

## *The* 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 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. The PARAGON Perspective is now in its third year and we thank everyone for their contributions to it and to the ideas and suggestions that have made it easier for us to produce it, in addition to bringing recognized improvements.

This month's newsletter will highlight our opinion on the business development topic: "**Portfolio Formulas Don't Work?**" We will also have a review of Clayton Christensen's book: "The Innovator's Solution."

Jack Peregrin  
Pres., PARAGON Development

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### Paragon Update

In what we hope is indicative of a better economic outlook, we are experiencing business growth through organizations committed to growth projects. Our new initiatives range from creating strategic plans for growth to commercializing several technologies - semi-conductors, oil field chemicals, personal care, pharmaceuticals, and services - that are in R&D in different organizations. Many of our projects are with European based organizations, indicating both their need to find new opportunities and the favorable exchange rate which enables them to use outside services. The exchange rate also benefits them in North American acquisitions and/or organic developments.

We attended several conferences in March with CDMA (Commercial Development & Marketing Association) and SCIP (Society of Competitive Intelligence Professionals) being the most notable. Each was valuable in its own right. CDMA was more valuable from a senior management perspective and SCIP more valuable from a relatively new practitioner perspective.

Jack Peregrin has begun his term as an officer (Secretary) of CDMA effective April 1.

If you or your company have upcoming events you think will be of interest to our readers please send us an email describing the particulars, including a brief description of the organization, the event program, and the "take-aways" that attendees will receive.

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**CDMAEF (CDMA Educational Foundation)**  
**Basic Market Research—Short Course**  
June 7-10, 2004  
Marriott Hickory Ridge Conference Center  
Lisle IL

The CDMAEF has been running this intense course, which instructs attendees on industrial market research, for 3 years. It has a limited number of openings and is taught by a large staff of experienced professionals. In past years the faculty to student ratio was two to one.

This course is designed to meet the needs of individuals of varied backgrounds - engineering, science, or business - who need to be involved with or have a better understanding of marketing and market research. It incorporates hands on training with mentors, and is about one third presentation and two-thirds hands-on exercises, utilizing the tools presented.

It is recommended that groups of 3 or more from an organization attend the course. This provides the additional benefit of being able to immediately share the application of these tools with the organization represented.

The cost is very reasonable at \$1,095 (CDMA Members) and \$1,295 (Non-members). The conference facility has affordable rates for lodging that includes all meals.

We highly recommend this course.

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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 section is for non-client project technologies.

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.

Fountain Park is based in Helsinki, Finland. They have developed a new series of *software-based* tools that were presented to us recently. These tools allow large, targeted groups in an organization (or several) to contribute in an objective way to uncover problems and opportunities not readily evident. The applications are varied but those most valuable are in: future planning; implementing major initiatives; increasing productivity; organizational restructuring; and integrating acquisitions.

The tools basically work by using networks or the internet to communicate with the chosen group without a large time commitment. There are several iterations as problems are identified, cataloged, focused, and then chosen for problem solving. A very attractive and creative approach using "relative mapping" makes the effort efficient and easy. Plus, the approach produces objective, unbiased results that are very difficult to achieve in typical organizational approaches. For additional information go to: [http://www.fountainpark.com/signals\\_solutions](http://www.fountainpark.com/signals_solutions)

For more information contact: [www.leena.ilmola@fountainpark.com](mailto:www.leena.ilmola@fountainpark.com)

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**Quotes of the Month**

"Talent wins games, but teamwork wins championships." *Michael Jordan*

"There are two options: adapt or die." *Andrew Grove*

"Nothing will ever be attempted, if all possible objections must first be overcome." *Samuel Johnson*

"The more opinions you have, the less you see." *Wim Wenders*

"I don't drink, I do not smoke, I sleep a great deal. That is why I am in one hundred percent form." *General Montgomery*

"I drink a great deal, I sleep little and I smoke cigar after cigar. That is why I am in two hundred percent form." *Winston Churchill*

"The people who get on in this world are the people who get up and look for the circumstances they want, and, if they can't find them, make them". –*George Bernard Shaw*

'HUH?'

