

## *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. We have received several suggestions that will be added at least temporarily with this edition. One is to add anecdotes with a business relevance and the other is to add new words and definitions with relevance in business. Ironically, these suggestions came from two separate people. We will remove the business factoids to keep the newsletter from being too long.

This month's newsletter will highlight our opinion on the business development topic: **"Business models: Innovation or low cost—have BOTH!"** We will also review the book *"Early Warning"* by Ben Gilad.

Jack Peregrim  
Pres., PARAGON Development

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### Paragon Update

Our work project level has not diminished even though the summer months are traditionally slower than other seasons. The economy seems to be continuing to expand, and from our point of view it appears that corporations are investing more on growth than they had been.

Most of our projects continue to represent platform investments versus those that are monetizing specific technologies. This represents more of an emphasis on strategic growth than has been the case in the past 3 years.

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. An example is the one following on the World Future Society Conference.

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### World Future Society Annual Meeting—July 31 through August 2 Grand Hyatt, Washington D.C.

The World Future Society is, as its name implies, is an organization dedicated to the predicting and tracking of the future. This organization has value to those professionals in planning and development functions where

trends and projections have a large impact on success. From industry, that would include executives from strategic and business planning; corporate development; new product development, scenario planning; resource planning; R&D; and business process management.

The value proposition of the World Future Society has three different components.

1. There are presenters and authors who have compiled specific reports on topics that are pertinent to particular industries, markets, or functions.
2. Tools are developed and presented enabling attendees to develop skills in making projections about the future.
3. Lastly, attending the meetings is a networking opportunity for colleagues, service providers, and government representatives who are valuable to meet.

The cost is very reasonable at less than \$600 for the entire event. Information about the Society and the meetings can be found on their website: [www.WFS.org](http://www.WFS.org)

### 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.

#### New Capability

We have a client who has developed two breakthrough technologies which allow storage and usage of hazardous gases under low pressure. The attributes are shown below in comparison to traditional high-pressure storage.

Our client has commercialized this product in their core market and are looking for licensees or partners to create value in the markets they do not serve.

#### **Comparison of gas storage technologies**

	<b>Conventional gas - compressed</b>	<b>Adsorption technology</b>	<b>Mechanical technology</b>
Storage mechanism	High pressure	Adsorb gas on a porous material	Regulators built inside bottle
Internal pressure	High	Low	High
External pressure	High	Sub-atmospheric	Low or sub-atmospheric
Risk – accidental release. Open valve or an outside line breaks	High	Low	Low
Risk – in the case of a vessel rupture	High	Low	High
Release method	Open the valve	Apply vacuum (pump) <i>or</i> Apply heat (could be via conduction, electrical, microwave)	Apply vacuum (pump) <i>or</i> open valve (for P> atmospheric)
Flow rate	High	Low	High (based only on regulated pressure and line conductance)
Chemistry limitations	None	Minimal - proven with wide range of chemicals.	None
Mixtures	Yes	No	Yes
Purity	High	High purity possible	High
Storage density	High	Moderate	High

## Overall values

- Sub-atmospheric storage and delivery reduces risk of chemical/gas release
- Allows larger quantities on-site - enhanced productivity and process continuity
- Reduces requirements of emergency containment systems
- Reduces capital and operating costs
- Enables use of chemicals that were previously ruled out

If you have any interest, please contact Jack Peregrim at:

(203) 288-4154 or [WWW.Peregrim@ParagonDevelopment.Com](mailto:WWW.Peregrim@ParagonDevelopment.Com)

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## Quotes of the Month

"It is not because things are difficult that we do not dare; it is because we do not dare that they are difficult."  
*Seneca*

"If always I do what always I did, likely I'll get what always I got. But am I to win what never I've won, 'tis better I do what never I've done."  
*Shell Alpert*

"You can't use up creativity. The more you use, the more you have."  
*Maya Angelou*

"The road to wisdom? Well, it is plain. Err; and err; and err again. But do so less; and less; and less again."  
*Piet Hein*

"To know yet to think that one does not know is best. Not to know yet to think that one knows will lead to difficulty."  
*Lao-Tzu*

"Experience is a dim lamp, which only lights the one who bears it."  
*Louis-Ferdinand Celine*

"One man can make a crucial difference on a team. But one man can never make a team."  
*Kareem Abdul-Jabbar*

"There are two kinds of truths. There are real truths, and there are made-up truths."  
*Marion Barry*

"From now on we will offer police jobs to qualified women regardless of sex."  
*New Jersey affirmative action poster*

"The weather will be cold. There are two reasons for this. One is that the temperatures will be lower."  
*Weather forecaster*

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## New Technologies Being Sought

### Products/Technologies

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

- High specialty plastics additives technologies.

