

“Three Horizons” Methodology

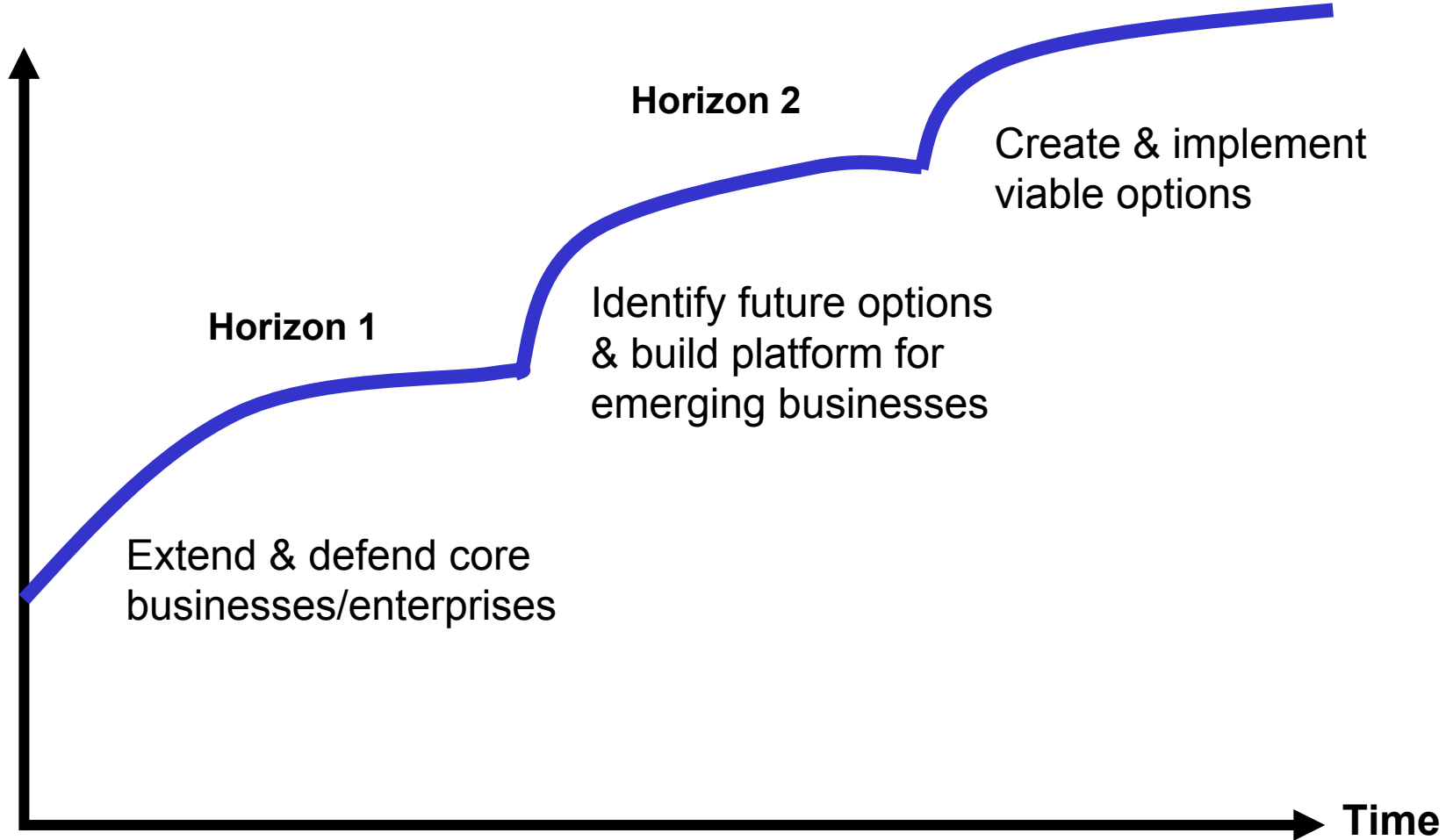
engage inspire lead risk decide achieve grow



McKinsey's "Three Horizons"

