

PARAGON Perspective

From the President

PARAGON Perspective is sponsored by PARAGON Development, an international consulting organization specializing in new value creation for corporations. This is accomplished through new business development and optimized planning in addition to corporate venturing. 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.

We hope 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 opinions.
- Share personal observations and even humorous items given to us by others.

We welcome your comments on any topic and we encourage you to contribute to future newsletters. In the past few months we have received advice and recommendations on the newsletter. It seems *some* people like specific topics while others want them eliminated.

Based on feedback from several respondents, we have added book reviews that will alternate every other month with the Futurist Review. This month will have a book review on Six Sigma.

Based on a request, this month's newsletter will highlight our opinion on the business development topic: **"Product Development-Leveraging the Supply Chain"**

Jack Peregrin
Pres., PARAGON Development

Paragon Greetings

As we enter this holiday season we want to extend our prayers and thanks to all. We at PARAGON have had a year to be thankful for and we owe that to our clients, our friends, and the many supporters we have both professionally and personally.

There are many more people to whom we want to pass on these wishes than we could do so. That is another indication of our luck and good fortune. We are very thankful.

All of us wish you a most wonderful holiday season and a very happy and prosperous 2004.

Paragon Update

Several new projects are starting, which bodes well for the holiday season, a traditionally slow period of activity for businesses other than service and retail. The new projects are focusing on developing new business around technology assets.

PARAGON has recently signed several "finders" agreements with organizations seeking acquisition candidates. "Finders agreements" are executed on a contingency basis. There has been an increase in these agreements

over the last two quarters. Organizations are looking for new growth opportunities beyond known platforms already explored, seeking companies or “orphan” business units of larger companies, as well as exploring technologies available for licensing.

Companies are also seeking ways to leverage their market access over a technology, product, or operational asset. This is also the time for many organizations to prepare and present budgets, leading them to contract Voice-of-Market™ activities to supplement and validate their requests for funding to increase project investment in the first quarter of 2004.

Technology Transfer

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, or development. 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 newsletter has a distribution of several thousand individuals who are primarily in new business development, so the audience is one that has the potential to generate legitimate interest. We only reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

Quotes of the Month

Quotes that inspire:

“Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is to be achieved”.
William Jennings Bryan

“In times of change, learners inherit the earth, while the learned find themselves equipped to deal with a world that no longer exists.” *Eric Hoffer*

“Live out your imagination, not your history”. *Stephen Covey*

“Production is not the application of tools to materials, but logic to work”. *Peter Drucker*

“Smooth seas do not make skillful sailors.” *Old proverb*

“The superior man understands what is right, the inferior man understands what will sell?” *Confucius*

Quotes that don't:

“I don't want yes-men around me. I want everyone to tell the truth, even if it costs them their jobs.” *Samuel Goldwyn*

“If two wrongs don't make a right, try three”. *Richard Nixon*

New Technologies

We are presently working with a biotech company having a database of plant genes that send messages through the phloem. Phloem is a complex tissue in the vascular system of higher plants that consists mainly of sieve tubes and elongated parenchyma cells, usually with fibers, that functions in translocation and in support and storage of nutrients, etc.

They have over 60 scientists available for customized development on specific plants and requirements. Utilizing their database, they have the ability to optimize many plant functions. E.g. genetically alter the plant to flower in a specified time frame, enable better nitrogen absorption requiring less fertilizer use, produce proteins allowing plants to grow outside their growing zones, etc.

For further information you can contact:

Jack Peregrim at Peregrim@ParagonDevelopment.Com

Web Site Additions

We have updated our web-site recently but will continue to add to our alliances and partnerships page, which provides sourcing to our clients on services that they may be seeking in specialized functional or industry areas. As such we will post organizations and individuals **who we know** to excel in products and services.

If you would like to be included in this listing (free of charge), please submit a request to us with a short (50 word) description of your products and services, as well as direct contact information. We view this as a mutual service to our clients as well as companies, consultants, and other entities we have had the pleasure to work with.

Product Development - Leveraging the Supply Chain

Company #1 has a specialty additive sold to major polymer resin and fiber producers. They have dedicated funds over the industry average to R&D, with a continuous number of innovations that have enabled their customers to improve the performance of their products. At issue was their sense that they didn't get the level of feedback they should from their customers, who they perceived as being reticent concerning their needs or objectives. Innumerable interactions at different levels and functions (R&D, purchasing, business development, marketing, etc.) still left Company #1 without a sense of direction they should be vested in to assist their customers.

Company #2 is one of those major resins and fibers producers. They articulated frustration with compounders and other major end use customers they dedicated their new product and R&D resources to. When it was pointed out to the business manager at the resin producer that dissatisfaction over interactions with their customers paralleled their supplier's interactions with the company he expressed surprise, as he had never recognized his suppliers frustration, although his suppliers were continually approaching him for input on new projects.

A Voice-of-Market™ Forum with customers of the resin producer™ were questioned as to the reasons new product needs were not articulated clearly to enlist the support of the resin producer's R&D to solve or contribute input that would make their business initiative move more quickly through the company pipeline. Their first response was that there was no formal process in place to work with suppliers, as there were issues of liability to be considered, as well as potential competitive advantage being lost by sharing their development priorities with outsiders.

The output of the Voice-of-Market™ Forum revealed the vast wasted development resources both up and down the value chain. Unfortunately, this example represents the majority of cases and is not an anomaly.

Though recognizing the complex issues involved, it was apparent that there wasn't any formal systematic way to use the supply chain for "vertical innovation". If a system had been in place, the bugs would inevitably get worked out and it would be optimized over time.

