



The PARAGON Perspective

PARAGON DEVELOPMENT

Features

Conferences

Technology Transfer/Capabilities

Technologies of Interest

Quotes of the Month

Interesting Words

Insights from Mike Dalton:

Why an article on pricing in a newsletter focused on faster new product innovation?

Planning and Mismanaging Project Times

Anecdotes

From the President

For those of you not familiar with us and may have received this as a 'forward' from the original recipient, The PARAGON Perspective is sponsored by PARAGON Development.

We want to use this newsletter to do the following:

- Share information we have learned that we consider important concerning best practices, trends, successes and failures, conferences, and other elements that will enable all of you to grow your organizations with maximum top and bottom line results.
- Share information about select client initiatives that may be of interest based on technologies, markets, or business needs that you believe could fit within the scope of those client's interests.
- Share personal observations and even humorous items given to us by others.

All issues of *The Paragon Perspective* are archived on our website, so you may easily pass along past issues to colleagues.

This month's editorial is a contribution from Mike Dalton who we have known and admired for many years. His firm has done terrific work for his clients who have benefitted from his input – improving time to market, increasing value created, with a much more efficient overall process for planning and development that has been a catalyst for dropping poor projects and giving the right ones better focus. We have included his response to our December newsletter in and then added one of his blogs that we have found particularly insightful.

Jack T. Peregrim
Pres., PARAGON Development
Peregrim@ParagonDevelopment.com

Paragon Update

We very much wish all our clients and others reading this the very best 2014 possible. At PARAGON we are seeing things loosen up but it is more of a trickle increase than a flood of projects. Nonetheless we project Q1 to healthy exceed last year's revenues. The overall uncertainty that has been part of corporate planning is still in place with budgets tight for growth with a slight increase in growth investments.



Conferences

LES—IP Exec 100

Biltmore Hotel, Phoenix, AZ

February 10-11, 2014

The Licensing Executive Society holds an annual meeting for executives that is invitation only and limited to managers of IP and technology transfer who generate or acquire technology for their organizations' benefit. This is for non-service providers and has a broad range of industries and technologies represented. The meeting is structured in a very unique way where keynotes and panelists generate a foundation for discussion in roundtables that allow the attendees to 'process' what was learned and get peer opinions on possible strategies and courses of action. We recommend this to anyone who qualifies. Applications can be made at WWW.LESUSACanada.org

AFSS Spring Conference on Oil & Gas Chemical Processing

Houston, Texas

March 25 & 26, 2014

More information on The American Filtration & Separation Society's spring conference can be found at: www.AFSSociety.org

Pan Pacific Microelectronics Symposium

Hapuna Beach Prince Resort, Big Island, Hawaii

February 11-13, 2014

The Pan Pacific Microelectronics Symposium promotes international technical interchange and provides a premier forum for networking among microelectronics professionals and business leaders throughout the world. Session topics this year include: interposers, roadmaps and industry trends, embedded assemblies, assembly challenges, 3D & TSV technologies prognostics and health management, business strategies, power electronics, reliability and failure analysis, manufacturing paradigms, statistics and probability, connection taxonomy: simulation and modeling.

More details can be found at: WWW.SMTA.Org/PanPac/

[Return to #Top](#)

Technology Transfer/Capabilities

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, development, or could be available to use. Please send a description of your technology to be posted in this section for future newsletters. Inquiries can either be sent directly to those who have posted information, or, we could forward any/all inquiries to you. This section highlights non-client project technologies.

This newsletter has a distribution of over six thousand individuals who are in executive positions who either oversee or practice new business development, so the audience has the potential to generate legitimate interest. We do reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

- A client has new, patented bacteria for breaking down waste that is specially formulated for cold weather applications. These bacteria will break down waste and will grow at 4° C and lower offering functionality at temperatures that have no comparable alternative.

For more information contact: Tracy Finnegan at (630) 906-9791 or ELFEnvironmental@Aol.Com

- A client has a new technology that improves the performance and lowers the cost of Type 3 compressed gas cylinders.

If interested, please direct inquiries to Jack Peregrim, Peregrim@ParagonDevelopment.Com, (203) 288-4154

Technologies of Interest

Clients have expressed interest in investing, licensing, acquiring, or partnering in the following:

- A client is looking for new membrane & filtration technologies with a particular focus in industrial waster re-use or that may support zero discharge.



- A client is looking for new technologies and products that improve upon traditional ion exchange resins. If interested, please direct inquiries to Jack Peregrim, Peregrim@ParagonDevelopment.Com, (203) 288-4154

[Return to #Top](#)

Quotes of the Month

“If you want to make peace with your enemy, you have to work with your enemy. Then he becomes your partner.” *Nelson Mandela*

“The high minded man must care more for the truth than for what people think.” *Aristotle*

“Too often we enjoy the comfort of opinion without the discomfort of thought.” *Winston Churchill*

“The luck of having talent isn’t enough; one must also have a talent for luck.” *Louis-Hector Berlioz*

“It is error only, and not truth, that shrinks from inquiry.” *Thomas Paine*

“A person usually has two reasons for doing something; a good reason and the real reason.” *Thomas Carlyle*

“Love truth but pardon error.” *Voltaire*

[Return to #Top](#)

Interesting Words

Hebetate: (HEB-i-tayt) Verb
To make dull or obtuse.

