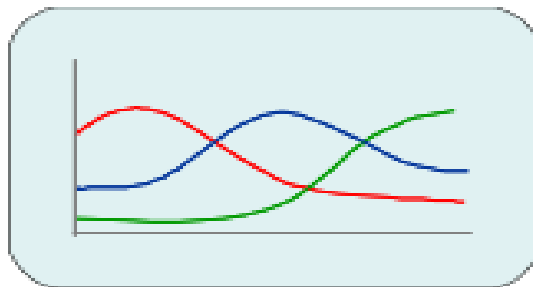


# Clarifying our innovation options requires multiple thinking horizons



*You gain an introduction into the Three Horizon Framework for managing and structuring your innovation portfolio by applying different mind sets to your thinking*

*By*

*Paul Hobcraft*



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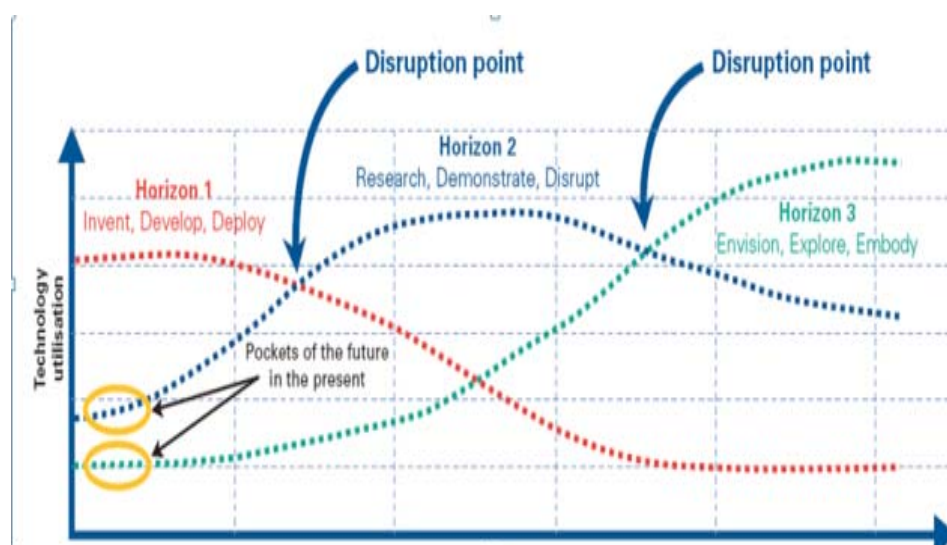
The three horizons framework have great value to map different thinking and possible innovation options, over changing horizons that you are facing, to meet the changing business conditions. You can frame innovation in alternative 'thinking' ways by using this approach. Innovation begins to have multiple evolution points and by working with this framework allows you to significantly improve innovations contribution to your objectives for the business, as you approach each of the three innovation horizons with a different mind-set.

It goes well beyond the present value of 'just' fitting your existing innovation portfolio and directional management into a one-dimensional framework viewed in the present. You have a growing potential to see and manage opportunities completely differently beyond the existing mind set by thinking through different lenses, it takes innovation from tactical to strategic, to foresight, to new breakthroughs, in your evaluations.

The Three Horizons methodology, I would argue, has a valuable place within your innovation thinking and for mapping out your resources and activities to manage these.

## The big idea of the three different horizons

The (big) idea is you go beyond the usual focus on trying to just fix the problems in the present, you work and think through three different time and clarity lenses focusing on different horizons. Through this approach you begin to plot and map some of the future disruptions that might occur as you move forward that might be possible spaces for you to anticipate and work towards filling.



*The Three Different Horizons of Value and Time*

The three horizon model for innovation is actually a reasonably simple idea: with Horizon One (h1) being the current business focus, Horizon Two (h2) being more the related emerging business opportunities and Horizon Three (h3) being those that are moving towards a completely new business that can have the potential to disrupt the existing one.