"I like to cut my pizza into four pieces because I'm not hungry enough to eat six." *Yogi Berra*

"The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular?" *David Sarnoff*

"Do not look into laser with remaining eye." *Warning notice on a laser pointing device*

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### **New Technologies Being Sought**

#### Products

A client is looking to license or acquire products in the following areas:

- Thickeners (urethane based, swellable, and others)
- Polymers: Specialty additives and stabilizers, nano-additives, fire retardants, UV, and others for all applications areas in plastics, films, fibers, rubbers.

#### Technologies

A client has interest in licensing, partnering, or acquiring technologies in:

- Rheologically functional materials in a broad range including electro, thermo, magnetic.
- Surface related technologies and materials

If anyone has technology or products of interest, please contact us and we will arrange a presentation or communication with the respective clients.

You can contact:

Jack Peregrim at: [Peregrim@ParagonDevelopment.com](mailto:Peregrim@ParagonDevelopment.com)

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### **Web Site Additions**

We continue to add to our alliances and partnerships page, which provides sourcing to clients as well as newsletter recipients 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.

We encourage readers to review the organizations and individuals on the website as they are limited to those people we have personally qualified. This is a service we offer without compensation, as our intention is to serve as a "catalyst for success" in a broad way that extends beyond those areas where we are best in kind.

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### **Portfolio Formulas Don't Work?**

## Background:

One of our readers responded two months ago with a request to start a dialog about the most optimum formula for an organization in regard to new product and R&D portfolios. What should be considered an *ideal* mix of extension projects versus new platform projects versus “blue sky” projects? The frustration stems from there being no clear guidelines as to the value of various projects within the organization he is involved with.

They set a formula 2 years ago that was based on establishing and maintaining a portfolio of 25 to 30 projects in R&D. It also followed six months of planning efforts that included large outside consulting fees. The formal plan was a “formula” for an ideal portfolio based on:

- 3% of the resources dedicated to “blue sky”/breakthrough projects
- 20% of the resources would be on new platforms (Product)
- 5% of the resources would be on new platforms (Process)
- The remainder would be extension projects with at least 80% based on new products.

Now, two years later, the project teams have found themselves in a position where there are no breakthrough type projects, although five have been submitted for approval that have a foundation based on considerable initial work to justify them. There are 4 platform projects, only one of which is a new product, and this matches the number and ratio 2 years ago. There were many new product platforms submitted that were denied or postponed even though they met gate requirements. Lastly, the extension projects are split about half between new products and process-based projects.

Some members on the teams are frustrated, and most do not think it is worth any effort to continue submitting and developing new projects to achieve the portfolio objectives in this strategy. But, the organization not only continues to insist on their commitment to this strategy, it also presents it outside the organization to customers and investors.

## Discussion:

The first point to be made is that this is not an aberration. We at PARAGON have been involved dozens of times with projects that face similar portfolio issues described above. Our Voice-of-Market™ process has identified and quantified new projects with a comprehensive assessment of risk and expectations that falls well within client financial and strategic criteria, yet, these projects have been delayed or postponed in favor of other projects with less potential; so we can understand both situations equally.

In our experience, the underlying reasons are:

- The formula never receives implementation commitment. Organizations establish formulas for the purpose of promoting them externally more than to truly optimize their portfolio. It may be the most efficient formula, but usually it is long term oriented with the company concerned with only a 6-10 quarter window. Thus, there is very little effort in the implementation. (This is analogous to organizations establishing quality processes just to state that they have them.) If there is more communication outside the organization than there is about implementation inside, then you can bet it is mostly hype.
- Nothing works until resources are available. The organization above was a good example. Their organization is set up such that the business units pay for the projects that R&D works on. The pressures on each business unit to “deliver the numbers” will ensure that no support is given to projects that don’t cut cost or deliver new profits in a very short time. Because profit centers are pushed down to smaller business units, the corporate level is reluctant to do anything that may diminish **accountability**.
- The organization is set up with the wrong people to work on projects. The example above was also exacerbated by the fact that most of the people involved were with the organization for many years and their background reflected the old strategy of focusing on process development work. As an example, it would be difficult to ask a molecular biologist to work on projects based on inorganic chemistry! They will certainly resist. Sometimes the people need to be changed in order to implement the strategy.
- Corporate politics still have more influence than most credit it, and the influence of an individual or group *almost* always has more power than established business processes. A project the Division GM comes up with in 20 minutes may have more commitment than the project that a team has invested a thousand hours into. We could write a book on examples of this.