Profit/Surplus

Horizon 3



Horizon 1

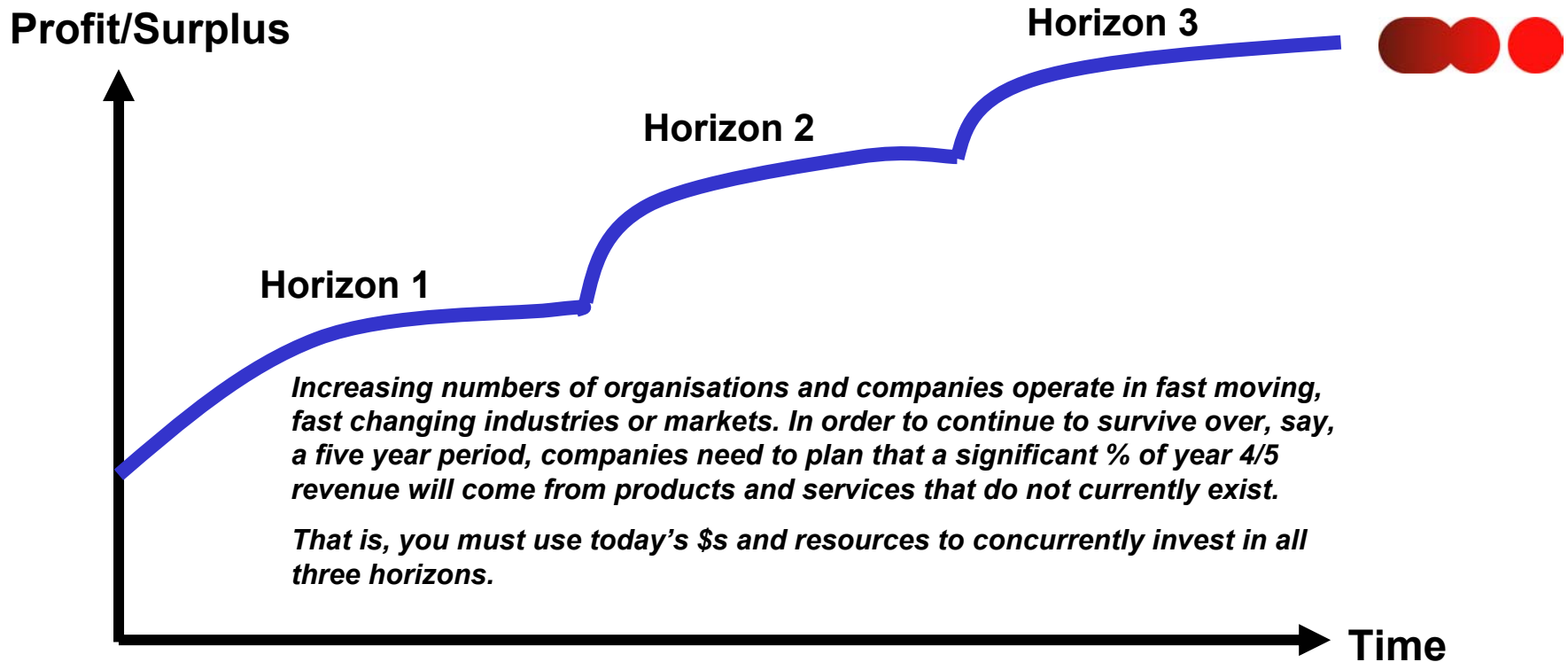
Extend & defend core
businesses/enterprises