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 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.

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 also a service we offer without any 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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### Interesting Words

**Inchoate:** (in-KOH-it) Adjective  
Just begun; undeveloped

**Divagate:** (Die-ve-gayt) Verb  
Stray or wander  
Digress

**Tendentious:** (ten-DEN-shes) Adjective  
Exhibiting partiality

**Pellucid:** (pe-LOO-sid) Adjective  
Very clear in expression  
Transparent; translucent

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### Business Models: Innovation or low cost—Have BOTH!

#### Background:

One of our readers responded to a discussion piece a few months back in which we opined that organizations needed a balance of both improved performance and cost reduction projects as part of a healthy portfolio. We had been asked to expand on our opinions and experience.

We first would like to highlight a very simple *value equation* that can be described as:

$$V = \frac{P}{C}$$

**V** represents the perceived or real value as determined by the customers

**P** represents the performance (product or service) supplied to those customers

**C** represents the cost that the customer has to pay to receive that product

Corporate business models are set up in more rigid categories than they have been in the past. We need clear strategic intent and the implementation of strategy focuses almost primarily on advancing those competencies that fit the strategy.

Thus, a commodity or generic product producer or seller puts very little investment into innovation in performance improvements because they have determined that that only adds cost when their model is to reduce cost against the competition. An organization whose strategy is that of innovation will have little concern about a low cost position, but will want to offer products and services that customers recognize as having superior value and will pay a premium for it. The same is true for organizations with customer intimacy as their strategy. They believe customers will pay a premium for service and support.

We have found in our work with clients that the portfolios of development initiatives usually do not allow for balance. The initiatives are “all or nothing” and require that they only further the strategic business model.

For example, an organization we worked with had proprietary materials sold into the electronics industry. Their focus is on aerospace, semi-conductor, and other high tech areas, and they were interested in applications and potential for a new coating technology. Several opportunities were identified, having high potential for increased value over competitive alternatives, but they decided to pursue secondary opportunities instead, even though the value wasn't as high, or clear, or even short term. Their reasoning was that it fit their *value equation* because it increased the numerator (above) while the other applications enabled them to decrease the denominator. In other words, they could enable new customers to lower their cost in markets in which cost was a stronger driver than the ones they focus on now. This did not fit the business model that was their focus and was thus much less attractive for development investment. They said: “ We don't believe there is any way to win in trying to sustain a position based on lowering costs as that is not our strong suit.” What we recognized, however, is that the opportunity was:

1. serendipitous and there was no reason not to take advantage of this opportunity even if it wasn't developed for the value proposition it created; and
2. they had a strong IP position that would offer competitive advantage without their needing to change their business model.

They agreed to look at potentially licensing the technology, though to date they have not put any effort in motion.

In the past year we have seen similar paths taken by organizations in specialty chemicals/materials as well as pharmaceutical suppliers of intermediates and excipients. We are not saying that their strategy is wrong; in fact we believe each organization had chosen the strategy that best fits its competencies. We do believe there is room for a healthy balance of projects that don't preclude focusing innovation on either the numerator (performance) or the denominator (cost).

In a recent discussion with R&D managers in a major medical products company, we discussed their portfolio and not one of them could remember a project initiated (except ones with NO uncertainty or risk) that had an objective to lower costs as a means of securing or protecting competitive advantage. All projects were geared toward product improvement in meaningful stages with “minimal” cost increases. Thus, the focus is on only the numerator so that it keeps expanding faster than the denominator.

We frequently ask a question in our Forums about the value creation potential based on increasing the numerator versus decreasing the denominator, A recent answer is very typical: a company looking to develop new products for it’s existing customers were told that a decrease in cost (denominator) of 10% would produce a very high competitive advantage; but it would take a much higher performance improvement (40%+) to ensure the same impact.

#### Our Perspective:

The first thing we want to emphasize is that our overwhelming recommendation is to focus on those things that represent your major competencies. It is only after you have funded and supported medium to high potential projects that fits your business model that you should consider high impact or high potential projects that are outside your focus. In other words, a high impact project in lowering cost in an organization focused on new innovative products should be supported after the high impact projects that fit the current strategy.

