



# THREE HORIZONS

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Using the Three Horizons Framework, a tool from the foresight and system change communities, we explored how the social

## THE MODEL

The model was developed in *Three Horizons: The Patterning of Hope* (Sharpe, 2013). It brings together participants to discuss the current system, envision an improved system, and identify the change that needs to be made to transition. The first horizon is the current dominant system which can transform into a fundamentally different system in the third horizon. The second horizon represents the changes and innovations to make that transition from the first to third horizon. Elements of all these horizons exist at any given time, they just have different degrees of prevalence.

## L3 WORKSHOPS

The Legacy Leadership Lab (L3) hosted workshops where participants used the Three Horizons model to understand the social acquisition system in Canada. The First Horizon looked at the current state of social acquisitions in Canada. The Third Horizon looked at ideas of an idealised system where social acquisitions are widespread. The Second Horizon looked at the transitions that are needed to get from the First to Third Horizon. This input was collected and displayed on maps for the [Atlantic Online](#) and [Waterloo Region](#) workshops. The following report provides a brief summary of the common themes that participants identified for each Horizon.

## KEY DEFINITIONS

### Social Purpose Organization (SPO)

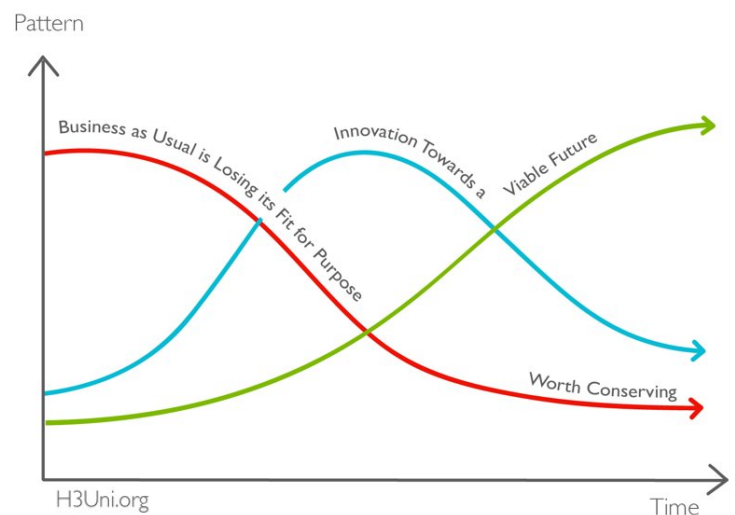
In this report, a SPO is used to describe an organization that is mission-driven that is aiming to achieve a social, cultural, or environmental benefit (CFC, n.d.). These organizations include charities, non-profits, social-enterprises, and co-operatives.

### Social Acquisitions

In this report, SA is used to when there is:

- a change in ownership (full or partial, control or minority), and
- a change in mission towards the creation of social and/or environmental good while existing revenue generating capacity is maintained or improved.

To put it more simply, an SA is when a change in ownership creates an SPO. When the term “SA process” is used, this is meant to describe the process in which new successful SPOs are created ([Link to process map of social acquisitions](#)).



# HORIZON ONE

**The dominant system at present. It represents business as usual. We rely on these systems being stable and reliable but as our world changes, so aspects of business as usual begin to feel out of place or no longer fit for purpose. Eventually business as usual will be superseded by new ways of doing things (H3Uni, n.d.)**

## **H1.1 What do we see that tells us that our current systems are not fit to enable widespread social acquisitions?**

In Canada, it is rare to see social purpose organizations (SPOs) being used as viable options to small business succession. These types of social acquisitions (SAs) are not common and the few examples that do exist are not scaling. The lack of widespread awareness and application of SAs is evidence that the current system is not built to properly support the SA process. The L3 network identified that overall awareness of SAs and the poor perceptions of existing SPOs is a key barrier keeping SPOs from being used as viable options for business succession. There is also a lack of supports tailored to the SA process for owners developing succession plans and potential buyers of those businesses.

## **H1.2 What needs to be changed?**

The L3 network sees an immediate need to re-tool existing supports to better meet the needs of the SA process. There needs to be a cultural shift within the business community that sees the value and opportunities in creating and supporting SPOs. The L3 network also identified broad socio-economic inequality in our society that can be addressed by SPOs but this inequality in itself is a barrier to the success of SPOs.