Horizon 2

Identify future options
& build platform for
emerging businesses

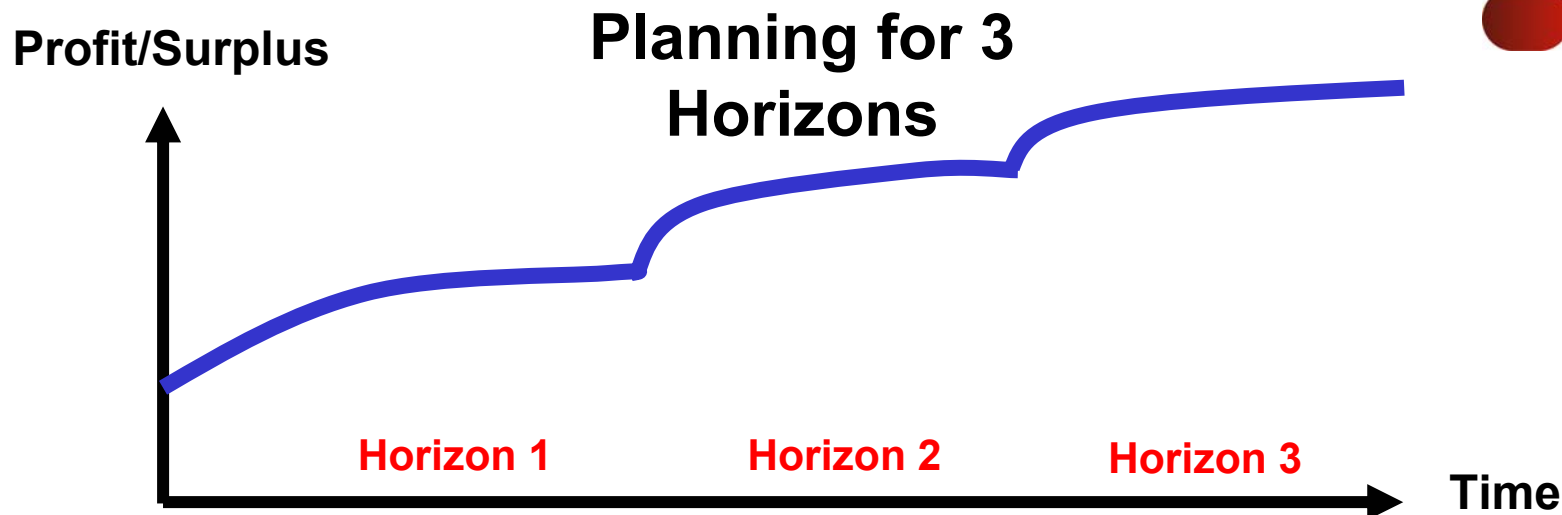
Create & implement
viable options

Time



Why organisations must plan for horizons 2 & 3 not just horizon 1:

- Under siege for whatever reasons
- Core business/activities not growing or growing too slowly; limits to growth
- Change in industry structure: competition, legislation, new technologies
- Stakeholder/shareholder/customer disinterest or dissatisfaction
- Demographic shifts – fall in birthrate; aging population; shift in population geography
- Need scale to compete or compete sustainably
- Cost of resources - materials, labour, expertise, compliance

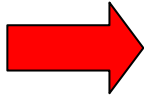


Focus	<ul style="list-style-type: none"> • <i>Increase profitability & sustainability of existing operations</i> • <i>Consolidate; simplify</i> • <i>Strengthen brand & “white label”</i> 	<ul style="list-style-type: none"> • <i>Resourcing initiatives to build new businesses</i> • <i>New business models</i> • <i>New mindsets</i> 	<ul style="list-style-type: none"> • <i>Exploring & discovering options for future opportunities</i> • <i>Incubators</i> • <i>Hived off/insulated from rest of the biz</i>
Outputs	<ul style="list-style-type: none"> ▪ <i>Annual operating plans: tactics</i> ▪ <i>Budgets</i> ▪ <i>KPIs</i> ▪ <i>Performance reviews & debriefs</i> 	<ul style="list-style-type: none"> • <i>Strategic plan</i> • <i>Business building strategies</i> • <i>Investment budgets</i> • <i>Detailed plans for new ventures</i> • <i>Volume Vs Margin tradeoffs to be leaders</i> 	<ul style="list-style-type: none"> • <i>Decisions to explore – eg “fund 10 experiments for 3 winners”</i> • <i>Initial project plans</i> • <i>Project milestones (different to Horizon 1 KPIs)</i> • <i>Go/No go criteria</i>

Articulating Growth Challenges



high level challenges horizon by horizon



- Knowing what “the vision” will look like & when/how to get out of Horizon 1 businesses
- What can we take with us? Why?
- What changes/shifts will revitalize? Reinvent?
- What replaces Horizon 1 businesses?

- How many players will the market support in which segments/positioning?
- How to extract funds from older businesses or from outside (eg capital raising/capital injection)
- What will competitors do?
- What will customers/clients buy? Why?

- Which options are real?
- Which will be the big winners & can we pick them?
- When will the time be ripe?
- How soon is “the future?”
- Will competitors be the same or different? What about new technologies, emerging issues, shifts in customer mindsets?
- New ways are needed to engage with customers, supplies, partners...