

PARAGON Development

Electronic Newsletter
Quarter 2 -- 2002

President's Message:

This is the first of planned quarterly newsletters that will be communicated electronically. If interested in a hard copy please notify us.

The purpose of this newsletter is to update, educate, stimulate, and enlighten our friends and business colleagues on many topics involving new business development as well as the world at large as it may affect our businesses and/or our professional interests. We are not intending and will not use this communication to promote our business. There are other avenues to do that beyond this newsletter.

Our objective is to inspire debate and pass along information that may enable all of us to better understand and succeed in our new business objectives in the future. We further hope you pass these along to colleagues who may have mutual interests.

We want to use this forum 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 our opinions about the above.
- Share personal observations and even humorous items given to us by others.

We welcome your comments on any topic from content to format and we encourage you to contribute to future newsletters.

Thank you and we hope you all have a prosperous and rewarding second half of 2002.

Jack Peregrim
President
PARAGON Development

Paragon Update:

Since forming our organization 6 months ago we have arrived at several conclusions that we would like to share with you. The first was our "surprise" at how many assignments (1 per month so far) we have received in this uncertain economy and business climate. Even more surprising was the emphasis by our clients on finding new and large business platforms that will require a great deal of investment and capital via acquisitions. Each organization had unique drivers so it is difficult to simplify with certainty and with limited data points, but you may find it interesting that we have found the following as representative of these clients:

- Organizations realize that their earnings will not meet projections made a year ago or even six weeks ago. They have therefore decided to at least focus on top-line issues that send a message to investors about *future* earnings.
- Companies recognize that they are in an ever-increasing competitive environment that is being driven by costs at an ever-increasing pace with no end in sight. The best way to continue the success of the past is through innovation and new business capture beyond increasing market share from lowering price and consolidations.

- These organizations have less reluctance to look outside for solutions. There is a tremendous growth in new alliances and partnerships, technology transfer, and, in knowledge acquisition and management.

CDMA--Commercial Development

The Commercial Development and Marketing Association is an organization of professionals who are responsible for new business development, primarily in the Chemicals and Allied Trades. I have had the distinct pleasure and honor to be involved with that organization for several years and have received a high value from both the educational programs about best practices and also from the valuable contacts made at the biannual meetings. I would encourage anyone to become a member if they:

- Are responsible for or involved in the new business process.
- If they have responsibility for the process and need to ensure that their employees are educated in the best practices necessary for their organization's success.

The CDMA Education Foundation is sponsoring a Market Research Course in the Chicago area in June. For information about the course as well as the CDMA you can go to their web-site www.CDMAonline.org.

Industrial Products from Bio-Technology

Collectively Paragon associates have been engaged in a variety of projects that have identified opportunities for biotechnology that goes beyond the hype and promise that dominated this market 5 years ago. There are many reasons why biotech will have a much greater impact in the coming years, but, according to a recent speech by Larry Drumm of Arkion Life Sciences, there are two primary drivers. According to Larry the technology has matured past it's initial and exploratory developments and will rapidly penetrate industrial and other volume applications because of it's huge economic advantage in starting with raw material feedstocks that cost \$0.04-\$0.06 per pound. Factor in the growth in bio-catalysis development and we see that biomaterials will be rapidly moving from specialty into larger volume applications. Basically, the 'bugs' have largely been worked out of the technology and it has an inherent cost advantage which are two powerful drivers.

Goose Problem?

In the last 6 months we have looked at fine chemicals, materials for hand held electronics, adhesives, pharmaceuticals, marine anti-foulant coatings, specialty chemicals, and healthcare. However, the most unique project was for a client who has developed a non-lethal goose repellent that can be sprayed on turf and eliminates the geese that congregate there. The product is extremely effective and is growing rapidly with applications for golf courses, parks, sports fields, college grounds, municipal areas, water authority properties, condominium/apartment complexes, and corporate facilities. Just think, we can enjoy ourselves again without watching where we walk. (Sorry, but it doesn't work on dogs). Anyone interested can get more information at www.flightcontrol.com

Employment Needs

PARAGON staff members have worked with hundreds of organizations over the years. One of the benefits to us has been the opportunity to meet and work with individuals who are experienced, talented, and accomplished over a broad range of technologies as well as in developing new business. Oftentimes these former client team members have kept us informed as to their employment status – whether it be moving to another company or seeking new

employment. If you have a need within your organization for growth focused professionals and executives, let us know and we will see if we can recommend someone we know .