We recommend this approach as not only opportunistic driven, but also as supporting long term strategy. In today’s dynamic business environment, an organization needs to be flexible and able to make changes. Pursuing high impact projects (notice we did not say low risk) allows the organization to position itself to change strategy based on disruptive events or competition. It is analogous to having insurance against a reliance on a long term, narrowly focused strategy.

It becomes very difficult to fund and support these initiatives in an environment where public commitments to strategy are not supportive of the present model. The key word is *portfolio*, which doesn’t mean “all or nothing”, and the best word would be predominantly instead of “every”.

Another benefit is that success in any individual project that is outside strategy can actually be supportive of the organization’s long-term business model. Two examples highlight considerations we may not make:

1. A specialty materials company found itself in Stage 2 of its R&D stage gate process with a project that was focused on producing a lower cost product having higher volume that would be competing in it’s current market against other competitors who support more of a semi-commodity type business model. They dropped the project without considering the potential for using a “bundling” approach that would actually create pull-through for other products.
2. Another example is a pharmaceutical supplier that had an opportunity having a large potential in vitamins and supplements, a segment they did not serve, as their focus is on higher end products in ethical drugs. Their innovative technology has the potential to serve as a springboard to entry in a new market in which their new innovation would focus only on the “high end” of that market and they may be able to generate products with margins similar to those in their current markets.

Again, it doesn’t have to be “all or nothing”.

Our recommendations are as follows:

- Ensure your portfolio has at least a small representation of projects that are not directly supportive of your present business model.
- Use alternative implementation vehicles for monetizing your successes. Licensing; partnerships; alliances; etc.
- Look at potential new types of long-term synergies that “stretch” your strategy.
- Communicate the reason that new types of initiatives are being supported. It isn’t a change in strategy, it is just a small portfolio adjustment to allow future flexibility.

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 the reader’s choose in almost all cases over ones we consider within our staff so please continue to send requests for topics that you want to have covered.

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## **Business & Other Anecdotes**

### Streamlined administration

British Field Marshall, Harold Alexander had a habit of tipping into his Out tray any letters remaining in his In tray at the end of each day. When his assistant asked why he did that he said: "It saves time and you'd be surprised how little of it comes back".

### Philanthropy

Andrew Carnegie was approached by the New York Philharmonic Society and told that they needed support to close a deficit of \$60,000 in a year. They asked if he could possibly provide a donation for that amount. He wrote the check then tore it up and told them he did not feel he should be personally responsible for the entire amount. He told the delegation to raise half of that elsewhere and then he would match that with the remaining half.

They came back a week later and announced they had the other half raised and he gladly handed them a check for \$30,000. He asked them if it was difficult to raise the other half and they admitted it was. When he asked if they would mind sharing who gave the remaining amount, they answered: "Not at all, it was Mrs. Carnegie."

### Tradition

One day at the London Savoy Hotel, a young woman sought out the manager and complained that she was refused tea. When the manager, observing her attire, remarked that the hotel did not serve people in jeans, she became upset and told him that he certainly did not keep up with the times. To that he replied: "No madame, but we certainly keep up with our past".

### New Uses

The senior President Bush, when in the White House, had a Springer Spaniel named Millie who gave birth to a litter of puppies. When asked what he was doing himself to help out the President responded: "I have contributed my Washington Post and New York Times. It is the first time in history that they have been used to prevent leaks".

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## **"EARLY WARNING"** **by Ben Gilad**

This book was recommended by several people we talked to at the recent annual SCIP (Society for Competitive Intelligence Professionals) meeting. It focuses on how to identify risk; monitor intelligence affecting that risk; and then taking actions early to optimize results based on changes that are/will occur.

The book starts out as a basic primer on competitive and business intelligence with a focus on how it applies to strategic over tactic applications. Basically it emphasizes its role and use in strategic planning over short-term reactive type scenarios. The later chapters offer excellent instructions in how to set up and execute a program that will help avoid overlooking potential disruptive events and in missing major opportunities.

There is a good balance of specific actions and processes to use in various scenarios with very relevant case studies that rationalize the use of individual tools and approaches.

We recommend this book to anyone responsible for: market/business research, P&L management, strategic, technology, or product planning, or executive management.

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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)