

## 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. There are other times and 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 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. Based on feedback from several respondents, we are adding a book review that will likely alternate every other month with the Futurist Review. We encourage our readers to submit book suggestions with their comments to pass along to our other readers, either with credits to the reviewer or anonymously. This month's book is "**Good to Great**" by Jim Collins.

This month's newsletter will highlight our opinion on the business development topic: "**Strategic Plans**"

Jack Peregrim  
Pres., PARAGON Development

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### Paragon Update

We are seeing stronger signs of economic recovery. Although they are certainly not as strong or as fast as we all want, at least it seems clear that the bottom is below us and we are moving upward.

We are hearing that the atmosphere is definitely different this year as companies begin their 2004 budgeting process. Last year many business unit heads were told to hold off on budgeting any new business projects or ventures (discretionary) until the beginning of the upcoming year. They achieved this by pushing back new initiatives on a quarter-by-quarter basis. This year we seem to be seeing more of the traditional budgeting processes that we have seen in the past.

Another trend we have observed is an increase in strategy reviews -- driven by the fact that almost all strategies are outdated if they haven't been updated in 2003. Two factors driving strategy reviews at this time is a more predictable business environment combined with a changing business climate that has developed over the past two years.

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### 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 reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

This month's contribution is:

A contract pharmaceutical company is looking for new drug delivery technologies for license or acquisition that can be applied to generic and OTC molecules and provide new differentiation. If anyone has a candidate please contact:

Jack Peregrim: Ph: (203) 288-4154, e-mail: [Peregrim@ParagonDevelopment.Com](mailto:Peregrim@ParagonDevelopment.Com)

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### Quotes of the Month

"I am a great believer in luck, and I find that the harder I work, the more I have of it." *Thomas Jefferson*

"We are what we repeatedly do". *Aristotle*

"Practice doesn't make perfect. Perfect practice makes perfect". *Vince Lombardi*

"If you believe you can or can't do something, you are probably right". *Henry Ford*

"Imagination is more important than knowledge. For while knowledge defines all we know and understand; imagination points to all we might yet discover and create". *Einstein*

"Many of the things you can count, don't count. Many of the things you can't count, really count". *Einstein*

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### New Technologies

We are working with a company that has developed a technology that enables production of large tonnage of biomass per acre per year for the production of ethanol. The biomass is based on a lignin repressive genetic characteristic that increases the cellulose content in addition to a very rapid growth profile. It is low maintenance and renewable and has the potential to provide a source of energy through burning in addition to producing ethanol. For further information contact us at: [contact@paragondevelopment.com](mailto:contact@paragondevelopment.com).

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### 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.

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## Strategic Plans

We have all had to go through one of the following:

- A strategic planning effort.
- A strategy review.
- A growth strategy effort.

These strategies though different in their scope and intention have commonalities -- they are all dealing with important or “big picture” issues with ramifications beyond existing business over the next 12 months. Other important characteristics are that the organization at large (if this is driven by senior management) has issues they are grappling with which they believe must change the present strategies the organization is currently committed to. There are many reasons for this, which will be addressed later. One last commonality is that there is almost always a high cost paid in employee productivity, as well as many other direct and indirect costs incurred during the planning process.

Not all efforts with the word “strategy” in the descriptor fall in the above categories. We have engaged in numerous projects where a strategic planning effort was in reality a tactical planning effort. Tactical planning efforts fall into two categories:

1. Initiatives that began as a strategic planning initiative but are quickly recognized as a valid strategy needing validation and new commitment with different tactics to succeed.
2. The second category is an internal marketing tool for managers to “hype” his/her important effort.

Getting back to Strategic Planning 101, the following generalizations have applied in the past:

- An organization’s Vision should be one that drives the organization through at least one generation of employees.
- An organization’s Mission represents the tangible way that the vision is achieved. Normally the mission should last 10-20 years without changes.
- The Strategy should last as long as it is effective in achieving the mission with a “review” every 3-7 years.
- The Tactical Plan should be good for 3 years with annual “reviews”.