Our experience is that the cited case study applies to many organizations. Though there are organizations that utilize their supply chain for innovation, the vast majority does not. The following bullets summarize practices we believe hinder this process:

- **It is difficult to negotiate and cooperate at the same time.** Pressing suppliers for concessions, E.g. asking them to cut pricing to the bone, while including them in a product development cycle that could increase their R&D support is in fact schizophrenic and will not work.
- **Complex intellectual property issues.** Customers who articulate their needs could expose themselves to having the supplier develop and subsequently market the solution to competitors. One solution could be joint development agreements, but they also can be limiting in attractiveness to both parties.
- **The NIH Syndrome.** Many organizations still hold tightly to the belief that innovation should be developed from within. The mantra goes like this: "We're paying a lot of money to a lot of people in our Company to do what you are suggesting we can better do by having outsiders involved."
- **No systematized business model has been established or accepted as the *right* way to do this.** There are organizations out there that are familiar and comfortable working through alliances, partnerships, and joint development agreements. However, leveraging the supply chain to be beneficial to both the supplier and customer presents a unique challenge that hasn't been expanded in the present business climate.

That said – the positive is that these hurdles should not hold organizations back from recognizing and utilizing the valuable resource we have in our supply chains in producing innovation. If viewed philosophically they could represent a competency that may lead to a competitive advantage to those who are best at it.

Existing tools can be part of this system. Processes in use that are able to contribute to this proposition include: Value Engineering, Voice of Customer, Voice of Market, Lead User, Stage Gate, etc. Yet, how many people have heard of or practice Vertical Innovation outside of reading papers and studies done by Economics departments at universities?

The path to success for any endeavor begins with clearly defined small steps. To begin we recommend the following:

1. Establish a team internally to create a customized process that overcomes the listed hurdles followed by a concerted effort to establish a sustainable process for Vertical Innovation.
2. Independent of the first step -- establish a checklist item in each present stage gate process (usually stages 2 or 3) in which the new product team visits suppliers with a “road show” detailing unmet product needs for their project. Concern about alerting a competitor should be overcome by your position in the stage gate process. Having advanced to stage 2 gives you a development time advantage in the majority of cases. The “road show” enables suppliers to contribute any improvements that can be incorporated into your product by the time you are ready to launch.
3. Again, independent of step #1, engage existing processes such as Value Engineering and Voice of Market to get quality objective information detailing needs and requirements leading to success. (A step that should be a part of your established processes in any regard.)

This topic is one we feel has merit for acting on, but usually “falls between the cracks” in most organizations. We hope this piece has given you the incentive and focus to look at leveraging your supply chain and to apply this concept in places it wasn’t being considered.

As always, we encourage feedback in any media and would like to offer this newsletter as a posting for your comments.

Business & Other Factoids

Shopping?

Mitchell’s is shrinking its men’s clothing space and expanding its women’s department. Earlier this year, Target did the same thing. Gadzooks has dropped its men’s line completely. There is also a considerable negative change overall in sales at stores that specialize on men’s clothing. Nationally these specialty stores are down over \$1billion in annual sales in just 2 years.

The main reason attributed to this decline is that just 3 years ago, women shopped for 76% of men’s clothes, but today that percentage has dropped to less than 50%. Men are shopping more for their own clothes and their spending patterns are different from women’s. Men want to see 3 lines of black pants, not 20, which reduces floor space required for optimal merchandising. Men also shop less often, so overall sales are down. But, they tend to pay more for purchases (20+%) because they don’t time their shopping to coincide with sales as women do.

Mortgage rates

Anyone who has recently refinanced can thank the Japanese for the low rate. According to the U.S. Treasury Department, the Japanese, who view a rate of 4.8% as extremely high, have financed almost \$50 billion in U.S. mortgages this year.

Internet search engines

Most popular Internet search engines today track and rank the most popular searches by Internet users. These sites are becoming very popular with many market and other researchers for the trends they represent as well as to the content. Some are: Google Zeitgeist; JeevesIQ (interesting queries); Buzz.Yahoo; or 50.lycos.com

Useless, but interesting, facts

A cat has 32 muscles in each ear.

A crocodile cannot stick out its tongue.
A dragonfly has a lifespan of only 24 hours.
A goldfish has a memory span of 3 seconds.
A shark is the only fish that can blink both its eyes.

“Strategic Six Sigma”
Best Practices From the Executive Suite
By Dick Smith and Jerry Blakeslee with Richard Koonce

One of our readers suggested that we read this book. We encourage you to recommend books for future reviews. We read it, and the comments that follow reflect our opinion on its content.

The book was informative and flowed efficiently from “presenting needs” to “overview of applications” to “major organizations and how they are applying it.”

A minor criticism is that too much time/space was spent “hyping” Strategic Six Sigma when the authors could have moved more quickly into mechanics and examples.

The book shows the need for, and the value of, Six Sigma as applied to non-operational processes such as strategic planning, new product development, and mergers/acquisitions. It is insightful to those who haven’t applied the Six Sigma approach to what may be termed the “soft” business processes in which many have felt were not an attractive focus of six sigma.

The authors make a compelling reason for using Six Sigma based on the same competencies that we are all familiar with such as:

- Committed leadership teams well trained in managing best practices.
- Use of data and information to reduce uncertainties and to capture new value.
- Continuous use of Voice of Customer and Voice of Market to gain the understanding of changing market dynamics.
- Systematic and repeatable processes over experimental approaches.
- Quantification of results.

The book does not get into the level of detail that would allow it to be used as a tactical tool, but it provides a very good look at Strategic Six Sigma from the 10,000 foot perspective. We recommend this book to anyone in business or strategic planning, new product or technology development, or acquisitions.

We hope you learned something from this and/or stimulated an action that leads to new opportunities for you and your organizations.

Our best wishes for a successful and prosperous conclusion to 2003.

Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>

Your friends at:

PARAGON Development
WWW.paragondevelopment.com