

Seeing innovation across three horizons



Further discussions on the Three Horizon Framework

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Further discussions on the Three Horizon Framework

A further series of articles that provide a deepening explanation of the value of the Three Horizon Framework for Innovation Management:

Article 1 Traversing different horizons for transformative innovation

Article 2 Mapping innovation across the three horizons

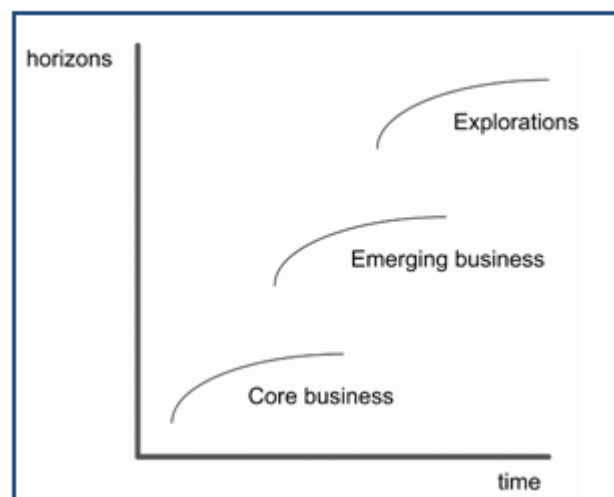
Article 3 To Cast-around with that wider net

Exploring the Innovation Portfolio

For More Informed Choice

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

Managing the Innovation Portfolio in three different horizons



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Traversing different horizons for transformative innovation

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.

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. This space is the one we are the most comfortable to work within, this is the horizon one of [the three horizon model approach](#) outlined to manage innovation across a more balanced portfolio of investment.

Briefly the Three Horizon model for Innovation

In summary, 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 complexity lies underneath this simple idea, you need to manage these different horizons with completely different mindsets. You need clear well-structured ways to extract the real return from managing a comprehensive innovation portfolio based on knowledge, experience, intelligence but exploring plenty of the unknowns about the future and openness to get you there, as ready as you can be. It's necessary today.

The seeds of destruction lie in horizon one

Within our 'business as usual' attitudes lie the seeds of destruction. Today there is a relentless pace; we are facing stagnation in many 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.

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. Each has different techniques to explore as I've previously outlined in my [navigation guide](#) to this approach.

Clayton Christensen has written about this theory of disruption in his book "[The Innovator's Dilemma](#)". Professor Christensen then went on to write extensively on this and one further book "[Seeing What's Next](#)" co-authored with Scott Anthony and Erik Roth develops this disruptive theory

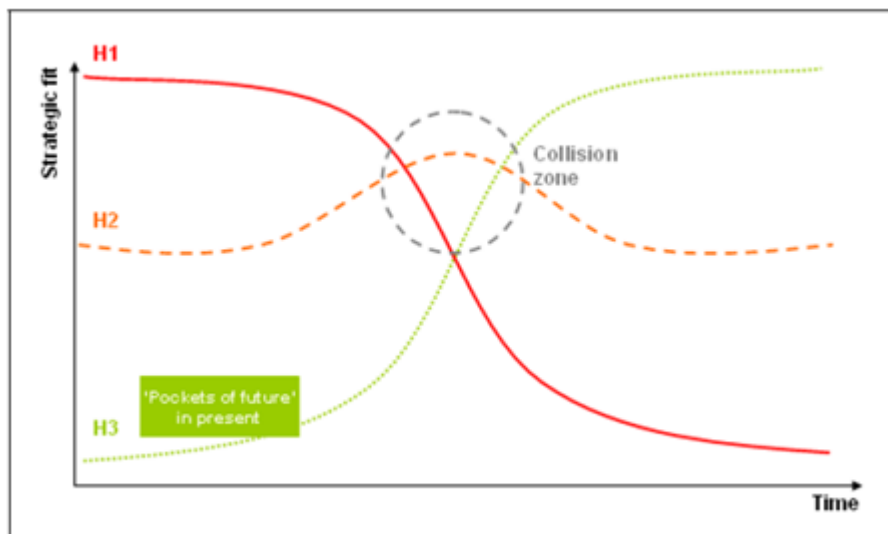
into how the future will unfold and how to make wiser choices on these insights. The [three horizon connecting approach](#) is an excellent methodology to use to help in managing these wiser choices.

