

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, 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: "**Supply Chain Partnerships**". We will also review the book "*Futuring—The Exploration of the Future*" by Edward Cornish.

Jack Peregrin
Pres., PARAGON Development

Paragon Update

Our business continues to expand, and we will highlight issues/resources of general interest of several of our new projects in this, as well as future newsletters.

Our projects continue to focus on platform investments as opposed to individual projects representing new product/new technology investments. We see this as an indicator of a larger commitment and investment in strategic growth by our clients 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.

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

The World Future Society has value to those professionals focused on planning and development functions where future trends and projections have a large impact on success. From industry, it 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. 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 projections about the future.
3. Attending meetings presents a networking opportunity for colleagues, service providers, and even government representatives who are valuable to meet.

Registration for the annual meeting is less than \$600 for the main conference sessions. Workshops and courses are additional. For further information about the Society and its meetings go to: 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 a breakthrough foam-based delivery system for biocides, insecticides, as well as other active ingredients. (The attributes are listed below.) Our client is just about ready to launch this product and would be very interested in working with key customers or partners in each of the many potential applications.

Material

- Food contact surface grade and GRAS ingredients
- Highly retentive
- No odor
- Hard water tolerant
- Environmentally friendly/biodegradable
- Sold as a concentrate with freeze/thaw stability
- Readily soluble in water
- Clear
- Non hazardous

Processability/In use

- Dial-in capabilities from thin film to thick foam
- Rinses easily
- Excellent visual marking in use
- Control of foam stability from minutes to hours
- Excellent for use in challenging area (vertical, irregular, oblique, cracks, crevices, etc.)
- Can be applied to a wide variety of material surfaces
- Easily applied with standard foaming equipment
- Can deliver a wide range of actives

Enabling

- Enables long active surface contact which maximizes efficacy of actives
- Enables the use of low vapor pressure actives to reduce volatility and odors
- Enables more efficient chemical usage
- Enables wettability and penetrability of the active
- Solves acute and chronic biological contamination or infestation problems when used with appropriate actives

For additional information contact: Jack Peregrim at Peregrim@paragondevelopment.com

Investment Opportunity

An offshore company has developed ethanol and derivatized lignin from woody biomass using a biotech process based upon enzymatic treatments. This process is unique from the mechanical and chemical processes others are investigating, as they are inherently more precise, cost effective, and have a softer environmental footprint.

The process is a biotech equivalent of a refinery. They are focused on sustainable manufacturing, and are drawing on their history in forestry and projecting into the rapidly developing areas of bioenergy, biomaterials and bioremediation as companies look to transition from hydrocarbons to carbohydrates as feedstock for tomorrow's industry. Target industries include companies involved with production of energy, polymers, and products based on these inputs, such as automotive.

This process is also distinct from others who strive to grow plastics in corn, as these processes are inherently inefficient since they only use a small part of the biomass. This company's approach is to target energy and petrochemical based resin producers. Downstream industries, such as automotive, are interested in P10 (10% renewable feedstock in plastics) and E10. The company has a strong and long history with lignocellulosics in forest products to use the whole plant for these new industries.

For further information contact: Barbara Heimlich, Heimlich@paragondevelopment.com

New Technologies Being Sought

Products/Technologies

A large chemical company with global sales, operational, and support infrastructures, and having a significant existing additives business in coatings and inks, is looking to license or acquire products in the following areas:

- Waterborne dispersants or dispersing technology for industrial coatings and inks.

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

You can contact: Jack Peregrim at: Peregrim@ParagonDevelopment.com

Quotes of the Month

"I hear and I forget. I see and I remember. I do and I understand." *Confucius*

"You cannot teach a man anything. You can only help him discover it within himself." *Galileo Galilei*

"The mediocre teacher tells. The good teacher explains. The superior teacher demonstrates. The great teacher inspires." *William Arthur Ward*

"A real leader faces the music, even when he doesn't like the tune." *Anon*

"Every great mistake has a halfway moment, a split second when it can be recalled and perhaps remedied." *Pearl S. Buck*

"What you can do is often simply a matter of what you will do." *Norton Juster*

"...in civil business: what first? boldness; what second and third? boldness." *–Francis Bacon*

"I don't want yes-men around me. I want everyone to tell the truth, even if it costs them their jobs." *Samuel Goldwyn*

"A memorandum is written not to inform the reader, but to protect the writer." *Dean Acheson*

"I think that the free enterprise system is absolutely too important to be left to the voluntary action of the market place." *Richard Kelly US Congressman*

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.