Process Disappointments

Over the past two decades businesses have embraced various processes with a great deal of fanfare and even higher expectations. Frequently the results haven't met their high projections for contributions in key areas. For example, recent studies have indicated that companies using stage-gate new product processes may have similar results in new product development as organizations using no formal process. There is information supportive of both the process consultants and managers who have elected not to commit extensively to these processes. These studies are an interesting development which is beginning to spark serious debate.

As consultants who use a "process", we may surprise some with our perspective. We agree with those who believe process approaches may have limited value. The following is our argument:

First it is impossible to generally categorize all processes for comparison. All processes are not equal. They each bring a unique value but are not a "cure all". Programs such as Six Sigma, ISO 9000, TQM, etc. are necessary starting points to maintain a competitive position. They cannot be ignored and they are looked at as "expected" by organizations choosing suppliers and partners. These processes are a measure of the efficiencies of our present businesses.

Creative processes cannot be viewed in the same way. A creative process must be flexible and open, yet there must be a business discipline superimposed so as to reach the market with the right product at the appropriate time. These processes are directed more toward future value creation and not as much on historical or present excellence as those referred above. These "future" processes are those subject to debate and are represented by: New Product Development, Portfolio Management, Strategic Planning, Research & Development, Scenario Planning, Etc.

Thus, the "debate" we are referring to is centered on those processes that are used to create new value and not those which optimize our present business.

The major reasons for disappointments from these future oriented processes are:

- Our obvious and general failure to realize the inherent problem with planning for the future. The world changes! Who could predict many of the major events that are shaping our business today? Recession, terrorism, etc. We have a need to control and predict our futures but our needs don't match the reality, which has variables and factors that will always be beyond our control.

New product development has a certain risk associated with it and most companies work hard to eliminate risks from their processes that manage present business. The psychology is then extended to the future oriented processes with the same expected outcomes. Since we have a need for certainty, we convince ourselves that by using various "formulas" to extrapolate today's data into tomorrow's business plan we have generated accurate projections. All of us have probably been exposed (or even contributed to) initiatives that led to capital investment in development or capacity and have been disappointed at the outcomes. Successful organizations recognize inherent but unknown risks as key factors and reward those who manage those risks best, not those who believe they will eliminate them.

- There is an over reliance on processes as a means of removing management intuition and commitment. We avoid single point accountability, because we have teams making decisions. View your processes as tools that enable success.
- A major failure can be attributed to the “people factor” which is not recognized as large a critical factor as it should be. This is exemplified by the general but significant trend of us being a ‘mobile’ society with many career moves and employers. Most of the creative processes have an inordinate number of people involved who have little experience or they have experience outside of the Company. We believe sometimes that THE PROCESS is the value creator. We have seen organizations spend millions on consultants and internal costs to establish a process and controls and then delegate the responsibility to people with little experience. Usually, this comes after the organization removed the individuals who had decades of experience and were responsible for successes prior to a new process. Many of us had personal experiences with previous employers who felt they could lower costs by getting rid of long term employees and replacing them with new ones who, it was felt, need only be facilitators within a process.

New product/new business development processes involving inexperienced personnel can be problematic, as, there are expectations that the process can rise above the lack of experience and knowledge. This is not true. Experienced, talented, loyal, and dedicated personnel are critical to a positive outcome. The lesson is to combine both elements - the best practices and methodologies of efficient processes with experienced and talented personnel.

- Some companies’ processes are inflexible and unable to respond based on “been there done that and it was a failure”. As an example, we have worked with clients who have incorporated huge hurdles and burdens into their processes that must be applied to all projects. They are usually based on situations where one very unique combination of events (unlikely to have impact beyond the one project) created a failure, which leads to a mandate that it won’t happen again, which leads to a major requirement added to all future projects, which slows down and distracts people from the elements that are most important to the particular initiative they are involved with. Because the process is so rigid, no one dares ignore a mandate from management to spend time and capital even when it may not be necessary. Each process should have a reasonable amount of flexibility in order to best determine the customized needs of the initiative. And, to re-emphasize a point made above; experienced professionals can best determine the needs of the initiative.

We hope the above have stimulated thoughts and actions that lead to new growth for you and your organizations. Again, your comments and opinions are welcomed and that includes business develop issues that you would like to see explored in future newsletters.

Again, our best wishes for a prosperous and rewarding remainder of 2002 and for many years to come.

Your friends at:

PARAGON Development

WWW.paragondevelopment.com

email: contact@paragondevelopment.com