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

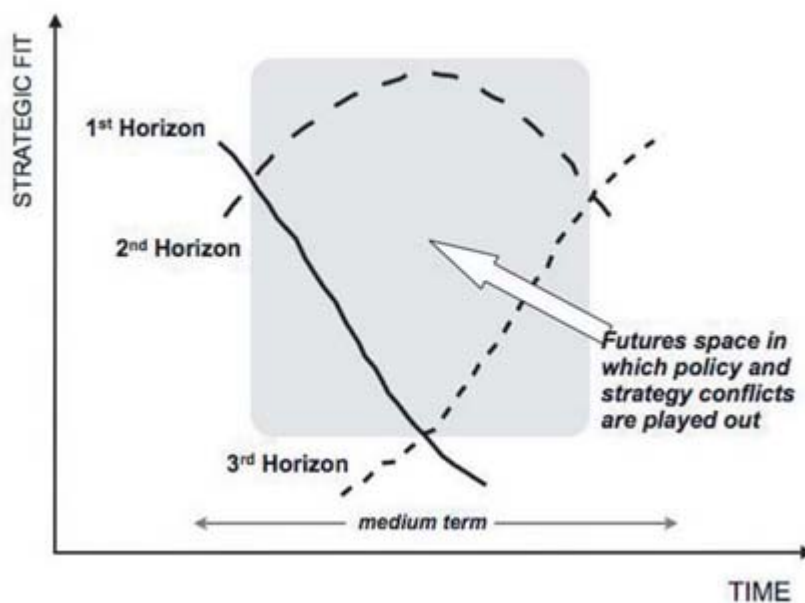
The discussions that centre on often conflicting views of the future, compared to the existing realities and those providing the returns for today’s business. Often we can detect change but we consciously ignore it. This is the place where the disruptor’s are at work, existing or new competitors, working at displacing your products and market positions. They look to be more agile, they might have greater entrepreneurial ways, they are ready to explore emerging practices far more than the established leaders, they look to leverage different business models and are certainly not handicapped with legacy and mindsets stuck in the past. Increasing competition is today’s certainty.

Horizon Two needs a totally different mindset.

You need to see H2 with different metrics, with different perspectives, with more open minds. This is 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, to become more agile and adaptive than you are 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.

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 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 ‘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.

Often we then impose a set of metrics to compensate for this resistance.

This allows for a sudden rush of promising new products entering the market, of chasing and competing for those same resources as the ones focused on the core. The push to validate, explore and experiment might make the situation worse. You introduce waves of inefficiency into your highly tuned supply chain, you detract from selling and competing in tough market conditions and you then hear that comment "we took our eye off the ball"

This new 'push' for establishing the rising stars ends up that most of the promising concepts never really cross the finish line of moving from 'interesting' to main stream. The core also starts to suffer from these multiple distractions and eventually 'innovation' gets a bad rap. Many promising ideas get starved or killed off from emotional reactions.

The demand from supporting horizon two products or emerging concepts demands managements serious attention to getting resource allocation, response and focus into 'actively' managing this very real and tangible 'innovators dilemma'.

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.

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.

Horizon two actually 'claims' more time and attention than on the surface it deserves but this is the wrong mindset, it simply needs too. This is *not* about supporting the 'existing', this is working actively on the '*preferred*' as 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.

It 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, it can invigorate and this horizon holds the keys and transition path to realizing that vision laid out in the ideas forming in horizon three.

To battle the increasing pace of obsolescence, we need to not just see and operate in today's world; we must look towards the future. We must break out of incremental steps alone in our innovation activities, they just don't simply 'cut the mustard' any-more, they are simply not good enough, in our rapidly changing world where increased competition is appearing from anywhere. We need to build out new capabilities, capacities through new innovation competencies.

We not only need to envision our future and the part we want to play within it but need a clear approach to working through the challenges and tensions to achieving a real balance in our innovation portfolio that work towards the same goal of being a material part of the business.

That is managing innovation not just in today's horizon (h1) but in traversing into the future with more breakthroughs (h2) and transformational innovation (h3) that is organized around the [three horizon methodology](#). Making that essential traverse through horizon two is the toughest part. It needs carefully managing to have any really sustaining pathway to the emerging future.