Descant: (des-KANT) Verb & Noun

1. Verb—To talk tediously. To sing or play a descant.
2. Noun—A comment on a subject. An ornamental melody sung or played above a basic melody.

Colligate: (KOL-i-gayt) Verb
To bind or group together.

Cullet: (KUHL-it) Noun
Scrap glass suitable for remelting.

[Return to #Top](#)

Insights from Mike Dalton:

Why an article on pricing in a newsletter focused on faster new product innovation?
(Response to December 2013 Paragon Perspective Editorial)

Well speed-to-market is not just about launching earlier. It’s also about generating new product cash flow sooner. New product innovation is all about creating demand and the revenue associated with it. And getting pricing right has a big impact here. Some folks would call this time-to-revenue instead of time-to-market. Potato, potahto...

Pricing should be considered long before the product launch. In fact, the best place to start thinking about pricing is at new product inception. Sometimes you have to do a little bit more work up front to execute faster overall. And to be most effective, all of that up front work has to be rooted in creating customer value. Easily said, but what does that really mean?

Well, the most successful new products create value by solving an unmet need. Unmet needs reflect the limitations that customers put up with every day. We’re talking about the inconvenient, time consuming, costly, labor intensive, capital intensive, excess inventory creating, dangerous, dirty, smelly, or otherwise undesirable aspects of jobs that users have learned to put up with. Sometimes they’ve worked around these issues for so long that they no longer even notice them—so called unarticulated needs.

Finding unmet needs like these takes careful observation and well-developed questioning skills. Luckily, your people can be trained in both these skills. But at a deeper level, finding unmet needs that you might actually be able to develop a solution for also requires the ability to synthesize—to be able to match an observed need with elements of your technology that might not even have been exploited before. That requires the kind of problem solving skills your technical people can bring to the table by regularly teaming them up with commercial folks for field visits.



But how do you know where to look for unmet needs in the first place? It might seem like there's a bit of the chicken or the egg going on here. But deciding where to look is actually one of the roles of marketing strategy— your hypothesis for where and how your commercial and technical capabilities can create value. That's where your field work should be focused.

To create value, your solution to the unmet need must do one of these three things for customers:

1. Generate more sales cashflow for them
2. Reduce their operating costs
3. Free up or delay their investment in working capital or capital equipment

With the source of value understood, we get to the important part of this article—what price will customers in your need based segment be willing to pay? Determining that is a simple spreadsheet exercise considering the added value above, less what they pay for your product, and then compared to any investment they have to make to switch. Once you have modeled the economics, it's a simple matter of varying the price until you find one that delivers an acceptable ROI or payback period— usually 12-18 months.

Of course you may wonder how you are ever going to get sensitive financial information like this from customers. The best way is to make it a quid pro quo. Your company can only invest in developing new products that create value for everyone involved. You will treat their information confidentially, but you must understand the economics for both parties before you can recommend developing the product. It's really hard to argue with win-win logic.

Notice that so far in our discussion of pricing, cost to produce has not come up. Your cost is irrelevant to customers who only care about the value of solving their unmet need. But it's very relevant to you—not in setting the price—but in knowing if you should develop the product in the first place. If an attractive customer value based price doesn't generate an attractive profit margin for you, then you shouldn't invest in the development.

The More Impact Bottom Line

Pricing based on cost plus thinking either leaves value on the table or it prices too high to create value, in which case sales will be much slower than expected. Either way, cost plus thinking isn't grounded in an understanding of value and is a sure way to eventual commoditization. Instead, start with understanding value early on, before development work begins, and focus on creating high value products that remove limitations. Do this well, and your products will create superior value so you can price accordingly and grow faster as a result.

Planning and Mismanaging Project Times

(Mike's Blog Article)

- Imagine that you are Pat, a design engineer with Doitallnow Corp. You're in your office with a design calculation running in the background while sketching out some ideas for an upcoming project. You take a sip of your energy drink, and in walks your boss, Lee, along with Terry, one of the company's project managers.

Lee and Terry have stopped by to let you know you've been assigned to a new project called Global Impact. They need your best estimate of how long the design tasks will take to complete.

After hearing everything that's involved, you suspect that it is about two and a half days worth of actual work, but you also know that:

- The rest of your workload won't be put on hold and the other project managers will still expect you to make progress on their tasks.
- People dropping by to ask for help with other projects will interrupt the flow on the design work you are doing
- Some problems you can't anticipate might come up in the design
- Lee has been pressuring you to do a better job of meeting deadlines.

Taking all of that into account, you figure that five days would give you ample padding and about a 90% chance of finishing on time. On second thought, you know negotiation is part of the process, so you add a day for that and another half day to make it sound more precise. "Hmm" you say as you scribble some notes on your tablet, "I'd say about six and a half days."