The three horizons also seeks to capture the linkage on the transition points and possible disrupting junctions, as well as highlights those potential gaps presently seen that need clearly resolving. It can provide the '*distinction of choices*' as well as begins to highlight present organization realities. The more you 'see' the more you can fill those gaps. The more you can foresee, the more you can become ready for managing transformation that will be needed to be as well managed as the on-going business.

The three horizons will also help you on innovation differently than the classic S-Curve approach often suggested, as it is more evolutionary. This is where you work far more concurrently in building capacity and understanding progressively, on the future "predictions" as they emerge and become clearer.

### **The innovation perspective for the use of the three horizons framework**

We are all well aware that many organizations struggle on innovation – they often seem to have real difficulties to climb out of their incremental traps. Why is that? One of the primary reasons is that they fail to apply different a mind-set to evolutionary thinking and stay locked in the 'here and now' and this is such a huge mistake.

The three horizons can be specifically set up for specific innovation engagement to allow you to have some far more stimulating and growing value to your discussions and debates around innovation. These discussions can go from detailed to broad evolutionary explorations and so, radically altering many of your present constraints and disputes over much.

### **We need to separate and structure different thinking to developing innovation capabilities.**

Structuring the approach, by looking across multiple horizons, can allow you to evolve the entire innovation portfolio very differently and you begin to recognize the many gaps that exist within your thinking, within your capabilities and capacities to innovate. By looking at this issues and gaps through separate lenses assists you in allocating the appropriate but usually different resources often needed and applied to each of the time horizons and challenges that lie within.

There is this prevailing or dominant system where many organizations stay firmly engaged within, the present day mind set, that needs radically challenging, as this is often where the famous incremental trap lies where growth performance stays restricted. The three horizons 'asks you' to apply three totally different mind sets to see constraints, weaknesses and often very limited opportunities differently, it alters your thinking into a far more evolutionary approach.

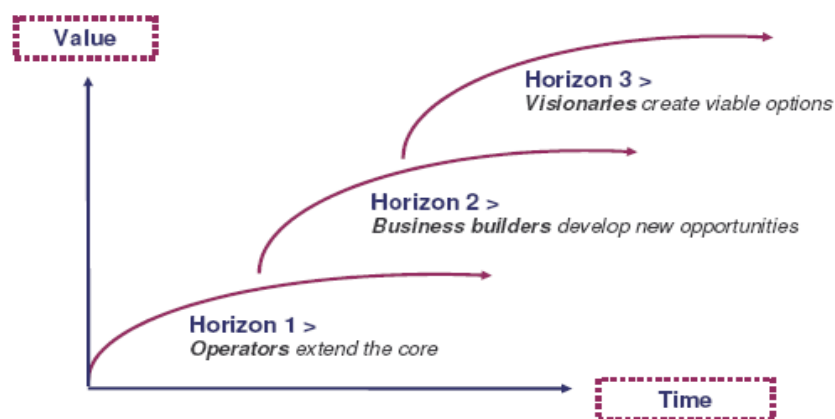
### **Innovation is constantly facing disruption**

Innovation is constantly going through changing life cycles, those new waves of different innovating activities that need to be anticipated, captured and stimulated by your offerings. We need a far more robust, well thought-through way to apply our innovation resources to meet and anticipate these changing events.

## Transformation points need different innovation response

Irrespective of the organization, we all struggle with transformational innovation. So often we are simply comfortable in our 'business as usual'. We gear performance to the short-term, we put the emphasis on the current fiscal year, and we support the core business in numerous ways, usually with lots and lots of incremental innovation, so the results are realizable in this year. Often our performance metrics are heavily geared to this.

We are sometimes comfortable or confident enough to move into adjacent areas, to expand and feed off the core but these are less than transformational in most cases. Often these adjacency moves come in better performing years when you feel you can afford to experiment. Is this not a little ad hoc? This space is the one we are the most comfortable to work within, yet this is only the horizon one of the three horizon approach outlined here to manage innovation across a more balanced portfolio of investment.