Mapping innovation across the three horizons

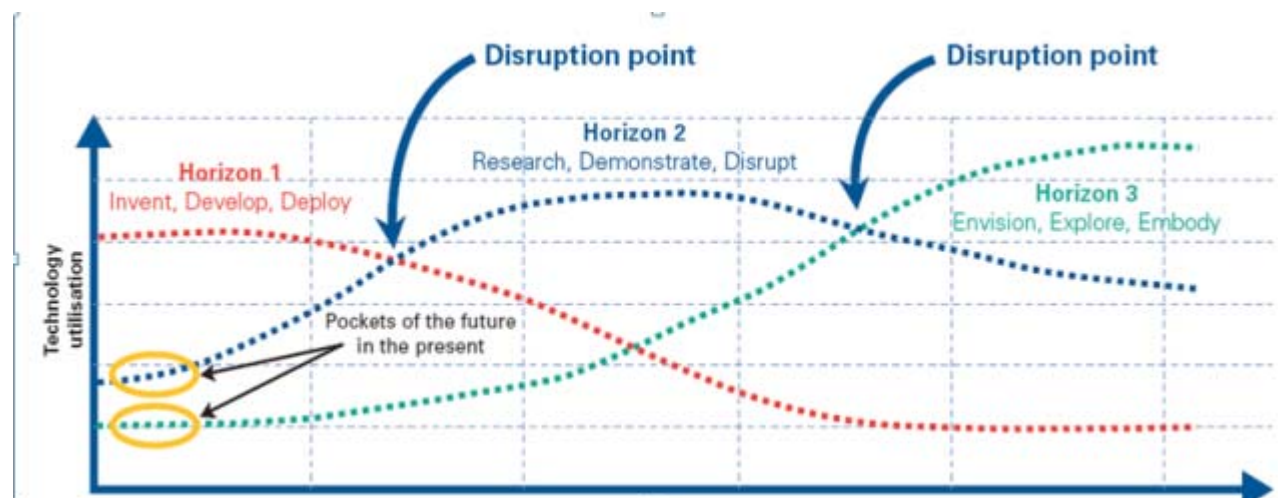
One of my most exciting areas within my innovation activities is applying the three horizon methodology, for working through the 'appropriate' lenses for different innovations and their future management. Let me outline the rationale for adopting this within your organization.

Clarifying our options requires multiple thinking horizons

For me, the three horizons have great value to map different thinking and possible innovation options over changing horizons. You can frame innovation in alternative ways by using this approach. Innovation has multiple evolution points and working with this framework allows you to significantly improve innovations contribution.

It goes well beyond the present value of 'just' fitting your existing innovation portfolio and directional management into a one dimensional, viewed in the present, framework. You can see opportunities completely differently beyond the existing mindset and activities, it takes innovation from tactical to strategic, to foresight in your evaluations.

Innovation is constantly facing disruption; it is constantly going through life cycles and new waves of different activities. We need a far more robust, well thought-through way to apply our innovation resources to meet and anticipate these changing events.



Disruption points that need innovation response

I've outlined the three horizon methodology I subscribe to, in a number of different blogs and these can be viewed [here](#), [here](#) and some further thoughts [here](#). They each contribute into your understanding of this emerging frame so I'd ask you to spend a few minutes viewing these if you feel this has real value to you and how you need to manage your innovation in better ways.

The innovation perspective for the use of the three horizons framework

We are all well aware that organizations struggle on innovation - they seem to have real difficulties to climb out of the incremental traps. One of the primary reasons is that they fail

