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Innovation is an elusive concept. In part because it is non-linear in nature, and in part due to its never ending and evolving transformation.
Its non-linear status takes us to the realms of *complexity theory (where non-linear interacts with the linear)* —towards the *creation* of an atmosphere (which is the linear part) waiting for the innovation to *emerge.* We do not-plan for innovation. We *plan* the atmosphere, we create the conditions —*attractors* and *fractals* in the complexity theory jargon— for the innovation to emerge. Planning is the linear part. *Strategyzing* is the non-linear part —is the art to be prepared for a rare, fleeting and mostly exogenous phenomenon: Innovation.
We must co-exist in an increasing chaotic world. Trying to cope with a multifactorial array of potential explanatory variables is just an impossible task, if using the traditional concepts of what it has been known as "strategic planning", which has created—among a bunch of misconceptions— a false dichotomy between strategy and execution. Execution is strategic. Strategy is not about routes-maps, but a clear certainty of destiny. Strategy and innovation, hereafter, will be used indifferently, since I believe Strategy at its best is about shaping a new game. The theoretical framework underlying this definition of strategy will be game theory, to the extent that the work of the strategist is avoiding a zero-sum game. Her intention —the strategist's— is to create a sustainable win-win business landscape.

DISEQUILIBRIUM AS THE SOURCE FOR INNOVATION (PRODUCT & BUSINESS MODEL)

The traditional dominant paradigms in Strategy conceptualize innovation as an incremental (competence-enhancing) or a radical (competence-destroying) technological change in the product. It has been always associated with the R&D department. Assumptions of equilibrium hold. Disequilibrium is seen just as a transitional stage towards a new base of alignment (equilibrium). Knowledge embedded in the product is considered the sole *source* for the discontinuous transition stages. However, some successful organizations mainly from emerging economies seem to pursue not just a path of innovation around rather than through the product technology, but also, the disequilibrium as a modus operandi for innovating the business-model.

SOURCES FOR DISCONTINUITY

Strategyzing in a non-linear world is about navigating through a never-ending spiral of *sense-making*, and *orchestrating*. Sense-making deals with a continuous state of disruption. I have identified four sources of discontinuity: *macroeconomics, microeconomics, regulations and technology.* Macroeconomics is about the changes in the economic landscape —both domestic and global— and it is not to wait for the economic indicators to be positive, but to know what to *smartly strategize* around them. Some of the most important successes in business have emerged from a very dismal economy. Microeconomics is about the demographic trends, the *zeitgeist, fashions* and everything in between. It deals with being aware of the local (or global) psycho-socio-geographic traits (smart analytics). Regulations are the *policies (both public and in-*

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dustrial), that shape the rules of the game. Technology is by far the most important discontinuity. And when the four "stars" are aligned with our business endeavor, the result could be explosive.

The velocity of this challenging endeavor is mandatory. We must then embark in a high-velocity ride of new concepts for strategy-*zing* in a foggy and ever-changing landscaping.

A NEW PARADIGM FOR A GLOBALIZATION EXCHANGE

Traditional concepts of strategy are not sufficient anymore to comprehend the current competitive context and the expanding atmosphere of Global Markets. Global Markets are in a great age of transformation. Flows of capital South-North and South-South have emerged competing with the traditional North-South ones. The last decade has showed us an upcoming rich source of value creation. It was not in the switching to the volatile rapid-growth emerging markets but in the interplay between north and south. Speed becomes a necessary adjective in what I call: *an intelligent transit*. A new way to understand global expansion has emerged, and the way in which a firm can develop its capabilities in this entourage of managing global growth has evolved. Different knowledge-rich expressions in dynamic and avant-garde hot spots of innovation have created unique poles of attraction. To cope with this new competitive landscape, it is mandatory to challenge the traditional concepts of business, industrial and public policies.

RETHINKING THE RICARDIAN THEORY: A THEORY OF COMPARATIVE *DISADVANTAGE*

Let us go backwards in economic history to the 18th century to understand why we are here. It is the *ricardian theory of trade:* the comparative advantage theory. In practice, this theory of "differences in economic development" has drastically increased the gap between the developed –and rich– and the emerging –and poor– countries. Ricardian economics served as the conceptual platform for *economic arbitrage* (exploiting price differentials). And eventually, for instance the proliferation of the USA off-shoring practices.