Of course, Terry has managed other projects like this before and thinks it could easily be done in 4 days. For Lee's benefit, you explain that it would be suicide to build a timeline without some padding in it. Finally, after some back and forth, you all agree on five days, and they leave so you can get back to work.

So on a Friday afternoon a few weeks later, Terry shows up at your office with the design specifications and requirements document, and tells you that your task for Global Impact is due by close of business next Friday. That's when it gets interesting:

Scenario 1 – Student Syndrome:

If you are like 80% of the folks out there, Terry's project is far from all you have to worry about, so you work on other priorities and put off starting for a few days. After all, if everything goes well, you don't really need to start until Wednesday afternoon. So that's when you get started. Then with only minimal interruptions on Thursday, you go home knowing you have a full day of work remaining to finish the design and have it ready to hand over to engineering so they can start on Monday.

Of course, that's when it all goes wrong. As soon as you fire up your computer Friday morning, you get an email from Lee about an unexpected meeting this morning. The VP of marketing has volunteered you for a working meeting across town to help with some design changes requested by one of the company's largest customers. Of course, Lee also notes that it was a good idea you asked for that extra day of padding.

You go to the meeting and they insist you join them for lunch, so it's 2:00 pm before you get back to your office and get restarted on the Global Impact design. Plus it takes you a while to get going because this morning's meeting has you thinking about the next project you're going to have to jump to.

Now you've got a sinking feeling and a choice to make. You either work this weekend and miss your daughter's softball game or finish late knowing that your performance review is coming up soon. And Lee and Terry aren't likely to be very charitable after giving you plenty of padding for the task.

Scenario 2 – Apple Polishing:

Or if you are like the other 20% of folks out there, you like to start things as soon as possible. Unfortunately, that still doesn't mean that you'll finish them any earlier. In this scenario, you start on Monday and by Wednesday, you have a pretty decent design – but work always expands to fill the time available. The design is good enough but it's not perfect. Plus, the prototyping engineers aren't expecting it any earlier, so you take advantage of the extra time and spend the next two days perfecting the design.

Scenario 3 – Sandbagging:

Remember how hard you had to negotiate to get a day and a half of padding for your task? If everything went perfectly and you finished two days early, what's the likelihood you would actually turn it in early? If you did, the chance of getting any padding next time would be very low. Three days would be the new normal meaning that any hiccups would result in working late or finishing late.

Question: So what problem do all three of these scenarios have in common?

Answer: Deadline or Milestone focused project management is based on the mistaken belief that optimizing protection for each task optimizes protection for the project. In all three scenarios, the buffer intended to protect the milestone from unexpected problems was ineffective – wasted on procrastination, unnecessary perfectionism, or on managing future expectations. Replicate these scenarios across hundreds of tasks within each new product project and the real problem is that the only deadline that really matters (the project deadline) is left almost completely unprotected. Then when any real problems or issues arise you are assured a late finish.

Solution: A Critical Chain Project Management (CCPM) approach eliminates these behaviors by ignoring the individual task deadlines and instead focusing on the finish line in a relay race like manner where you:

- Start critical chain tasks as early as possible
- Work critical chain tasks as fast as possible with no interruptions or multitasking
- Hand the completed task over to the next task owner as soon as possible

Of course Murphy's Law exists for a reason, but instead of padding each task, [CCPM](#) uses a highly visible global buffer. Aggregating the buffer means much less buffer is required and it also becomes a key tool for communicating the health of the project and for ensuring on-time completion.

Mike Dalton is the founder and president of Guided Innovation LLC. WWW.GuidedInnovation.Com He can be reached at (262) 672-2700. As stated above, we thoroughly appreciate the good work he does and highly recommend him to any organization that needs to improve their new product and innovation processes.

PS:

We want to remind our readers that this section of the newsletter is open to anyone with a development topic or an approach they would like to share. Many of you - consultants, company managers, and academics - have very solid and profound contributions that could be presented in future newsletters. We ask that your submission be from 300 to 800 words. Let us know and we will gladly distribute your topic to the thousands of people on our distribution list. We agree that the copyright and ownership be kept by the contributor and that our only right is to reproduce it in conjunction with this newsletter.

[Return to #Top](#)

Anecdotes

Theodore Roosevelt

Theodore Roosevelt was shot in the chest in an assassination attempt in October, 1912. But he was determined to carry on with his speech so he refused all aid and said: "I will deliver this speech or die, one or the other."

[Return to #Top](#)

We hope you learned something from this and/or stimulated an action that leads to new opportunities for you and your organizations and that you will let others who might find this newsletter useful know about our publication. Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>. If you would rather not receive the newsletter please respond to this email and include the word REMOVE in the subject line or in the message. To subscribe to our newsletter, please send an email to contact@paragondevelopment.com and include the word SUBSCRIBE in the subject line or message. We will never sell your email address to others.

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[Return to #Top](#)