The complexity lies underneath this simple idea of working across multiple horizons, you need to manage these different horizons with completely different mind-sets. This structuring of your thinking, in its planning out and evaluation can become demanding and time consuming but has significant longer-term value.

You need clear well-structured ways to extract the real return from managing a comprehensive innovation portfolio based on knowledge, experience, intelligence but defining and exploring plenty of the unknowns about the future and how you remain 'open' to how you might get there, in staging and working through so as the future draws near, you as ready as you can be. This exploring and experimenting, by being 'ready' as much as you can, is increasingly important in today's and tomorrow's business conditions where disruption is occurring constantly.

## The seeds of destruction lie in horizon one

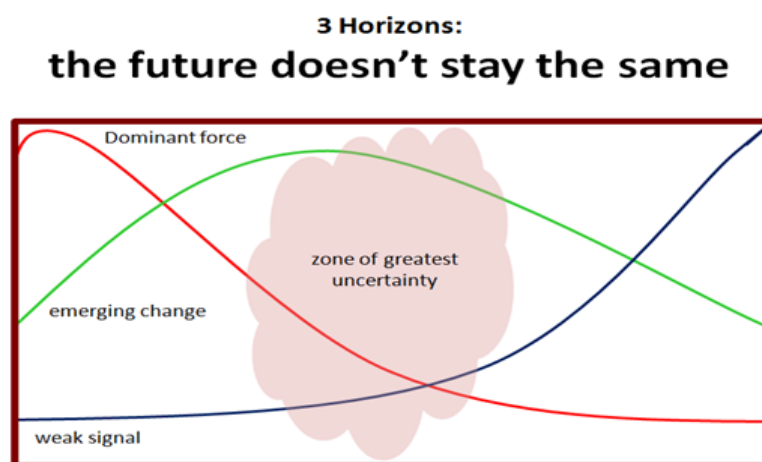
Within our 'business as usual' attitudes does often lay 'the seeds of destruction'. Today there is a relentless pace; we are facing often stagnating business condition in many of our maturing markets.

We place a disproportionately high amount of our resources here to defend what we have and what we know; we actually subvert the future to prolong the life of the existing. We constantly look to make it more efficient and more effective but this is in the majority of cases just incremental in what we do, both in innovation and our activities. These are often simply propping up the past success instead of shifting the resources into the investments of the future.

## The future never stays the same

Much of what we do today is the dominant force behind where we go in the future. What we must be constantly alert too is the emerging changes taking place and also pick up on the often 'weak signals' that lead often to completely radical change within our industry or the society we serve.

The problem for management is anything discussing the future enters the 'zone of uncertainty' and this ability to often 'read the tea leaves' determines the future health of the organization. Ignore these shifts or signals and you are on the path to your own 'destruction'.



## The ability to scan the horizons

Not only should we search for possibilities that extend and strengthen our existing core offerings but we should search out on a wider basis. We need to often challenge our existing assumptions, gather different views of the world, spot shifts taking place within our markets so we can anticipate and prepare more for inevitable change that simply occurs more and more.

**To approach the three horizons we need to go through different phases or steps.**

a) Firstly clarify the **burning needs** relating to your present position that require future re-positioning by asking what improves existing activities, what extends the current competencies and takes you into new avenues to develop/ mature. Link these to your known strategy but do continually question these to keep them fresh, sustaining and relevant to ever-changing market conditions.

b) Then by deciding and weighting accordingly the **winning needs** you begin to articulate and frame these. These 'winning needs' can get translated through concept storyboards, so as to provide the necessary linkage more visually to allow all to see the potential 'picture'. These need to capture the emerging trends for constructing plausible and coherent innovation activities, projected into the future. You begin to see future landscapes. These begin to shape the decisions on resources and to determine investment options. This offers a clear shaping of the search for emerging winners yet you are still able to constantly scan the horizons for changes.

c) By **looking across** the three horizons separately you allow H2 to have the discussions for the "space for transition" and 'unpick' that constant dilemma of "protecting core or investing in new" debates.

d) The H3 starts **exploring fundamental different premises** for replacing “business as usual” with exploring nascent ideas, concepts that might replace what you presently have, it begins to shape your thinking and awareness of what is needed to build capabilities and capacities needed to be developed for the future.

e) Often these H3, even some of those in H2 are actually to be found as **weak signals today** where many unknowns prevail but they are providing early ‘concern’ to begin to track and explore and will allow you to straddle between understanding do we (h1) improve, (h2) extend and (h3) change.