Three exceptions to the 3-7 year rule are:

1. When the strategy is not working.
2. When major events outside the organization occur having significant effects on results.
3. When there is major internal change, e.g. a new management team.

A true strategic planning effort that clearly requires output to be a new strategy is the equivalent to a new business that needs to secure funding to start-up. This entails a “clean sheet of paper” approach and should consider new options that could even change the company mission or business model.

This should be a top down approach with top management receiving input from all levels in the organization and the responsibility for the effort remains in the hands of the leaders of the organization. For example, we recently participated in a strategic planning project in which responsibility for the effort was primarily in the hands of executives who reported to the top management. They also intentionally excluded their corporate board from the effort, by-passing their advice and collaboration. One year later there are new people involved, who are going through the same process, with the same uncertainties and organizational lack of focus, until the effort is finally completed. Beyond the obvious failings, this client did not do an adequate job of quantifying their core competencies or in setting criteria that had the support of the “right” stakeholders. Thus, even when a new strategy was developed, it lacked the focus and commitment to implement, particularly where difficult changes needed to be made.

A benchmark for this process would be a company we worked with that engaged in a “strategy review” primarily driven by 2 factors.

1. They had recently integrated a significant acquisition into the company,
2. They had not had a strategy review in over 5 years.

Successful steps and methods they employed for this initiative were:

- Establishing a process that leveraged their Six Sigma backgrounds into this new effort. Though driven by the division president who was involved in every step of the process, they had Black Belts overseeing the effort from a process perspective. (i.e. The term Black Belt refers to project leaders skilled in the use of statistical methods and interpersonal communication, and dedicated to using Six Sigma methods to ensure customer satisfaction.)

- Three teams were developed: the first team represented the main team of top managers accountable for the results; a second team, whose advice and counsel was important, included stakeholders from the parent company plus outsiders who were major shareholders; and lastly they established a team that produced the output that the main team analyzed which included market research, internal evaluations, and PARAGON.
- They established comprehensive upfront criteria, with over 50 options and tactics rank rated.
- They budgeted the effort to ensure that everyone involved understood the importance as well as reduce risks and enable implementation as quickly as possible. This included having internal dedicated resources having no other responsibilities during this effort, as well as involving consultants to operate in parallel to ensure validation of information.

This 4-month effort did not disrupt the existing organization, yet led to a seamlessly executed strategy with the main component being a new way to capture value from existing products into their existing markets involving several layers of pricing based on support service required, as well as an emphasis on non-traditional value capture mechanisms such as licensing.

### **Strategic Do's and Don'ts**

- **Don't** let the organization lose its focus and commitment to existing business while the new strategy is being considered. It is a greater sin to waste months of production in an effort to ensure that things aren't done that need to be discontinued. In other words, "If you do nothing, you have nothing". If you do 10 things and need to drop 5, then you still have progress. Too many organizations allow everything to stop and with the "We should wait to see if it fits our strategy" excuse.
- **Do** involve the right people in the right roles.
- **Don't** engage in strategic planning unless you have a reason to do so. An annual or better yet bi-annual review is appropriate.
- **Do** recognize that the planning may be more important than the plan. Keep lessons learned about both the process and about things learned that ended up being discarded from the primary focus.
- **Do** budget adequately for outside assistance and internal support during the process. Strategic planning is an important business initiative, and should be supported as such.
- **Don't** be extensively driven by "numbers". In long-range planning do you really believe the numbers for 5, 6, or 10 years out are going to be valid? The numbers are important, but not everything.
- **Do** engage in Discovery Based Learning to uncover new aspects of your business potential that may not be on your horizon yet. Changes in how you presently view a market or industry is inevitable, so look for the signs that initially signal the change even if nothing is visible yet.
- **Don't** use the strategic planning process as a mechanism to justify tactics that you are already going to do. This happens often and is an unproductive waste of resources.