Supply Chain Partnerships

Background:

An area of dynamic change the past 5 years has been in how organizations view supplier/customer relations in regard to future planning and development.

Contributing to these changes are:

- An increase in suppliers who embrace "customer intimacy" as a core competency. This leads to a strong Voice-of-Customer and Voice-of-Market™ focus that includes a goal to establish partnerships with customers in future planning and development.
- A poor economy that has eliminated resources dedicated to planning and development, "externalizing" it as much as possible including to suppliers.
- A focus on core competencies usually leading to a narrowed focus in the value chain position with maximized advantages, which creates less vertical integration by organizations.
- A change in organization personnel due to downsizing, rightsizing, and reorganization eliminating the "traditional" viewpoints of the past.
- The growth and embracing of technology transfer as an attractive mechanism for value capture.

If you look at the drivers above, some are clearly enabling trends for new partnerships, while others are barriers to implementation. For example, a large materials based organization, targeting the electronics market, had significant existing business with customers that are large and well known in the market. Many of those customers came to them and suggested strategic development alliances, which was attractive to the company, who in the past had considered these customers as "black holes" (ideas, concepts, prototypes, etc. would go to the customer and very little would come back other than those that were very, clearly winners). The company responded with a commitment supported by considerable resources to jointly pursue initiatives with key customers.

To date, only one new product of any substantial size has come out of these efforts – a product that most likely would have materialized with or without a joint development agreement. In fact, the value of the product was considerably lessened by an exclusive agreement having terms set on a cost plus margin basis over a value pricing agreement.

So what really happened here? The major customers chose to outsource their R&D on projects **not** having the highest strategic value to their organizations. If the customer viewed the new product as being critical to attaining or maintaining competitive advantage, they controlled the project internally and in relative secrecy, using their suppliers to tackle some of the marginal and most problematic projects.

Discussion:

Joint development projects with customers many times are not a true partnership, but a vendor-customer relationship couched in better terms. It is more positioning than real, strategic change.

We have personally experienced top management in large organizations stating one of their objectives to grow the company is to establish strategic development partnerships with their customers, yet, also articulating (almost in the next breath) that these partnerships would favor their position (rather than the supplier), as well as maintain their proprietary and IP position.

We have also seen and worked with organizations that are sincere in establishing development partnerships, truly embracing this as a critical part of strategy.

We believe the following rationale supports our position of there being an upswing in the establishment of new development partnerships:

- The overall value proposition in supplier partnerships is solid. But, in implementing a new “sharing” process that involves multiple, and possibly dissimilar organizations, the first initiatives have a large focus on getting advantage over a long term win-win outcome.
- The focus on outsourcing and continually narrowed strategic fit will require the concept to be successful, once the initial “bugs” get worked out.
- The current business climate offers too many competitive alternatives and at a speed unprecedented in the past. This also requires our working on important new developments with multiple organizations and with concurrent (not consecutive) developments.
- Analytical capabilities for business initiatives, e.g. value engineering, makes it much more difficult to hide inadequacies in new products.

Our recommendations to customers and suppliers alike are:

- Recognize that development partnerships will provide new opportunities for future value capture, and, misusing the potential now may seriously affect your credibility and ability to be considered a serious partner in the future.
- It is better to have a development partnership that is completely committed but limited to a specific project than it is to have a broad partnership with a lesser commitment across the board.
- Now is the time for the “best to hook up with the best”. As a supplier target the number one player in your market for a joint development venture – it would be more advantageous to partner with the #1 players than with the #3 player. If you are the customer, look towards having an agreement with a leading supplier in your field. Ultimately make sure that you have the commitments of those who best serve your organization’s future.
- Do it now. Seek out the training and people needed to establish and manage these partnerships. Most successes are based on having the right people involved that have first hand experience in successful partnerships.