### Planning across these different horizons needs different tools

Planning in different horizons needs different tools and these are based on (h1) see and operate, (h2) adjust your thinking frame and solutions, (h3) more evolutionary. Each has different techniques to explore.

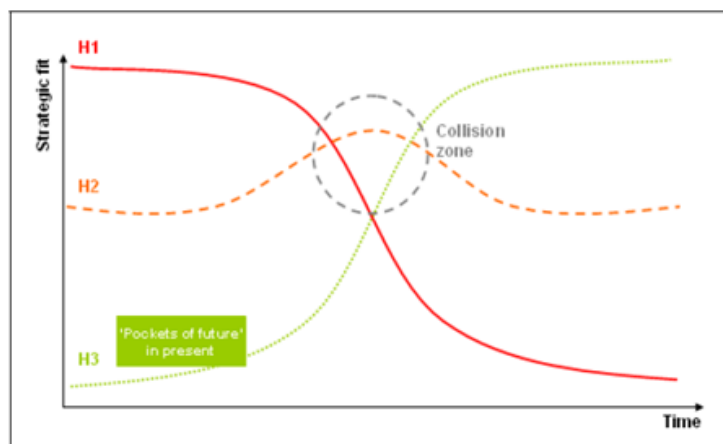
For me innovation portfolio allocations require the double axis of *knowledge needed*, over the axis of *known knowledge*, to manage the dimensions of innovation concern, to see and operate accordingly.

### The hardest part is to traverse across into horizon 2 for new ‘breaking’ innovation

We do need this longer-term perspective and we do need to traverse into the future in clear thinking through steps (or horizons). Our horizon one does begin to decay faster today than ever, it does not fully cover off the strategic fit we want and can begin to lose its dominance over time. We need to manage this transition, not let others manage it for us.

It is how we manage this transition becomes so critical. We need to exploit developing trends that are emerging (h2) and begin to tune into possible options in the future (h3). Within these options will emerge the winners and become the more dominant systems or solutions that we should be moving towards, even from today. Some of these only have faint emerging signals but they need to be brought into the innovation portfolio activity to explore, often in novel ways.

The horizon two is beginning to address some of the current decay arising from the core within the existing activities (or system). Here we have the highest tension.



*The Collision Zone (h2) of the Three Horizon Approach*

The discussions that centre around h2 often provide for many conflicting views of the future, as they are compared to the existing realities and those that are providing the returns for today's business. Often we can detect change but we consciously ignore them. This is the place where the disruptor's are at work, existing or new competitors, working at displacing your products and market positions.

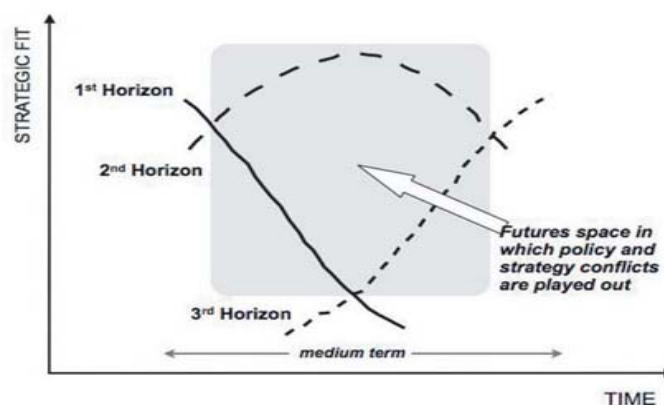
These potential disruptors look to be more agile, they might have greater entrepreneurial ways, more flexibility and are often far more ready to explore emerging practices than the established leaders, and they have less to loose or change with little 'invested' in the past or existing structures of today. They are proactively looking to leverage different business models and are certainly not handicapped with legacy and established thinking stuck in the past. Increasing competition is today's certainty. Knowing where the new challenges are coming from and anticipating them, by being ready or more advanced is certainly far more critical today than ever before.