According to this stream of thought, the widespread paradigm among policymakers and academics that study the process of how developing countries catch-up with developed countries is that, essentially, the way forward for developing countries is to integrate into the *global value chains*, mostly by carrying out low value-added activities within the chain. Accordingly, we have witnessed development strategies that are focused on reducing costs (denominator-dri-

ven), based on the exploitation of natural resources that fail to be sophisticated (extractive and agricultural sectors), assembly processes (à la Maquila Industry), and low value-added services (such as call-centers). I would venture to *rename* the Ricardian theory of trade as: comparative *disadvantage* theory. Since it engenders a *vicious* circle of development, where countries specialize in low-cost activities and fail to accumulate the skills that are required for sustained long-term growth.
Mostly, because it is precisely the *poverty of the disadvantaged economies* that attracts the traditional FDI. The corporate America, in coping with its Chinese competitors —moved out almost entirely its manufacturing sector to cheap-labor countries. It became *artificially* a service-economy, to the extent that the manufacturing still exists —but outside of its borders.
This provoked a dual negative effect. The poor countries surrogate themselves to externally-generated knowledge, and effectively become *remoras* of developed countries, fostering a vicious circle of contraction of salaries and revenues. The developed countries lose jobs —the *doing* jobs. They were transferred to the poor countries.

A NEW APPROACH. THE VANTAGE POINT

Let me propose a different approach —*a race-to-the-top paradigm*— based on the idea of enhancing the value of a country's natural resources, what I call: the *Vantage Point.* For emerging economies, this concept departs from the traditional global trickle-down economics, and entails the development of unique value in the different and distinct geographical regions.
The Race-to-the-Top concept also implies that every 'geography' has *a vantage point (natural advantage), i.e.* distinctive characteristics and that the value-enhancement is started through a deliberate act of bricolage, *i.e. the construction or creation from a diverse range of available things.*
Each geography in the planet possesses unique characteristics, and it is from the development and orchestration of those characteristics that every nation or region must find a unique path of development,
FDI will be *only* attracted to *enhance and sophisticate* the vantage point. FDI (foreign direct investment) becomes *a deliberate act of orchestrating the country's weaknesses.*
To share some real examples of the race-to-the-top approach, from different —and distant— geographies, let us consider some real examples. The impact of the milk sector in the economy of New Zealand provides pragmatic lessons of *race-to-the-top* strategies. NZ performs the global largest share of dairy products, and it reached in last decade the highest levels of sophisticated goods from milk, duplicating its GDP per capita.
Industry's outputs are sophisticated through intense R&D- activities of the Biotech dedication of NZ's universities such as Victoria, Waikato, Auckland.
Farmers get access to improved methods of production, and smart business practices.
Production and processing of milk is organized through a successful model of cooperatives companies, like Fonterra, the global company owned by 13000 farmers.
The Basque Country, Spain also enhanced its steel-industry. It had an unemployment rate of around 25% and a per capita income of approximately US$ 13,000 in the 1990s. It reached full employment and more than tripled per capita income to US$ 42,500 in less than two decades. http://www.orkestra.deusto.es/
Local leaders managed this by enhancing value -not reducing it. More than 50% of the region's workers are employed in the industrial sector, mainly steel. The price of steel is set in international markets and is subject to high cyclical variations. But the BC focused on product and process innovations, which minimized exposure to price volatility. It was able to increase the value of its exports, even as labor costs rose.
They achieved that through supporting world-class research and innovation. To ensure effective knowledge transfer, private sector participants join the boards of R&D think-tanks like Tecnalia, Ikerlan that had reached a global strong presence.
In Chile —to cope also with the cyclical variations of copper —they made an innovative leap into the healthcare sector that represents a clear departure of the commodity trap. A metal traditionally known as one of the best conductors of electricity, has begun to shine in the healthcare field.
They launched a joint public -and private-sector (copper firms, R&D centers at Universities) initiative aiming to enhance the development of the country's mining sector, a project utilizing copper as an antibacterial agent at the Hospital of Calama in Chile's Second Region.
It involves applying copper and copper alloys to medical devices that require repeated touching or