We view development partnerships between suppliers and customers as a win-win situation, and feel that in the future companies that encompass this as a key part of their strategy, having a true commitment (budgeted and with the right personnel) will be winners in the marketplace.

It has been our intent to discuss issues and 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.

Good luck, make money!

Business & Other Factoids

Corporate Mergers

A recent Associated Press release noted that in the first quarter of this year there were 2,062 mergers and acquisitions announced in the US, up from 2,031 recorded in the last quarter of 2003. They were the first back-to-back quarters of 2,000+ deals in nearly three years.

The report, generated by Thomson Financial, also noted that the total value of M&A transactions is also climbing to \$226.8 billion in the first quarter from \$216.4 billion in the final three months of 2003. The last time the quarterly tally was bigger was back in the fourth quarter of 2000, when announced deals added up to \$346.3 billion.

So far this quarter there have been 770 deals worth \$72.4 billion. With price tags as high as \$63 billion and \$58 billion, the merger business is awakening from the bear-market hibernation that made corporate marriages a touch sell the last few years. However, the article points out that the mood in the M&A business is still relatively

subdued as companies face greater scrutiny from shareholders and boards of directors, and seek to avoid a repeat of the excesses of the 1990s, when the surging stock market led to sometimes exorbitant prices.

The article stated that in the 1990s the assumption was that you would have to offer a 30-40% premium of a company's stock price or value "to get the deal done". Recent deals (e.g. J.P. Morgan Chase & Co.'s planned acquisition of Bank One Corp. for \$58 billion in stock gives Bank One shareholders roughly a 14% premium; SunTrust Banks Inc.'s nearly \$7 billion stock-and-cash acquisition of National Commerce Financial Corp. had a premium of roughly 5% to NCF shareholders), have led to people having gotten used to low-premium deals.

Though there is more cautiousness in the market to pull the trigger because of the Enron and Tyco scandals, companies haven't lost their desire to grow through acquisitions, and there have been a few high profile, pricey indications that suggest companies are willing to pay more. E.g. Bank of America paying a more than 40% premium in its \$42 billion acquisition of FleetBoston; Cingular Wireless's decision to pay nearly \$41 billion in cash to buy AT&T Wireless, a 50% premium, that created the nation's largest mobile phone service.

Of course, not all attempted mergers succeed. The most notable failed deal being Comcast's \$54 billion offer for Walt Disney Co., an attempt that though was unsuccessful encouraged analysts.

Futuring—The Exploration of the Future

by Edward Cornish

Published by The World Future Society, 2004

An excellent book having insights on projecting the future into today's plans. The book covers the philosophy of making future projections and gets into some detail about the tools and methods to do so. The book should have value to executives and practitioners in all planning and development functions.

We cannot do justice to all of the many "take-aways" this book has, but, we have highlight several we think are paramount:

- Tools and approaches to rectify the dialectic perspectives of: "The future will certainly be different than the present" with "Past history always repeats itself".
- Mega-trends always have a larger impact than expected and the speed of change decreases the time between recognizing large trends and feeling their impact.
- There are many alternative tools used in making projections and we very rarely use more than one or two, which is insufficient.
- Much of what is needed to make reasonably accurate projections in dynamic areas exists today, but the real problem is in knowing what data is relevant and how it should be interpreted.

With our focus on the Voice-of-Market™ process we appreciated the tools and methods detailed, with one particular passage being particularly relevant:

"Experiments have shown that, yes, two heads are better than one: A group can bring more knowledge to the solution of a problem than can a lone individual. On the other hand, an individual who has relevant expertise can offer better advice than a group of people who do not. So the ideal way to make a good decision is to have it made by a group of people with relevant expertise."

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