We have tried to cover this topic adequately in a page or two; no small feat, and we encourage others to respond with comments about their experiences or to suggest specific aspects of the planning process that we may expand on at a later date.

## **Business Factoids**

### Automotive Incentives

The latest trend is to reward buyers who have been loyal customers. For example, if you are looking to buy a Chrysler Pacifica, just mention that you already own a Jeep and they will take off \$1,000. Cadillac offers \$5,000 in "Loyalty Bonus Cash" to Cadillac owners. Other incentives are for AARP members (Lincoln & Mercury) or members of the military and immediate families (Toyota, GM, and Ford). Another major discount is given to "suppliers" which also includes friends and family of the same. The broad give-backs by the automotive companies seems to be replaced by targeted ones to customers that will be the most loyal.

### Credit Awareness

A major trend is in technology employed by banks and other credit agencies to manage their risk on a daily or even hourly basis. A credit card company can find out within hours of major purchases or even extensions of credit by another credit agency. This gives them the ability to withdraw their own credit exposure by reducing credit limits or by canceling accounts. Credit cards are cancelled the day after bankruptcies are filed which had taken up to several weeks in the past. The ability to quickly spot so called 'triggers' will enable creditors to manage their exposure with much less risk of major losses.

## Poverty & Assets

In the U.S., of the 14.6 million households officially listed as living below the poverty level, 73% own a car or truck and 46% are homeowners. Of those homeowners, 56% live in manufactured housing or "single-detached" homes with a median of 1,400 square feet of living space. This is nearly 40% more living space the median for the average resident of Japan.

Also in the same category, 65% of poor households own washing machines, 56% own dryers, and 73% own microwaves. 78% own air conditioners and 33% own a dishwasher.

## The Graveyard Shift (An appropriate term?)

A new study from Circadian Technologies estimates that maintaining all-night operations may be costing companies \$206 Billion annually or \$8,600 per worker. This is based on the additional costs of the graveyard shift beyond those for daytime workers.

Graveyard shift workers make five times as many serious mistakes and are 20% more likely to suffer severe accidents. There is also a significantly higher incidence of costly diseases and disorders with obesity and diabetes rates much higher on night-shift workers. Heart disorders are 40% higher.

Social costs are also high. Divorce rates are 60% and night-shift workers have 150% more stress related gastrointestinal disorders. In addition the turnover rate is 300% that of day shift workers which adds a tremendous cost in recruiting, training, and incentivizing these workers.

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## **Book Review: "Good to Great" by Jim Collins**

This book has sold well over a million copies and is from the same author who wrote "*Built to Last*". The overall premise of the book is to study organizations that had been "good" for long periods of time, but then moved up to "great", as defined by very realistic and measurable criteria.

We found the book to be excellent in several ways with two being:

- The book made its points with facts substantiating the hypothesis instead of unsupported zeal that many writers bring when they are "gurus". In fact, the book started with facts and then determined what they meant without any pre-determined outcomes.
- The lessons have value well beyond running the major corporations that were studied. Many can be applied to all of us from small consulting companies to middle managers in mid-size organizations.

It isn't our intent to give a meaningful synopsis of the content, but the book identifies the traits and characteristics of companies that led them to break out from a pattern of over-average performance; and then to sustain those levels of above the best organizations benchmarked today. There were a few surprises in what they did (and how), but there were also surprises in things that were not a part of their success. A good example is the lack of a strong leader or visionary to lead the transformation. In fact, almost all the key people were promoted from within. Again, there were more important aspects than we can document here.

We do recommend this book as one of the 10 worth reading from the thousands of business books offered in most bookstores.

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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](http://www.paragondevelopment.com/resources.html).

Your friends at:

PARAGON Development  
[WWW.paragondevelopment.com](http://WWW.paragondevelopment.com)