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handling. Such devices include serum holders; pencils for inputting data on computer screens; meal tables for patients; levers that regulate beds and bed arms, and chairs for [hospital] visitors. In each case, the goal is to combat the spread of infections inside the hospital. The Environmental Protection Agency in US, has recognized copper as the leading anti-bacterial metal in the world; opening enormous uses and possibilities for copper in hospitals. Chile holds the largest GDP per capita in Latin America.
The core strategy of the nation (or the region) would be the development and orchestration of the necessary skills/attributes to enhance the value of its products.

WANT VS NEED

A *race-to-the-bottom paradigm* approach for the poor countries (the *doing*) will just make more acute the gap between rich and poor countries, since it is driven by indicators that I call the "metrics of poverty": low cost, high volume, and speedy delivery. The workers who make these industries possible are trapped in poverty, with little hope of ever escaping. When the region can't meet those demands companies up and move taking the jobs with them. More broadly, countries that engage in these approaches subordinate themselves to externally-generated knowledge (the *thinking*), and expose themselves further to the volatility of foreign direct investment (FDI). The geo-economic world has been divided then, in the **world of *thinking*** and the **world of *doing*,** *in other words,* the **world of *want*** and the **world of need** to the extent that in the world of thinking, the higher-paid paid jobs allow the habitants to aspire. In the world of doing — the low-paid jobs do not create an atmosphere of aspiration, but of need.
This phenomenon has also pervasively impacted the developed world, causing a severe inequality of salaries. We can observe then, a new *center of gravity.* Today, we can actually talk of **"thinking cities"** vs **"doing cities".** We find *thinking* cities in *emerging* economies, and *doing* cities in *developed* economies. The unit of analysis for development has switched.

BUILDING A UNIQUE PATH

Innovation is not about being better. It is about being different, being unique. In this context, value creation is the fundamental motto of the endeavor of innovation. Business models are a great way to conceptualize this new perspective of strategy to understand how value is created and captured in the market. I will make a particular emphasis —in the context of Business Model Innovation— in the new paradigm of *Strategy Orchestration*.

STRATEGY ORCHESTRATION

Something interesting is happening.
Apple became the never-ending orchestrated-platform of content of millions of developers. But it is not just Apple the isolated example of orchestration. Uber, the world's largest taxi company owns no-vehicles. Facebook, the world's most popular media owner creates no-content. Alibaba, the most valuable retailer, has no-inventory. Airbnb, the world's largest accommodation provider, owns no-real state.
What is happening is Strategy Orchestration. Strategy Orchestration flips traditional strategy on its head. Rather than starts with what you control, and looks for ways to leverage it, managers begin with the opportunity and then assemble the required resources in its wake.

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Strategy Orchestration happens when a firm pursues an opportunity, NOT by leveraging strategic power, and NOT by controlling all the required resources BUT by assembling and managing a network of partners (nodes).
An allocentric —from the Greek allos which means "others"— view allows executives to recognise and, more importantly, seize a whole range of opportunities that could only be pursued by a network rather than an individual firm, no matter how powerful.
Strategy Orchestration allows firms to get to market faster, adapt to changing circumstances and lower their invested capital. (See Table I)

PLAYING THE ORCHESTRA

I have developed a methodology for *playing the orchestra.* (See Table II).
A methodology is neither a philosophy nor a technique. It is not a recipe. The methodology intrinsically should work for us, and not us for the methodology. It is a very common mistake to try to "fill the blanks — or boxes" of a methodology. A methodology is a *guidance for thinking,* not instructions written on a stone. Following a methodology is not a warranty for success.
The first phase —*Sensemaking, the Sources for Discontinuity*— was explained earlier.
The second phase —*Connecting*— deals with switching the mindset of classic strategy: egocentrism, and its objective is to create an *allocentric* business model.
Much strategic thinking takes a narrow perspective, where the main goal is the maximization of company profits —and by exten-

sion national GDP. The starting point is almost always the individual firm, which exists to create, capture and sustain economic value. As such, firms largely focus on opportunities from which they alone can benefit.