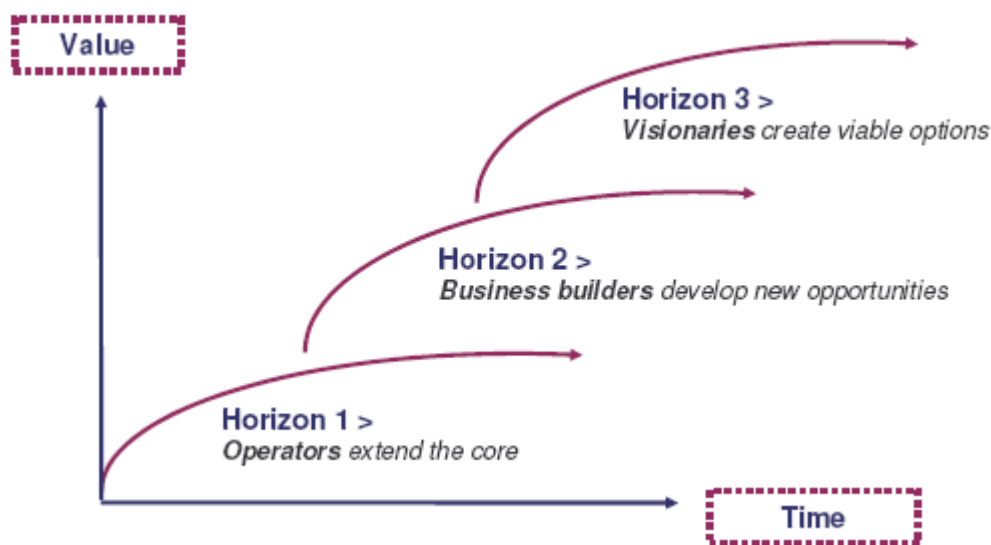
to apply different mindsets to evolutionary thinking and stay locked in the 'here and now' and this is such a huge mistake.

I believe the three horizons can be specifically set up for a specific innovation engagement to allow you to have some far more stimulating and added value to your discussions around innovation; these can go from detailed to broad evolutionary explorations and so, radically alter many of your present constraints and debates.

We need to separate and structure different mindsets to developing innovation capabilities.

Structuring the approach, by looking across multiple horizons, allow you to evolve the entire innovation portfolio and begin to recognize the many gaps that exist within your thinking, within your capabilities and capacities to innovate. By looking at this through separate lenses assists you in allocating the appropriate but usually different resource needed to be 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, that needs radically challenging, as this is the famous incremental trap where growth performance stays restricted . The three horizons 'asks you' to apply three totally different mindsets to see constraints, weaknesses and often very limited opportunities differently, it alters your thinking into a far more evolutionary approach.



The Different Horizons

The big idea of the three different horizons

The (big) idea is you go beyond the usual focus on fixing problems in the present and begin to plot and map some of the future disruptions that might occur as you move forward. You work and think through three different time and clarity lenses focusing on different horizons.

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 needs 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.

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

To approach the three horizons I see this going through different phases

a) Firstly clarify the **burning needs** relating to your present position and required future position by asking what improves existing activities, what extends the current competencies and takes you into new avenues to develop/ mature. Link it to your known strategy but keep questioning this to keep it fresh 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 concept storyboards provide the necessary linkage; it captures emerging trends for constructing plausible and coherent innovation activities projected into the future. 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 resolve the 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.

e) Often these H3, even some in H2 are **weak signals today** where many unknowns prevail but allow you to straddle between (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. This is something I’ll explore at another time.

Managing with different mindsets

Different mindsets and discussions are 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

Work through the visualisation and turning the “talking into planning” you can work through three options (h1) what’s now, (h2) what’s next and (h3) what’s the goal to drive towards in descriptors and actions (resource allocations and specialised need to develop for example). This helps further extend your horizon thinking and relate this into the actions you need to take.

The three horizons for innovation is very useful. In the words of Mahatma Gandhi “*First they ignore you, then they laugh at you, then they fight you, then you win*”. The three horizons do allow you to pick your fights and show others how and where you can possibly win in better ways than just in the ‘present’.

Can you see the three horizons value?

The value of the three horizon approach for innovation is where I partly wish to take my work beyond its present position through far more testing and exploring its application across different challenges and business segments.

Cast-around with that wider innovation net.

When we ‘cast around’ we are looking for something; to try it out, to think about it, to search for connecting a vague idea with something more tangible. So let’s go innovation fishing.

The word ‘cast’ is around us in so many ways – anglers cast their line, we are cast adrift, we cast or drop anchor, we cast to put about, to tack, we cast our eyes upon the speaker, we cast light, we cast aspersions, we cast someone in a play, we cast a plan, we cast into a certain mould, are all just some of the many examples of how ‘cast’ is part of our everyday thinking.

In innovation, cast can become a fairly dominating action – we can cast about or around for ideas, to devise a plan, we can equally cast off those ideas or concepts we reject or simply cast out, or finally, we can agree to cast one’s lot into a plan or concept to take forward as a united team.

For me casting around is a most important part of how I work through innovation coaching.

