

Innovative leaders realise the Three Box framework is an ongoing process, not a one-time project. They are always searching for and testing weak signals.

The Road to Three Box Strategy



VIJAY GOVINDARAJAN

In his song 'Any Road', the late George Harrison sings, "If you don't know where you're going, any road will take you there." The refrain is something of a cautionary tale for leaders. Effective leaders should not only know where they and their organisation are going but also where they have been and where they are now. Without a sound plan for the future, a firm grip on the present, and an understanding of the past, it's almost impossible to achieve and sustain success today. I have incorporated these elements within my framework for strategic innovation. I call it the Three Box Solution.

The framework begins with an appreciation of time as a continuum. Most leaders focus on managing the present (Box 1) because it is the performance engine that generates revenue for their organisations; without Box 1, you don't have a business. At the same time, however, you must be working on what you hope to achieve tomorrow

(Box 3); without Box 3, you don't have a future. To get there, you'll have to discard some of the mindsets, practices, policies, and perhaps products or services that got you and your company to where you are today. Leaving behind the past (Box 2) completes the circle.

Of the three boxes, Box 2 is the most challenging. It's easy to rationalise keeping elements of your organisation that contributed to its current success but, too often, these elements can be a trap that keeps your company in stasis rather than moving it forward. The courage to forget the past is one of several leadership behaviours at the heart of the Three Box Solution. Another is insight into changes that are only beginning to trend. These changes are what some futurists call "weak signals".

Weak signals are emergent changes that appear on the horizon, sometimes so dim and distant that they are almost imperceptible. They could be changes in behaviour or demographics, or technology, or the economy – almost any activity related to humanity. Within the Three Box framework, they are the raw materials leaders can use to develop assumptions about what may happen in the future.

The globally popular M&M candies purportedly were created after Forrest Mars, whose father founded the Mars confectionery empire, noticed soldiers eating

candy-coated chocolate pellets during the Spanish Civil War. Mars returned home to refine the product, developing a more heat-resistant, travel-friendly candy. The US military included the newly created M&Ms in soldiers' rations during World War II, and those soldiers shared the candy with the people they encountered around the world. Today M&Ms, the bestselling candy in America, are sold and enjoyed in 100 other countries – a global success story that sprouted from one person's observation of a weak signal.

Weak signals are ubiquitous but, as mentioned above, sometimes difficult to detect. Where do you find them? You can mine for signals by using a free-for-all approach, soliciting ideas from the public, for example. Or, you may choose to create a task force within your organisation, dedicated to identifying up-and-coming trends. Another option is to look for individuals within your company who seem to have their eyes on the horizon. Often, these are younger individuals or people who have a reputation among co-workers for nonconformity. These mavericks see the world differently, tuning in to signals that others miss.

Good leaders understand, however, that weak signals must be tested to determine whether they truly do foretell coming changes or are just noise. This is the third leadership behaviour in which the Three Box fram-

ework is rooted. Experimentation resolves uncertainties and increases learning even as it reduces risk.

Let's take an example.

In the late 1990s, rising affluence among India's middle class signalled to leaders at Mahindra & Mahindra that Indians might be ready to embrace high-end sport utility vehicles (SUVs). But it would have been both reckless and expensive to create a new model for this market without first testing its viability. So the company first released the Bolero, an updated version of an existing vehicle that could serve as a test bed for SUV strategy, parts, and technologies. It was a lower-risk venture that paid off, convincing company leaders to move forward with what became the automaker's highly successful Scorpio SUV.

Innovative leaders realise the Three Box framework is an ongoing process, not a one-time project. They are always searching for and testing weak signals. They never cease building the future even as they ensure their organisations function at peak performance today. They are constantly vigilant for traps of the past. As a result, their companies are able to operate successfully and simultaneously within all three boxes.

The author is the Coxe Distinguished Professor at the Tuck School of Business at Dartmouth College