

PARAGON Perspective

From the President

PARAGON Perspective is sponsored by PARAGON Development, an international consulting organization specializing in new value creation for companies. 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. There are other times, places and opportunities for that.

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 interest.

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 encourage you to contribute to future newsletters.

This month's newsletter will highlight our opinion on the business development topic: "**Have we forsaken Portfolio Planning?**".

Jack Peregrim
Pres., PARAGON Development

Paragon Update

A good sign of initial economic recovery is the number of projects scheduled over the next few months in which involve capital spending. This is a change from previous projects that we have been involved in where organizations have focused strictly on optimizing returns from invested capital in the form of technology, plant/equipment, or market access.

Hopefully the economy is beginning to rebound from the "borderline recession" that we have all seen and experienced.

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 will be sent directly to those who have posted information, or per your request, any/all inquiries will be forwarded 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

“The difference between a boss and a leader: A boss says, ‘go’ – a leader says, ‘Let’s go!’” *E. M. Kelly*

“To be conscious that you are ignorant of the facts is a great step to knowledge”. *Benjamin Disraeli*

“Obstacles are those frightful things you see when you take your eyes off your goal.” *Henry Ford*

“Leadership is a combination of strategy and character. If you must be without one, be without strategy.”
General H. Norman Schwarzkopf

Block Co-Polymers

We are presently working with a client who has developed a new block co-polymer that is a compatibilizer with three components that self-organize at the nanometer scale. When blended with a polymer compatible with one block, the copolymer disperses easily and imposes structure to the host matrix.

This improves impact strength at ambient and low temperatures; maintains modulus, improves heat distortion, improves adhesion, printability/paint-ability, and vicat temperatures in the final product. In addition, the chemical composition of the block copolymer makes them ideal interfacial agents for many incompatible systems, offering innovative possibilities in the design of formulated polymer blends, elastomers, and composites.

The block copolymer has process-ability at a higher temperature than existing, analogous materials. Value has been demonstrated in combinations of engineering plastics, elastomerics, and styrenics. It has been effective in PPE, PS, PVC, PC, PVDF, SAN, SAN, ABS, CPVC, PMMA, Epoxies, Rubber, etc. A more extensive attribute list can be furnished from the contact shown below.

It is in the initial stages of commercialization with a few, select applications showing documented and clear advantages over alternatives. Beyond our support to commercializing these, we are interested in identifying new partners, markets, and customers who would have interest.

If you are interested in more information you may contact the project manager: Barbara Heimlich at: Heimlich@PARAGONdevelopment.com or at (203) 378-6776.

Request for Case Study **Commodity → Specialty**

Recently a client asked us if we knew of any case studies/success stories of companies moving from a commodity/volume based business to a specialty or added value products based business. After surveying over a dozen key executives, there was no definitive answer. Several examples of organizations/companies were mentioned during this survey as having made that transformation, but none has outperformed an average of others in their sector and/or sustained any success.

Those surveyed believed that the main reason for this difficulty lies in company culture. Basically, value is captured by entirely different means, and critical success factors vary with each requiring different business models.

Recommendations were made by the survey respondents on how to do it successfully, including:

- Set up two distinct business units during a transition, each with separate structure and with no considerable contact. Gradually increase investment in one and use the other as a “cash cow”, or sell it entirely.
- Make a decision to immediately sell off (or LBO) the commodity business.

If you know a case study or success story worth passing on that refutes our findings, please let us know.

Have we forsaken Portfolio Planning?

Case Example:

In working with one client repeatedly we have had to consider/evaluate where the current project fit in their portfolio strategy. Was this project more an “extension” project with less risk and short term returns expected, or was it considered a “stretch” project with high risk and high returns?

This client had four designations in its strategy for investment among the various types of projects. This ensured that their pipeline was optimized with a healthy combination of initiatives. They had worked with Dr. Robert Cooper in setting this up, and it had been a cornerstone of their development investment strategy.

In starting a recent project we inquired as to the project’s designation so we could best understand the required outcomes. The answer we received was “Things have changed. We only have two designations:

- Funded projects.
- Risky projects.”

The connotation was clear.

Internal investment will be limited to extension or short term return projects and those projects with the largest growth potential will not be funded unless they also have very near term contribution.

This has several ramifications in strategy, morale, and growth vehicles.