Orchestration advocates an *allocentric* view (from the Greek *allos* meaning *other*). The name of the game is connection, and engagement, rather than competition and domination.

Try to think of the myriad links *beyond* the value chain as players within an orchestra. It is the task of the *orchestrating* node —the conductor that initially identifies and develops an opportunity— to get all the other nodes to play along to its tune. To do that, it must find a way of engaging all the other nodes, i.e., the individuals, business units, companies or even governments that control relevant resources and make them available for use to fill a gap in the market.

The two dominant streams of strategy today —industry structure and the resource- based view of the firm— perceive strategic choices from a predominantly individualistic perspective. As long as the firm is maximizing its profits, most other concerns are moot.

As part of this *classic* approach, firms are encouraged to improve their weaknesses, investing more resources to make up for what they lack internally. Their strengths may go untouched and they fade into a landscape of mimicry.

By contrast, the orchestration motto of allocentrism seeks to *orchestrate* the strengths of the market players according to the particular strengths that the firm is bringing to the relationship. Every node will be playing at its best, always enhancing its particular strengths. Weaknesses must be orchestrated, not improved. One's weakness is a strength of another node.

Strategy Orchestration happens when a firm pursues an opportunity, NOT by leveraging strategic power, and NOT by controlling all the required resources BUT by assembling and managing a network of partners (nodes)

Consider how Apple has mastered this approach, orchestrating millions of developers in the process of enhancing its allocentric value around its strengths in design and ease of use. Apple is not an isolated example. Facebook, Alibaba and peer-to-peer pioneers Uber and Airbnb have also adopted an allocentric orientation, seizing opportunities by orchestrating a network. To make it work requires a seismic shift in how managers establish and develop relationships. In the traditional view of the firm, the firm maximizes its own value, often at the expense of other players in the value chain. The orchestration approach, by contrast, assumes there are unlimited opportunities to create new value, as long as there is cooperation between the network nodes and the pie is carved up in a manner that satisfies all participants.

ALLOCENTRISM NOT ALTRUISM

This sort of *cooperative* model is not altruistic. It acknowledges the self-interested desires of each human being —indeed, that is what makes the network work. As the economist Adam Smith argued almost three centuries ago, what makes societies function successfully is each participant's innate egoism. However, instead of allowing egoism (from the realm of philosophy) to morph into egocentrism (from the realm of economics), the orchestration approach turns it into allocentrism.

This philosophical difference can be explained with the help of the Nash Equilibrium. Using the classic "prisoner's dilemma," the mathematician John Nash showed that it is precisely the non-cooperation of parties that results in equilibrium. The possibility of getting a reduced sentence is so strong an incentive for the prisoner that betrayal of his partner in crime — the most selfish choice — becomes his best option. However, Nash extended the two-party, zero-sum scenario to any situation with *n* number of participants. He argued that there are games in which players coordinate their choices and negotiate among themselves. He called this phenomenon "the bargaining solution".

An orchestrated network is an allocentric game of *n* number of participants that reach an ideal bargaining solution. For example,

Apple did not establish itself as a platform for millions of developers to create apps and reap millions of dollars in profits in the process in order to help them out of the goodness of its heart. It did it to engage them in its own game while increasing the value of Apple's ecosystem.

In contrast to the resource-based view of the firm, the Orchestration conceptual & *pragmatic* framework sees firms as porous entities. As such, companies are able to enhance value through the integration and coordination (orchestration) not only of their own resources and capabilities but also of external ones.

