

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.

This month's newsletter will highlight our opinion on the business development topic: "**Corporate Venturing**". We will also have our futurist report on trends and changes that will affect us professionally and personally.

Jack Peregrim
Pres., PARAGON Development

Paragon Update

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.

As an update, we have been involved in a broad range of projects in the past month with several new ones scheduled to start in March and April. As they gain focus, we will pass along the nature of them as appropriate, and within limits of client confidentiality. Several projects in house currently are looking for technologies and product platforms in personal care, pharmaceuticals, and electronics.

We attended several conferences and trade shows in February, the most notable being the LES (Licensing Executives Society) Winter Meeting in San Francisco. Upcoming events include a CDMA (Commercial Development Marketing Association) meeting in Philadelphia and the SCIP (Society of Competitive Intelligence Professionals) meeting in Boston—both in March. Through CDMA Paragon will also be participating in a workshop on Cyber Competitive Intelligence at the May LES conference in NYC.

Jack Peregrim has again been elected to an officer position (Secretary) of CDMA starting 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.

SCIP—Annual Meeting **March 22-25, 2004**

SCIP is an organization of managers, professional practitioners, and executives representing leading global organizations. In addition, there are representatives from government agencies, universities, and other professional associations.

SCIP's charter is broader than competitive intelligence; they place value and focus on knowledge acquisition in general. Membership has responsibilities in P&L management; market and business research; strategic planning; marketing/sales; M&A. The main values for those involved is twofold:

1. Education focused on best practices in competitive intelligence, business research, and information analysis. They also conduct programs on targeted industries and markets.
2. Networking opportunities with others who are responsible for acquiring and interpreting information for their organizations or as external service providers.

The Annual International Conference & Exhibit, "*Competitive Intelligence is the Future: Intelligence Drives Success*" running from March 22-25 includes presentations by recognized leaders in this field, as well as "hands-on" workshops enabling attendants to bone up on their skills.

For further information and on-line registration go to: www.SCIP.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 section is for non-client project technologies that we will highlight.

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.

Global Wireless Networks (GWN), founded in 2002, develops wireless devices using commercial off the shelf (COTS) hardware, and operating system and custom middleware combination. Our technology is based on Software Defined Radio which allows us to design and develop real-time wireless communication silicon to support cellular phones, base stations, and PCMCIA wireless cards. Targeted for the world market our radios will be built to support the commercial, military and civilian marketplace and targeted at resolving the interoperability communication issues surrounding first responders and public safety personnel.

Global Wireless is located in the country's first Homeland Security incubator sponsored by National Security Agency (NSA), and Nokia Innovent in Annapolis Maryland. For further information contact:

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Quotes of the Month

"As we acquire more knowledge, things do no become more comprehensible, but more mysterious." *Albert Schweitzer*

"Knowledge must come through action; you can have no test which is not fanciful, save by trial." *Sophocles*

"Daring ideas are like chessman moved forward; they may be beaten, but there is no other way to win." *Goethe*

“What I hear, I forget. What I see, I remember. What I do, I understand”. *Confucius*

“I have never in my life learned anything from any man who agreed with me.” *Dudley Field Malone*

To win glorious triumphs, even though checkered by failure, is better than to take rank with those poor spirits who neither enjoy nor suffer much, because they live in the gray-twilight that knows not victory nor defeat.”
Theodore Roosevelt

There are two types of people who will tell you that you cannot make a difference in this world: Those who are afraid to try and those who are afraid that you will succeed. --*Ray Goforth*

‘HUH?’

“What I need is a list of specific unknown problems we will encounter.” *Division VP, Sears*

“This product is not to be used in bathrooms.” *Warning notice on a bathroom heater by Holmes Co*

“We know that communications is a problem. But the Company is not going to discuss it with employees” *Senior VP, AT&T*

New Technologies Being Sought

Delivery Systems

Two in-house client projects are looking to acquire or in-license technologies in delivery systems. One client is interested in novel systems for personal care and cosmetics while another is focused on ethical and OTC drug delivery for large molecules and proteins.

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

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.

Corporate Venturing

Definition:

Corporate venturing is an investment by an existing, established organization that has products and services offered under a traditional corporate structure. These companies make investments in areas that do not clearly fit the portfolios of their present business units and/or present business model.