## **H1.3 What needs to stay?**

While the L3 network has identified the need for a fundamental change in our current systems, there is also the acknowledgment that there are many aspects of those same imperfect systems that create real societal benefits. These aspects of the systems that the L3 network identified should be maintained during the transition to new systems. This includes the existing expertise, innovation, and entrepreneurial spirit of small businesses across Canada which should be preserved and supported during the transition. There are also existing supports and programs that are not directly tied to the SA process but are extremely important for the success of small businesses across the country.



# HORIZON TWO

H2.2 Repurposing of civic organizations (ex. Lions Clubs, Chambers of Commerce, etc.)

H2.1 B-corporations

H2.1 Canadian Co-op Investment Fund

H2.2 Tax credits for conversions

H2.2 Flexibility in repayment

H2.2 Education for SME service providers on the different models

H2.1 St. Paul's Greenhouse

H2.2 Community capital pools and community investment coops/investment funds

H2.2 Co-op associations with staff to help you navigate conversion options

H2.1 Scale Collaborative

H2.2 Pools of capital that encourage social purpose business growth, scalability, transition

The Second Horizon (H2) is a pattern of transition activities and innovations, people trying things out in responsible ways in which the landscape is changing. Some of these innovations will be taken up by H1 systems to prolong their life while some will pave the way for the emergence of the radically different H3 systems. (H3Uni, n.d.)

## H2.1 What existing initiatives could help build systemic support for social acquisitions?

The L3 network identified two types of initiatives that could help build support for SAs. The first are the traditional business services that are not specifically tailored to SPOs or the SA process. While they may not have the specific expertise to guide someone through the SA process, they can be useful for any new business looking for access to capital, labour, or accounting and legal services. The second category of initiatives are supports that have specific knowledge in the SA sector. They might not be able to guide someone through the entire SA process, but they may have expertise in creating a successful ESOP structure or accessing capital for co-ops. This second category of initiatives can be used in conjunction with the first to fill in the SA-expertise gap that might be present in traditional business supports.

## H2.2 What new initiatives could help build systemic support for social acquisitions?

While there are existing supports that exist, the L3 network identified certain gaps in these initiatives that fail to support the use of SPOs as solutions for business succession. The first gap is a lack awareness across all stakeholder groups. Small business owners, financiers, investors, and community developers are unaware of the possibility of using SPOs as a business succession option. Governments need to change their existing tax credits, policies, and metrics to acknowledge and better incentivize the use of SPOs. Professional services for small business also need to offer services that are tailored to the SA process including creating more SPO-friendly capital.

# HORIZON THREE

**The Third Horizon (H3) emerges as the long-term successor to business-as-usual. It grows from fringe activity in the present that introduces completely new ways of doing things, but which turn out to be much better fitted to the world that is emergency than the dominant H1 systems. (H3Uni, n.d.)**

## **H3.1 What is the L3 vision for a new social purpose driven small business sector in Canada?**

The visions that were put forward by the L3 network are ambitious and transformative. They called for an economy that was more fair, inclusive, and democratic. There was an expressed need to focus on local communities and collective ownership with increased co-ordination and co-operations across sectors to enable social acquisitions. There were also calls for increased diversity and inclusion within the SPO community. There was also on a strong focus on creating resilient and sustainable communities where SPOs and the process of social acquisitions is the norm.

## **H3.2 Where are there aspects of there future systems we want to see that already exist?**

The L3 network identified aspects of this vision that already exist. There are geographic and cultural examples where the cultural attitudes needed for this new vision already exist. There are examples of successful SPOs including many co-operatives and ESOPS. There are existing foundations working towards similar visions of what a social purpose driven small business could be. Traditional businesses are also showing signs of innovation and change in the development of corporate social responsibility programs, outcome-based funding models, and alternative measures of progress.

## **H3.3 What are the competing visions of the small business sector that are being pursued by others?**

While the idea of creating an inclusive and equitable economy is generally agreed upon, there are still competing vision on how to get there. The L3 network acknowledge the lack of common language when it comes to the SA process. There are also competing ideas of how traditional business should evolve or be involved in a new system. These same questions also surround government intervention and what their role should be in ensuring this transition begins and how best they should be supporting current owners and potential buyers through the SA process.





# References

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