- One of the drawbacks of project teams is that they don't have a single point of accountability or a champion who is dedicated only to a single project. New platform and breakthrough projects are exponentially more complex and resource consuming than others.
- The economy has not been healthy and that has caused most organizations to make short term adjustments based on meeting short term objectives. A long-term strategy may have strong commitment but the execution of the strategy will await stronger economic signs.

We recommend the following based on a practical, statistical likelihood that it is best for the "frustrated individual" although it is certainly not the same advice and effort we would recommend to the organization. THAT would be another recommendation entirely.

In providing advice we began with the possible reasons for where the situation stands. Each situation may have a combination of the above and each solution is based on the underlying reasons and factoring the weight of each. Our advice, therefore, has to start with understanding which of the above (or which of many other reasons) have the most influence. It may not be obvious and in many cases the apparently obvious reason is not the **real** reason.

Our advice is to not launch "an attack because you have discovered the enemy". To do that from a project level would only be business suicide. The best approach would be a staged one. Once you understand the system that has a real commitment, our recommendation is to satisfy the needs of that system **without showing that you are openly disregarding the formal system**. If you are on the project support level, just work to ensure the success of the project you are on and submit new projects based on approval preferences as they exist, not what they should be. At some point, your successes will give you a stronger voice that can truly change things at a higher level.

Also, at some point in time, the portfolio formula that was established will either be discarded, reestablished, or finally embraced. If it was the best formula for the business, sooner or later the hurdles will be overcome and will be implemented. If you are on the supervisory (Director) level or above, it is your responsibility to identify the timing issues that will bring this about. And, it is not likely to be the timing that you like.

Our recommendation is to "test the water" regularly and be opportunistic over being fatalistic or confrontational. Work on each of the reasons above to diminish their influence and they will probably have to be addressed separately. The change usually occurs when top management recognizes the failings of a business process. If they don't know, then it is not failing. It is the directors and vice presidents who need to document these failings as justification for change.

It has been our intent to pass along things we have learned or experienced on topics involving growth and new business development. We do not try to presume to be the leaders in all areas we cover and we invite others to contribute with comments, additions, or criticisms. We encourage feedback in any media and will post your contribution in a future newsletter if you allow it.

We also will continue to focus on topics that readers choose so please continue to send requests for topics that you want to have covered.

## **Business & Other Factoids**

### First to a billion?

The first American billionaire was Henry Ford.

### Power State

The state with the most corporate headquarters is Delaware

### Sears?

The first product marketed by Sears under the name Allstates was automobiles.

### Fired

Clans that years ago wanted to get rid of their unwanted people without killing them used to burn their houses down- hence the expression "to get fired".

### Government Research?

The longest recorded flight of a chicken is thirteen seconds.

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**“The Innovator’s Solution”**  
**By Clayton M. Christensen & Michael E. Raynor**

This book is a follow-up to the original best seller “The Innovator’s Dilemma”, which dealt with disruptive innovations, and, with this book Christensen & Raynor “complete the loop”.

We will assume most of you read the first book, but for those who haven’t, I will briefly summarize it . It is about the phenomenon of disruptive technology that transforms products and even industries in such a way that only the early adaptors will be relevant after the changes. The book also details patterns and signals that allow us to spot potential disruptive technologies and products.

In “The innovator’s Solution”, the authors go much further in showing how an organization can be proactive in creating disruptive innovations. Much is about the environment and communication issues that top management needs to establish; but there are many other insights that can allow any one to embrace them regardless of the level we are at in an organization.

There are also numerous new examples of disruptive technologies. We believe they are better in this book because they are used not to convince the reader that the concept is valid; but to show more specifically how strategies and actions can be planned and executed to create the new paradigms.

This book also provides lessons that go well beyond the inventive and initial commercialization phases. It is good at summarizing the key success factors at each stage of development, including post commercialization.

We highly recommend this book and would endorse it to anyone with planning, management, R&D, or new product development responsibilities.

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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.

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

Your friends at:

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