

PARAGON Perspective

From the President

Over the holidays we undertook the task of updating our distribution list for our newsletter to include referrals, clients' lists, and business cards that had piled up. Since this edition will have a greatly expanded audience we are repeating a description of our mission and purpose of the newsletter below.

PARAGON Perspective is sponsored by PARAGON Development, an international consulting organization specializing in new value creation for corporations accomplished through new business development and optimized planning as well as corporate venturing. The purpose of this newsletter is to update, educate, stimulate, and enlighten our friends and business colleagues on topics involving new business development as well as world events that may affect our businesses and/or our professional interests. We do not intend, nor will we use this communication to promote our business.

We want to use this forum to do the following:

- Share information we have learned concerning best practices, trends, successes and failures, conferences, and other elements that will enable all of us to grow our 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.

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

This month's newsletter will highlight our opinion on the business development topic: "**Changes in the roles of licensing**".

We wish everyone a happy, successful, and prosperous 2003.

Jack Peregrim
Pres., PARAGON Development

Paragon Update:

We see an improved business climate in 2003 with many clients looking to invest in growth that is more of a "platform" variety over their focus on the obvious extension type of growth initiatives. This is particularly true in the basic industries (materials, utilities).

Conversations with colleagues indicate that they perceive a change (especially in the chemical industry) that indicates they are moving away from the "big is better" headset. Major companies, e.g. Dow, realize that they are too diversified and are looking to sell or spin off divisions that are removed from their core

competencies. As a result they may try to sell off, spin off, or attempt to resuscitate poor performing units. Questions that need to be addressed include:

- What other markets can we enter with this division's products?
- Are there other applications for the technology/product?
- Should the unit stand alone?
- How can we improve profitability?

What is your take on this? We welcome your responses.

PARAGON Development is likely to have an exciting announcement in the coming months about corporate changes that will represent our involvement in Corporate Venturing.

We have also committed to speaking this month at a CDMA New Jersey Chapter Dinner on January 30, 2003. The speech will be about "Voice of Market: When Voice of the Customer isn't enough". The event is in Saddlebrook, NJ and will also include Sharrann Simmons of Colloids Naturel Inc in a joint presentation. We can provide additional information as requested.

Business Models

In the past 6 months we have been involved with numerous clients who are embracing new business models as mechanisms for value creation. This goes beyond expanding forward in the value chain or the use of e-commerce as a non-traditional channel. We are seeing an increase in R&D with a clear goal to license over using it as a vehicle in new product development. We also see very innovative new models such as a client who had traditionally sold durable goods per unit with service agreements but now sells the units "by the hour". Initial results have been very strong and they have achieved a differentiated competitive advantage in their market because their customers have their costs and pricing aligned in the same way.

Another example is the growth of corporate venturing.

Newsletter Responses

Responses to last month's newsletter were encouraging – it seems that not only are you reading our newsletter, but giving thought to the subjects and sharing your opinions. Some of those responses are reflected below:

- Responses regarding nanomaterials indicated that readers concurred that these opportunities are now on the very near horizon and that a few large commercial applications will be seen in the next 18 months.
- One respondent expressed concerns on nano-technology impacting the environment and as a potential health risk.
- Responses on "Following the path of least resistance" were in agreement that the essay hit the mark in project experiences they were involved with." None offered to share specific information because of confidentiality.
- There were also 4 responses on the new strategic approach to growth by blending existing capabilities in new ways.

Quote of the Month

"Before you build a better mousetrap, it helps to know if there are any mice out there".
Yogi Berra

Business Factoid

Is there anything duct tape cannot do?

The next time you're in the need of a wart cure-all forget combing the aisle of the local pharmacy and head over to the hardware store instead. According to the findings of a small study in children, applying plain old duct tape to the common wart (scientifically known as *Verruca Vulgaris*) appears to be superior to traditional cryotherapy with liquid oxygen.

While anecdotal reports abound of duct tape's wart-removing abilities, the therapy has not gone head-to-head with other wart removal techniques, according to a report published in the October issue of the Archives of Pediatric and Adolescent Medicine. In the current study, the researchers compared duct tape therapy to cryotherapy, which involved several visits to the doctor's office. During the treatment, a physician freezes the wart by applying a quick, narrow blast of liquid nitrogen to the offending blemish.

So much for the theory that all advanced technology is better than home remedies!

Changes in the Roles of Licensing

Case Example:

A recent program asked us "TO IDENTIFY NEW STRATEGIC GROWTH PLATFORMS THAT CREATES A FOURTH BUSINESS". This project was for a major industrial materials company and the initiative was led by 2 people from **licensing**. This would have been considered "out of the box" years ago, but we are finding that the role of licensing in strategic growth is becoming much more commonplace. What had been a phenomenon is now becoming a trend.

The drivers for this initiative were:

- A focus by the 3 existing businesses to have accountability and responsibility for only their own products and markets. They are to grow their own areas and new business development is discouraged outside of "their sandbox".
- A decrease (related to the above) in a centralized R&D that could create breakthroughs in new areas.
- A change in the macro business climate with changes occurring more rapidly and complexity in ways to capture value and/or to achieve sustainable competitive advantage.
- A more advanced information and communications system.
- A new business acceptance, and even preference, to acquire technology, products, or other growth assets instead of investing internally.
- And lastly, an M&A climate that has not delivered the returns expected based on the costs.

These drivers contribute to an increase in organizations looking at licensing in having a greatly enhanced role in strategy.

Another client recently had 2 patent attorneys involved in their project, who noted that they are spending more time now on licensing **into** their Company. Five years ago 95% of their time was spent finding customers for, and licensing their technologies to, others. They now spend at least half of their time working with their new product teams because their organization is committed to finding technologies outside the organization that will speed time to market, be more cost effective, and provide better competitive advantage.

The *lesson* is: organizations need to recognize the successful experience of those organizations that have a committed approach to in-licensing as a major part of their growth strategy.

Some of the keys to success that we have recognized are:

- There has to be a **funded** and committed effort. Asking the existing personnel to give a “second 100%” of their time to this without any other resources is going to fail.
- Existing R&D and new product groups have to be “sold” on the much more active role of in-licensing first.
- An information system to collect, analyze, and process intelligence must be established that goes beyond the traditional existing network contacts.

We hope this case study has stimulated an action that leads to new opportunities for you and your organizations.

Previous issues of our newsletters can be found at www.paragondevelopment.com/resources.html.

Our best wishes for success and happiness in 2003!

Your friends at:

PARAGON Development
WWW.paragondevelopment.com