In the past month a significant number of past and present clients representing a wide range of industries have either established or re-established corporate venture programs.

PARAGON has worked with and for corporate venture organizations for several years. Within these corporate venture organizations there are multiple drivers, structures, and strategies, with the "big picture" commonality being an interest to invest in non-traditional ways in new business or technology areas. Early stage initiatives are funded and operated independently from the established corporation.

Examples of the diversity of business initiatives is exemplified by the following examples:

- A unique technology was developed in-house that was not applicable to the core business. The best potential licensee was a major competitor to their existing core business. Understandably, the company did not want to license to them. To circumvent this, they established a venture organization based around the technology, and are actively looking for related technology to license in and fill out a portfolio of technologies. One factor that led to this initiative was that the inventor of the technology was highly motivated to move his technology forward, and championed his case internally.
- A strategic decision was made company wide to look for investments in new areas. The company's portfolio of existing businesses did not have a high growth potential. Acquisitions had been looked at in core areas, but none were available that would be non-dilutive. They also studied and dismissed closely related business platforms. They decided to set up a venture organization separate from the company that would not distract management from the day-to-day battles they encounter in their very competitive existing businesses. At present the venture organization is presently a shell with 4 employees "scouting" for opportunities to be presented to the parent company by Summer 2004.
- A large multi-national company with over \$6 billion in revenues recently conducted a corporate-wide strategic plan update. They determined that success in their core businesses was a result of their ability to stay focused on new product extensions and process improvements that enabled them to maintain a low cost position in the marketplace. In reviewing their strategic plan they also found that they had failed to invest in areas over the last decade that would have been marked as successes rather than missed opportunities. There was no way to invest in new areas within the business and as a result they were always late in looking at new areas. They decided that their strategic intent at this point in time is to make early investments in new platforms that do not distract from the current businesses, but can provide early exposure and understanding in new fields which might represent a future "base business".
- A specialty chemicals company looking for an addition to their business recently set up a corporate venture organization to enable them to go forward with this business initiative. Presently having 3 major businesses, the last through an acquisition 2 years ago, their search for a new business has been unsuccessful. By setting up a venture organization they now have the opportunity to make investments in several different new platforms. This enables them to evaluate their investments, which will assist them in making a decision on which new market/product platform would be the best for a new major commitment.
- Revitalizing an existing but dormant venture organization was the recent strategic decision made by a former client. Several years ago this company curtailed new investments. A decision made by the Board of Directors as a reaction to investors, who felt that the company was involved in areas that distracted from their core business, which was suffering from severe earnings pressures as well as a stagnant economic environment. Subsequently they lost 7 of their 9 ventures through a combination of divestments, LBO's from the venture managers, and inactivity. During a strategic business review, where documented information was presented detailing both their direct and lost opportunity costs in curtailing investment was presented, they found that they should have continued, and even expanded their venture investments. They presented their report to the board and the investment community and all agree they should re-establish their corporate venturing business.

The commonalities of the above examples are that a separate organization is required to make investments in areas that do not fit an existing business unit. They all recognize in a rapidly changing world companies need to adapt, a viewpoint counter to the need for clear strategic intent and focus.

The companies also recognized the need for an organization not structured like the parent company with high SG&A overhead. A venture organization allows entrepreneurial structures such as profit sharing or equity participation in lieu of high fixed salaries. Viewed as a new start-up, there is also the opportunity for tax benefits, being eligible for loan or grant programs, as well as locating where regional or local governments offer programs to reduce or defer taxes and other expenses.

Lastly, there is always potential a new venture will have a tangible positive benefit to existing businesses through access to new markets or alliances that offer new growth opportunities. These could be new channels, contract structures, or applications for existing products.

In discussions with these companies we asked them about tactics and mechanics in setting up these organizations. The following have come from benchmarking others or from adjustments to venture organizations that are being re-established.