‘Casting around’ in coaching is trying to understand and see the possible ways to get someone from point A to a new point B. This needs to be in a safe environment, so as to tackle any blockages or misunderstandings and were established patterns might need challenging can be discreetly explored so we cast around initially to explore the different triggering points. Also by having a ‘neutral’ environment but having clarity of why we are coaching permits for a growing receptivity based on specifics. This allows for being more specific in changing and shifting perceptions that can eventually lead to better innovation understandings and outcomes. Casting is actually essential and becomes a significant part of the solidification process within coaching.

Good casting needs a clear routine, method and structure.

So why is casting important to innovation? Casting objects has been around for thousands of years. The better your experience in ‘casting’ the more likelihood you arrive at something that is useful and valuable (and highly appreciated) from the efforts put in.

When we think through building the capabilities for more **open innovation**, it is the finding and developing good ideas that innovation is all about. To get to this end-result of delivering upon the idea into tangible innovations it is often thanks to having in place the process to find, capture and commercialize and providing the corporate culture that promotes and protects these processes, to allow for trust but to execute rigorously against clear criteria and (emerging) objectives measured against specific goals. This becomes the art of casting open innovation.

It is this art of casting around we can increase discovery, we can capture and act on that discovery or set of connections to generate our future innovation activity. The more we establish a set of patterns, perhaps to have a casting process, the more we can evolve ideas and move them along the innovation process. We gain confidence if we know where we are going but we do need a ‘casting plan’.

What is important when we set about casting we do need that certain ‘something’ that gives the process a good structure and a given clarity. I think as we cast we need to work through **five stages** of

casting: **Discovery, Generation, Conversion, Diffusion and Acceptance**. We raise our abilities if we cast in a prescribed way.

The virtues of openness are like casting a wider innovation net for better return.

Open innovation gives us all considerable benefits from looking outside our existing organizational boundaries for different concepts and ideas. We can also draw in outside help and partly to confirm those ideas in our growing connections with the final consumer. We need to cast more often today in a world where we have to work at being the smartest.

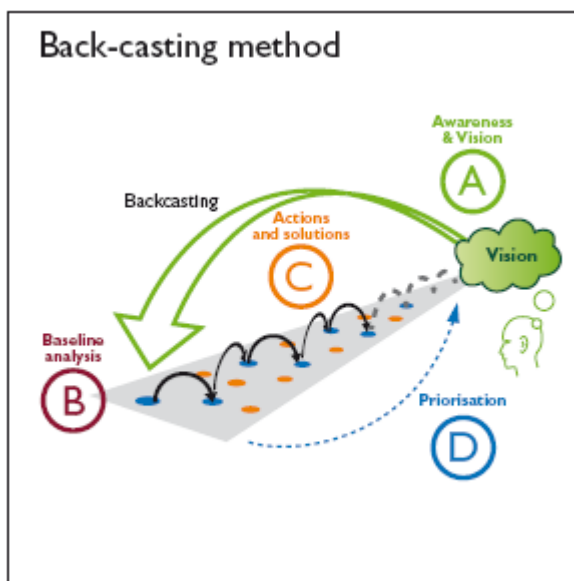
It is reckoned that an organization that has strong and robust open innovation capabilities are seven times more effective than firms with weak capabilities and is twice as effective as those with moderate capabilities, in terms of generating returns on their overall R&D project investment portfolios (source Booz & Co research)

Innovation needs casting practice in knowing where to ‘fish’.

If we keep practising casting, we will be making longer and longer casts as we gain in open innovation experience. Just like in fishing you gradually loosen up the control until you get confident in where, what and why you want to cast (around).

Remember when you are searching for innovation, no different from fishing; always reel in enough line after you cast to make enough tension, so you can begin to ‘feel’ the response and gain that feel this is worth ‘reeling in’.

The real key to innovation casting though is back-casting.



The back-casting method helps define our innovation understanding

As you might know, I have consistently argued about having a clear understanding of where you want to go (a vision and awareness) and in particular why I think [the mapping across the three horizons](#) is a more than valuable technique for knowing where and why you are ‘casting’ in specific areas. If you have some clarity on the future, those multiple horizons you need to explore, then your efforts of landing from your ‘casting around’ increase significantly.

You can ‘cast’ simultaneously and more accurately for those multiple needs. Those immediate ‘*burning needs*’ required for improving on today’s products and then you can open-up possible areas for those future ‘*winning needs*’. But more importantly this back-casting allows you to ‘*look across*’ new horizons, explore and take a greater time to ‘feel’ out and explore new areas of discovery to take you then through the five stage loop suggested above.