### **Horizon Two needs a totally different mind-set.**

You need to see H2 with different metrics, with different perspectives, with more open minds. This is often not easy. This needs to become the meeting point or *"the space for transition"* where you begin to let go of just protecting your core and open up your thinking to experimentation, prototyping, exploring different business models and begin to figure out how these will impact your existing core. This is the experimental 'space' to become more agile and adaptive than you are often able to achieve, in the existing system or structures

These horizon (h2) concepts being explored really do need 'ring fencing,' so you can protect these from all the 'vested' claims that your horizon one focus will continually demand to keep, so as to bring in the results in this calendar year. It is a real fight, these ideas or nascent concepts 'give off' negative results, they are still a mix of the tangible and intangibles where you can't get the 'hard' fix on the ROI, on their real market value or potential. You have to stay determined to provide adequate time, resource and space into these emerging needs found in H2.

Many executives 'defending' the core will 'attack' or hold back any release of their resources to help these emerging initiatives. It is a 'hard-nosed' reality. It needs a very high level and conscious set of decisions coming from the top to determine these new moves. Do not believe that when most executives 'just' react and shrug their shoulders regarding h2 as a natural, everyday occurrence, it is actually far from not. Many have to come 'kicking and screaming' to supporting emerging activities. Far too much 'invested' interest comes into play. They see this more as a threat not an opportunity. It is not their sand box so why should they come and play.



*Horizon Two- Where policy and strategy are played out in the Three Horizons*

### **The tensions are not just visible but played out in many subversive ways.**

Just take performance metrics, if these are solely structured on the calendar year, are you realistically expecting a dilution of focus as their compensation is totally caught up in this. Horizon two poses a real challenge within any management of our organizations. If it provides current small bases of volume, no real meaningful profit from the investments made it can be a hard sell across the organization.

Projects that focus on the future work mostly are based on 'best' assumptions. Sadly it is often executives expect to see the same 'hard' metrics being applied as the existing business. We ignore significant differences and this is a huge mistake. So you get these clear sense that many are sceptical or pay lip service to the products of the future, as the thinking, judgement and value orientation are at such odds with the existing measures and metrics they apply to run today's business and how they get judged. This measurement of progress is a difficult one to balance but does require different assessment criteria.

### **Managing the rising stars or future potential one is hard in existing structures.**

The concepts that emerge from horizon two will include the rising stars of the organization and will, over time, become even the new core business. These are a mixture of step-outs from today's core, or extensions that have come from the adjacency work consciously being undertaken or are truly emerging as new activities that need new depth in capabilities and time to build.

These all have the potential to shift the organizations revenue base and challenge today's cash generators. These need careful 'portfolio and resource' allocation. These extend the organization from your existing into new competencies, new markets and new challenges. Just please don't use the same measures or metrics when you mix H1 and H2, although there is a huge temptation because it is just simply easy. Managing any transitions is hard work and measuring these needs careful considerations to the differences and what they can contribute, although they may be still based around some existing aspects.

### **Horizon two is where you work through your future options**

This is where you try out, experiment, explore. This is the transiting point (my space of transition) where you work through different dilemmas and paradoxes to shift the organisation through this horizon two to position it for the longer-term future. This horizon is a real point of disruption to be well-managed as you navigate from shifting resources from today's core to that third horizon, the predicted future where ideas and proposals are still forming and emerging.