- The new strategy is toward “applied innovation”, a term that basically means innovation toward a clear outcome and not sponsoring any discovery research. It also eliminated scenario planning and other activities that the firm had embraced previously.
- Morale has been low for all except top management who have “exceeded investor expectations” for the last 2 quarters. A statement that previously would have investors and others turning cartwheels but today elicits caution and in-depth scrutiny of the contributing factors.
- Growth vehicles (other than customer application projects) are now limited to acquisitions and strategic alliances. Aggressive top line growth objectives haven’t changed, but the new approach is to “buy others’ innovations”. Even if a premium is paid, the company believes there is a great deal of money saved by not investing in the many failures they assume it takes to get a success.

This client is an example of a company who has changed more drastically than most, and it is hard to disagree completely with their strategy. They make good points and have shown positive fiscal results.

But, we don’t agree with the decision to completely dismantle their Portfolio Planning effort. They had good results with that model, with an expectation of sustained contribution because they managed their portfolio with consideration for the following parameters:

- Certainty of success
- Size of success
- Time to commercialization and maturity
- Ability to achieve competitive advantage
- Strategic position in relation to other existing and attractive new businesses

They now need to rely on their ability to make acquisitions in a very competitive sellers’ market for those acquisitions that have high growth and low risk. In addition, dropping scenario planning may leave them

vulnerable to catastrophes, discontinuous innovations, and new market dynamics that might seriously affect their business value in the future. In some ways, they have “cancelled their insurance”.

Our recommendation is not to reinstate the entire process at funding levels that were typical in the past but to adjust the portfolio; which is what the portfolio planning function is all about. Keep the process intact so it will contribute in the future as it was originally designed to do.

There is a “middle road” between 10% funding on breakthroughs/discovery driven projects, and having no portfolio variance at all. A median can be found between having 10 long-term projects and having none—ever. In addition, years creating and managing the portfolio at a considerable cost were lost.

We are proponents of portfolio planning. It is our experience that it is a very productive and lucrative mechanism that produces results. It is a valuable tool in conjunction with new product and technology development.

Ironically, we see organizations starting to embrace portfolio planning even as others are “saving for the present”.

As always, your comments on portfolio planning that are either private or able to be shared are welcome.

Business Factoids

Careers?

Over the past year (2002-2003), the U.S. economy has continued to see jobs melt away. Which of these sectors defied the trend by adding jobs? (Answer below)

- A. Tobacco Production
- B. Legal Services
- C. Car Dealers
- D. Motion Pictures

Moving Experience?

Bore-hole seismometry indicates that the land in Oklahoma moves up and down 25 cm throughout the day, corresponding with the tides. “Earth tides” are generally about one-third the size of ocean tides.

Priorities

Americans spend six times as much on home video games (\$5.5 billion) as they do on school library materials for their children.

But, in a positive note, there are more public libraries in the U.S. (15,946 including branches) than there are McDonalds.

So that's how it is done

Geckos can run up walls and across ceilings—and they don't use messy glues, or use suction, or have claws. How do they do it?

Their feet are covered with billions (yes, billions) of tiny hair tips or spatulae, and momentary shifting of electrons within spatulae and within surface create adhesive (“van der Waals”) forces. These spatulae are made of keratin, the protein that is in human hair. But researchers have found that spatulae made of silicon rubber or polyester work about as well, providing they have the same small size and high density. Is there any doubt there is interest to parties such as the armed forces. Spider Man may be getting company.

Views of the Future **From “The Futurist”**

Published by the World Future Society

Environmental Issues Focus

More-violent weather ahead: deadlier storms, hotter summers, dryer deserts, and wetter coastal areas. Among the impacts of global warming will be increased size and intensity of hurricanes, fiercer winter storms, and a human toll that is catastrophic, predicts Bob Reiss, author of *The Coming Storm*.

Sudden climate changes may become more frequent. Abrupt changes in the world's climate of up to 10° C within a single decade may become more common according to the National Research Council, with deadly results. Severe floods and droughts mark these abrupt changes, which often punctuate longer periods of gradual climate change. As more rapid changes are forced upon the planet's climate by increases in emissions of greenhouse gases, large scale disruptions become more likely and more difficult to cope with, especially in poorer countries.

Cybertrash will increase. Thousands of computers are tossed out every day in California alone, leading to an enormous electronic waste (e-waste) problem. An estimated 300,000 tons of e-waste ended up in landfills in 2000, bringing with it toxic materials such as lead, mercury, and cadmium and posing environmental and health risks. That volume could expand four-fold in the next few years, predicts William K. Shireman of the Global Futures Foundation/The Future 500.

Answer to factoid question: All of them.

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 www.paragondevelopment.com/resources.html.

Your friends at:

PARAGON Development

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