Having three different mindsets of the ‘here and now,’ more entrepreneurial, and more futuristic, based on this vision and awareness and then back-cast, allows for throwing open the innovation net for catching ‘greater’ possibilities.

No, casting is absolutely critical to innovation.

If we can learn the technique of ‘casting forward’ and ‘casting back’ we are gaining insights into ‘casting around.’ We have a much clearer plan of where and why we are looking for something because it has become more specific. Then we can try it; explore its possibilities, to think about it, to search for the connections that turn a vague idea into something more tangible. Open innovation becomes highly focused and well-cast! It becomes aligned.

Casting correctly can lead to greater promise, perhaps the innovation ‘catch of the decade’.

Resources & References

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

Various McKinsey documents written on this subject that followed on from the book

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

The Three Horizons use for a long-term technology change for the UK government under “Intelligent Infrastructure Systems” by Anthony Hodgson & Bill Sharpe.

The on-going work of the International Futures Forum, in Scotland in this area.

Assorted presentations made on the Three Horizons as an emerging concept and the use of some of the valuable diagrams offered here to build upon.

My thanks to [Tim Kastle](#) for triggering my growing interest further into managing innovation across different horizons into a far more full-blown one on its real recognition of its value in 2010-11.

About Paul Hobcraft



I simply enjoy innovation. I got 'hooked' ten years ago and have increasingly focused upon it until it is 100% of my business thinking and activities. I research across innovation, look to develop novel innovation solutions and frameworks that have real potential value to apply to different problems we all face in managing innovation. I provide these through a range of solutions that underpin my advisory, coaching and consulting work at www.agilityinnovation.com on supporting innovation for individuals, teams and organizations.

For me, innovation needs to enter the DNA of our organizations and our own individual make-ups. Here on this site, I try to work across different aspects to offer thoughts, ideas, advice and concepts to help each of us to understand innovation that little bit more.

My areas of focus

Through my business, **Agility Innovation Specialists**, we deliberately set out to help grow your body of knowledge on innovation. Having this 100% focus we believe does provide the necessary *additional* intensity of focus needed for innovation success that someone who specialises can provide.

We research topics that relate to innovation for the future, applying what we learn to further develop organizations core innovation activity, offer appropriate advice on tools, techniques and frameworks so clients can achieve positive and sustaining results from their innovating activities. Web site: www.agilityinnovation.com

Recently a dedicated site for exploring the components of our 'fitness' make-up for innovation, is outlining my working towards an approach that can model what is dynamic or not, that improves innovation performance. There are clearly dependencies and this evolving model attempts to provide answers to current performance gaps, to improve the innovation performance engine in capability and capacity building, to raise the game and align it more into the strategic needs. This dedicated site can be found at www.innovationfitnessdynamics.com

Finally www.hocaconsulting.com HOCA consulting contributes to those emerging areas of Corporate need to link the new approaches we need to have in place to meet the different challenges we are faced with today.

The personal journey makes up a set of unique experiences and understanding

As for my personal journey of how I got to this point I can only say it has been varied, challenging but full of fun and learning. This has taken me to live and work in Saudi Arabia, Kenya, Malaysia, Switzerland, the Netherlands, USA, Australia, and recently eleven years in Singapore, starting up businesses, turning them around or simply accelerating them and achieving their footprint within the world.

In mid-2008 I moved back to Switzerland from Singapore and presently focus my time between Asia and Europe for this innovation practice and its **related sister company** (www.hocaconsulting.com) that focuses upon related subjects important to growing organisations capability in today's world. I work and move between my preferred bases of Switzerland and Singapore.

Innovation as a source for our growth fascinates me. I hope I can share some of this passion with you here on this site as I search for the DNA makeup of innovation.

Paul Hobcraft was voted into the top three innovation bloggers for 2011 and also for 2012 on a leading Global Innovation Community- Innovation Excellence- , go to



<http://bit.ly/tWE1oX>

Also in 2012 Paul was voted as one of the top 50 tweeters on the subject of innovation su.pr/4U9EBB .

“These accolades are highly appreciated and valued- they inspire me to keep innovating in my own unique way and style. These recognitions help me believe I can contribute to the wider innovation community we are all part of”

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