground          |
| Company 3 | Incremental                         | Platform             | Breakthrough                 |
| Company 4 | Today                               | Tomorrow             | Beyond                       |
| Company 5 | Incremental                         | Major improvements   | Step-outs                    |
| Company 6 | Incremental                         | Substantial          | Transformational             |
| Company 7 | Business unit projects              | CEO projects         | Advanced technology programs |
| Company 8 | Incremental                         | Longer term          | We don't have a clue         |
| Company 9 | Aligned                             | White space projects | Gray space (multi-aligned)   |
| SCA       | Upgrades                            | Next Generation      | Breakthrough                 |

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Often our 'fixation' on the business result cycle hampers innovation or we make definitions too simplistic

# Getting started

Using the three horizons as the communicating tool will help focus attention on where the possible issues lie, how you talk about them, how you frame them and 'what is what'

Get some internal practice "under the belt" before you take this out.

1. Get comfortable with thinking in different horizons
2. Think about the broad challenges being faced today
3. Set your timeframe and consider plausible futures
4. Look specifically at H2 on what might arise, conflict or indicate real gap issues
5. Compare H1 and H3 and what would move you towards desired future states. What signals are around?
6. Look at existing strategies and begin to develop an action plan or a dialoguing one for discussing the issues this is raising to map out changing needs and focus



# In Summary,

It's probably worth trying to summarise the method in a couple of additional lines as the essential take away point of the three horizon frameworks value:

The first horizon is the **dominant present**, which **frames our current thinking about a domain**. It will decline in influence as the external environment changes.

The third horizon is a possible future which **may become dominant over time**; **There are clues already** as to what these competing futures might look like, but they are marginal and often marginalised.

In between, there is the second horizon. This is a space in which the current horizon **adapts to signals about the future**: sometimes incrementally, sometimes disruptively, sometimes destructively.



***Always remember....***



*“First they ignore you,  
then they laugh at you,  
then they fight you,  
then you win”.*

**Mahatma Gandhi**

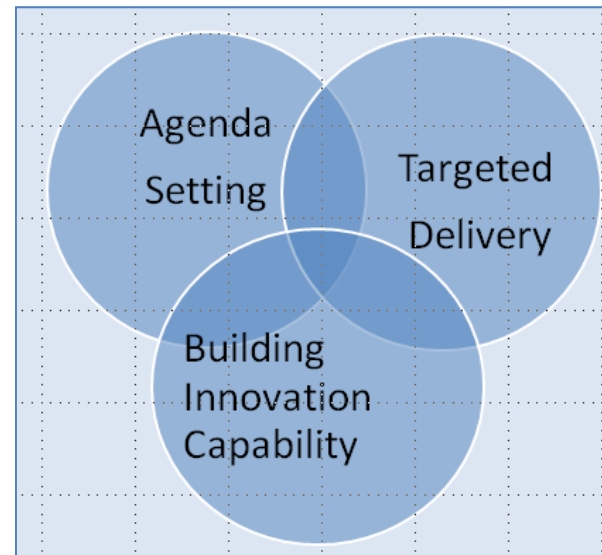
\* Mahatma Gandhi was a major political and spiritual leader of India who led the country in the non-cooperation movement in 1922 and Salt march in 1930 and later in Quit India movement in 1942 during its struggle for independence. Gandhi employed non-cooperation, non-violence and peaceful resistance as the most effective weapons against the British rule



# Questions & Thanks

Contact / Follow Up:

Agility Innovation Specialists



*Building  
your  
capacity to  
innovate*

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