Horizon two actually 'claims' more time and attention than on the surface it deserves but this is the wrong thinking approach, it simply needs too. This is *not* about supporting the 'existing', this is working actively on the '*preferred*'. It is working to reduce current shortcomings, injecting new life and vigour into the present to offer a broader sustaining future.

Horizon two investments should be challenging 'business as usual' and should contain many of the catalysts for renewal, for the future growth. It is renewing the 'fitness for purpose' through innovation taking you along different pathways to the long-term successors of your business.



## **Horizon two can be a powerful catalyst.**

H2 can alter the way you are currently doing things, in new business models, in new systems, structures and delivery. It points you to a new, hopefully preferable future, worthwhile to pursue and attractive. It refreshes much, it can invigorate and this horizon holds the keys and transition path too much of the realization of that potential foresight laid out in the ideas forming in horizon three that becomes your strategic visioning.

## **Managing with different thinking**

Different mindsets are needed within any discussions, as a suggested guide these should be based on (h1) *operational*: the here and now, (h2) *more entrepreneurial*: attempting to detect shifts and adjusting in agile ways, (h3) *more futuristic*: based on values, visions and beliefs. Each needs separating.

There is a need to work through “typical” dangers – competing voices, mixed signals and all the uncertainly dimensions. What you must consciously stop doing is looking backwards (legacy) and keep the mind ‘free’ to project forward. There is a lot of work specifically on the mindset traps and how to avoid them, or to find the solutions, to surface them and address them.

## **The value of visualization to align dissenting as well as consenting opinions**

Through the use of different communicating means, especially the use of good visualisation, where the executive team can see and appreciate takes you more through the “talking into planning.” You can then work through three consistent questioning steps of (h1) what’s now, (h2) what’s next and (h3) what’s the goal, to drive towards in descriptors and actions for identification, resource allocations and specialised need to bring into place, as an example. This helps further extend your horizon thinking and relate this into more of a clear action orientation framework you need to take.

This is why the three horizon approach has real sustaining value because if we don’t have this longer-term, transformational perspective we are just prolonging the existing until it gets disrupted by others. This is where the working [across different horizons](#) for ‘thinking’ through innovation does need different tools and mindsets and these should be based on (h1) see and operate, (h2) adjust your thinking frame and solutions, (h3) more evolutionary.

## **The Three Horizons are needed to be seen as very different and necessary to innovation thinking.**

The three horizons will allow you to pick your fights, it begins to quantify and clarify options. It can lay out and show others how and where you can possibly win in better ways than just in the ‘present’. By seeing these three horizons differently and setting about managing the different challenges each horizon brings can help you can break down the complexities within the issues, recognize the uncertainties still to be clarified for you to have that better chance to ‘win’ by anticipating and evolving the delivery of innovation in a more structured way. Can you see the three horizons value?

The three horizons approach for innovation can be very useful to consider. In the words of Mahatma Gandhi “*First they ignore you, then they laugh at you, then they fight you, then you win*”. To win today, you have to have available a thinking through process to articulate a vision of the future.

## **Resources & References used across the three blogs on discussing the three horizons**

Baghai M, Coley S & White D, *"The Alchemy of Growth – kick starting and sustaining growth in your company"*, Orion Business, London, 1999.

"Seeing the Multiple Horizons" by Andrew Curry and Anthony Hodgson Autumn 2008- Journal of Future Studies.

Assorted McKinsey reference documents on this subject.

## ***Paul Hobcraft works as an independent advisor on innovation.***



***Paul works more as an advisor, mentor and coach- seeking to gain coherence across innovations needs, to deepen understanding at individual, team and organizational level, to look to build greater capability and capacity for innovation to take hold.***

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***His personal journey has been varied, challenging but full of different experiences and learning. This has taken him to live and work in Saudi Arabia, Kenya, Malaysia, and Switzerland, the Netherlands, USA, Australia and recently eleven years in Singapore.***

***In this time he has started up different businesses, turning them around or simply accelerating them, often achieving their footprint within the world. He has been in this independent advisory role since 2000.***

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