HOW ORCHESTRATION DIFFERS FROM CLASSIC STRATEGY

	CLASSIC STRATEGY	ORCHESTRATION
Point of Perspective	The Individual Firm	Individual Opportunity/Network
Source of funds (investment)	Firm's own resources	Mobilizing other's resources
Methodology	Upstream/Downstream Integration	Identify the needed resources (assemble the network)
Window of opportunity	Value chain – 180°	No-boundaries Peripherical– 360°
Locus of control	Egocentric central control	Allocentric distributed control
Scope of value	Firm (Adam Smith)	Network (Nash)
Skills	Power	Diplomacy

Table I

THERE ARE 4 PRINCIPLES OF CONNECTING:

Asset Light. Orchestration follows a *light* approach since as mentioned above, it is about focusing in firms —or geographic region— unique strengths. All the rest, will be orchestrated as such.

Sophisticated Nodes. The firm —or the geographic region— will search for the very *best.* Every node will be playing at its best —race-to-the-top— always enhancing its particular strengths.

Keep Orchestrating. The spider, the fly and the spider web .

Consumer loyalty programs are another myth. They are useless and a cliché. The client is not loyal. The metaphor of the spider, the fly and the spider web can illustrate this.

The client is the fly. The spider is a business. The strands of the spider web are the attributes of the value proposition that the company offers the fly, in other words, the reasons why the fly remains in the web. The fly is not loyal to the spider. The only way the fly will relate to the spider is if the company traps it in its web. If the only attribute is price, the fly will easily escape.

Strategy, then, consists in increasing the number of strands, of both the intrinsic and extrinsic attributes of the products (orchestrated around the product). The spider assumes that the fly is not loyal and that it will not remain in the web unless the spider traps it with a unique and dynamic value network. Dynamism means consistently increasing the strands of the network and inventing new games. The fly does not remain in the spider web out of loyalty; the fly remains because it is trapped by value. This is no longer "customer satisfaction" but "customer trapping".

Transparency. Forging and maintaining stretch relationships with customers, technology partners, investors and suppliers often requires an increased level of transparency. To be orchestrated effectively, partners need clarity before joining the network as a node. The importance of transparency may surprise those who believe that success depends on access to privileged information and connections with powerful people, but managers can take a series of innovative steps to commit to a higher level transparency that benefits and strengthens their value networks.

This sort of cooperative model is not altruistic. It acknowledges the self-interested desires of each human being –indeed, that is what makes the network work

The third phase —*Deploying*— is about taking a sort of a snapshot of the business model.

There are 4 elements/characteristics of Deploying:

Platform Business Design–Allocentric. From *power* to *diplomacy.* Orchestrating is about engaging other nodes to play your game. It is not about neither owning all the resources nor ossifying the initial business model. Orchestration is about a on-going *disruption*. The business model is a never ending evolving platform, where nodes are engaged to actively shaping new games. It is dynamic by design.

Unique & Enabler Processes. Put it simply, *unique processes* are the strengths being strengthened constantly; and *enabler processes* are the orchestrated nodes. Both are totally interdependent.

The Paradox of Complexity. To succeed in the marketplace, the net-

SENSEMAKING	**Sources for Discontinuity** —Macroeconomics —Microeconomics —Regulations —Technology
CONNECTING	**Principles** —Asset Light —Sophisticated Nodes —Keep Orchestrating —Transparency
DEPLOYING	**Key elements / Characteristics** —Platform Business Design-Allocentric —Unique & Enabler Processes —The Paradox of Complexity —Knowledge Legos + Plug & Play

Table II

work's value proposition (that is, the result of orchestration as seen by customers – and nodes) must be very simple. On the other hand, the company needs its orchestration to be inwardly complex, because is that very complexity what prevents rivals from imitating the network. The paradox of complexity, then, can be summarized as follows: Executives must orchestrate the network so it seems simple to customers —and node — but has enough complexity that rivals cannot imitate it easily.

Knowledge Legos and Plug&Play. The key to sustainable growth is about being able to transfer *fast* the successful first unit of success. Innovation is rare, exogenous and fleeting. It is mandatory to *master* all the legos of knowledge of the orchestrated network, and being able to reproduce it successfully. Firms have created *corporate universities* towards that end.

To enhance the *unique path* of each geographic region, firms and governments will need to play an allocentric game to organize and coordinate all the nodes that play an active role in defining a distinctive value proposition. The core strategy of a region — or a city — would then be the development and orchestration of the necessary skills and attributes to enhance the value of its products and services ●