- Establish a separate organization, including separate P&L and with little overlap with the present business. It is too easy to try and *leverage* existing assets (accounting, offices/facilities, human resources, etc.). The best course is to distance the new organization geographically and philosophically from the parent company.
- Have a separate oversight board with minority representation from the parent. (The control comes from the funding support without a need for direct management).
- Hire personnel who are entrepreneurial and have venturing experience. Don't staff the new venture with a majority of people from the parent company; they will tend to view the business in a traditional way.
- Pay attention to legal issues, and hire outside legal council if possible. Each venture will have a unique set of issues, and most corporate attorneys are not experienced in this area.
- Make a strong effort to balance internal with external funding. This spreads the risk around and exposes the venture managers to new contacts and relationships that have a stake in supporting the venture beyond the dollars provided.
- Don't set up reporting and planning structures that mirror the existing business. Business and strategic planning is necessary, but there are different priorities and timing issues involved. E.g. in a venture exit, strategy is one of the most important considerations—if not the most important one. Also, a strategic plan in a venture is more “a work in progress” than in the present business.
- Promote the venture organization internally and externally. This serves as a magnet for potential opportunities from customers, suppliers, universities, technology brokers, and even “the inventor in his/her garage”. If the public at large knows your willingness to look at new opportunities you may benefit from exposure to things that have a direct fit with the existing business. It is more productive to have opportunities come to you than to search for them. At the very least, you may see things before your competitors--which is always in your best interests.
- Set up a system to respond quickly and thoroughly to evaluate opportunities presented by others. If you can't handle the load, your reputation will suffer and people will be discouraged instead of encouraged.

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.

Business & Other Factoids

What's in a name?

The first name of IBM was Computer-Tabulator-Recorder Company—(C-T-R).

Stock Exchange

The first location in New York City that was used by brokers for buying and selling stocks was at 68 Wall Street--under a buttonwood tree!

Which of the following Companies is the oldest incorporated joint-stock merchandising company in the English speaking world?

1. Bank of America
2. The Bay
3. Eatons
4. Lloyds of London

5. Wells Fargo

Answer: The Bay (the Hudson Bay Trading Company). It sold Ruperts Land to Canada in 1870 for £300,000

Research Project?

A duck's quack doesn't echo and nobody knows why.

Cards

Each King in a deck of cards represents a great king from history.

- Spades—King David
- Clubs—Alexander the Great
- Hearts—Charlemagne
- Diamonds—Julius Caesar

“Futurist Report”

Top 10 Skills for the Future

According to research by Public Affairs Professor Bill Coplin at Syracuse University, the following are the skills most increasing in demand by employers.

- Work ethic; including self-motivation and time management.
- Verbal communications—both one-on-one and in/with groups.
- Physical presence which includes health and good appearance.
- Written communications including editing and proofing one's own work.
- Working with people including relationship building and teamwork.
- Ability/skill to influence others including leadership and effective salesmanship.
- Research and interpretation skills including gathering and processing information.
- Quantification capabilities including use of tools: statistics, graphs, spreadsheets, etc.
- Asking and answering the right questions and the skills to develop wisdom from information.
- Solving problems, including the identification of them and the 'real' underlying problems that are not visible.

Colleges and Universities are now looking at reports such as these and comparing these skills to their curriculum to determine whether their programs are the best for the future. It is felt that several new disciplines will develop over the next decade to meet the demands of employers for the above. In addition, organizations are looking for ways to test potential applicants for these capabilities.

Internet Gender Gap

UCLA surveyed people recently for their World Internet Project and, in all countries internet use was higher among men than among women. That may not be as surprising in nations and regions where large disparities exist in education or opportunities but the difference was even evident in nations where it could not be explained by gaps in professional status or earning power. In some developed nations, the use of the internet was almost 100% higher with men than with women.

Another surprising finding is that this trend is getting wider even as women are gaining on men in comparisons of earnings and professional accomplishments. No quantified explanation has been offered as to the reason this trend is occurring.

Make it Simple

If you are in new product development the trend is to simplify the use of products in the final design. Too many new products have failed after a large investment because they are more difficult to use than the products they replace, even if they have a huge advantage in functionality over their predecessors.

People dedicated to this discipline can presently be found in electronics, computers, and cameras. This trend is expected to expand rapidly into household and industrial products. A new “rule of thumb” being embraced is that

business returns are greater when developers simplify a new product in use, as compared to those for improved products that also increase complexity in use.

Large companies are now embracing this trend and smaller companies are dedicating their innovations to simplifying complex products developed by larger companies.

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)