

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 a pictograph that may challenge your perspective.

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

Jack Peregrin
Pres., PARAGON Development

Paragon Update

We have recently seen an increase in projects with objectives to license technology as the target. This is based on the large growth in licensing along with the trend for large corporation to stay focused on it's core markets and industries. Thus, they use licensing to capture value in secondary markets where they may have developed and sold products directly in the past.

In the past month we have started new projects involving a coating based on nano-technology that makes surfaces self cleaning for several years and a project on new processes to produce selected pharmaceutical actives.

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.

Technology Transfer/Capabilities

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, development, or could be available to use. 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 do reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

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

(203) 288-4154 or Peregrim@ParagonDevelopment.Com

Quotes of the Month

“None of us is as smart as all of us.” *Phil Condit*

“Well done is better than well said.” *Benjamin Franklin*

“One thing you can’t recycle is wasted time.” *Many sources*

“If the Wright brothers were alive today, Wilbur would have to fire Orville to reduce costs.” *Charles Horton Cooley in 1926*

“If you change the way you work, you will change the way you think.” *Anonymous*

“Quality has to be caused, not controlled.” *Philip Crosby*

“Whosoever owns the riverbank owns the fish.” *Russian Proverb*

Luck

“We must believe in luck. For how else can we explain the success of those we don’t like?” *Jean Cocteau*

“Where observation is concerned, chance favors only the prepared mind.” *Louis Pasteur*

“All good fortune is a gift of the gods and you don’t win the favor of the ancient gods by being good; but by being bold.” *Anita Brookner*

New Technologies Being Sought

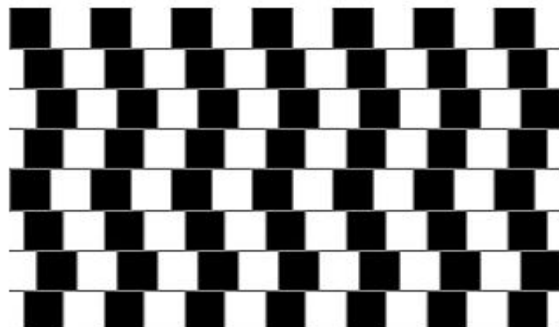
Products/Technologies

A client is looking to license or develop via collaborative agreements new processes (including catalysts) that can produce pharmaceutical intermediates for a large contract manufacturer to the pharmaceutical industry.

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

Are the horizontal lines parallel or do they slope?



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.

Interesting Words

Peregrination: (PER-i-gre-NAY-shen) Noun

Travelling

A journey

Yclept: (ee-Klept) adjective

Called (By the name of something)

Dross: (draws) Noun

Impurities; rubbish

Indurate: (IN-dew-RAYT) Verb

Make or becoming hard

Make callous or unfeeling

Accustom or become accustomed

Expectations on Alliances

Case Study:

We worked on a project a year ago (and will not mention the client's name in order to 'protect the guilty') where a technology had been developed to a point that was demonstrably superior to alternatives and had value in markets that was clearly quantified.

Their management felt that the best way to capture value was by dropping all further development and funding. Their strategy was to form alliances that would complete both the applications development and market development, letting others do their work for them, but with an expectation that they would be well rewarded for allowing others access to their technology.

We recently met with this client again to get an update on our project, which was to look at market and applications opportunities that should be their focus, which we did this successfully. At the project conclusion, the strategy was to continue completion of the product development with a clear understanding of successful value propositions in each targeted market (performance requirements and price elasticity).

Since then, the client has formed two alliances with small players in two targeted markets. To date, little has been done by either of these partners who have 3-year exclusives to the technology. Three other areas are in 'discussions' with potential alliance partners. However, our client has found that there is a much lower value placed on the technology by potential partners than they felt would be the case because the applications work wasn't completed to the point where there are demonstrated proof of concept prototypes. Also, after the first two alliances, the client has focused on larger players, but these potential partners also have reasons to delay and even to sabotage this technology. In one case, it is a strong competitor of our client in other markets. In another,

the potential partner is the dominant player who has several projects of their own internally and would prefer to see one of theirs succeed even if it is not as good as our client's.

Lessons Learned:

There are many lessons to be learned from this but there are three that are most prominent in this case:

1. Arbitrary strategy.
2. Timing.
3. Alliance competency/experience.

The first item refers to a mistake that a majority of organizations make and is usually executed when their objectives and resources are 'out of whack'. In this case, the organization had to curtail funding over several quarters but wanted to capture new revenues from a project it invested in. Therefore, management decided that they would "go the alliance route" with a declared intention to work with organizations who are "closer to the market". Of course, nothing was said about a need to cut costs as the main reason. They decided that alliances would be the commercialization option without creating a commercialization plan with other options. In other words, they decided to choose **how** they would execute strategy before looking at what that strategy should be. This is also a phenomenon we have seen where clients choose an acquisition strategy before choosing markets or technologies. They inevitably pay for something that isn't the best fit with their existing business and thus don't have the savings/growth potential projected to cover the high multiples that most attractive acquisitions bring today.

The second issue involved the timing of the attempts to form alliances. In this case, an alliance would certainly make sense if it were focused as a marketing or distribution alliance where their developed technology could penetrate markets via established partners who could maximize the impact because they are leaders. But, in the case of our client, they choose small players who could help gain access to the market but were not the best options to complete the applications development, particularly with a new technology. The other alternative was to look at large players who, by nature of their investments, have a robust new product development effort and their own alliances with critical customers to co-develop new products. Thus, a different external technology would be disruptive to their existing efforts. Our client should have either partnered earlier if they wanted to form alliances with one of the major players, or completed development if they were going to use a smaller partner to serve as a marketing alliance partner only.

The last item is best exemplified by the comments we heard that management assigned the task to form alliances to two people who had never done one before! Like so many of our business processes, there are clear best practices that need to be complemented by experience in order to achieve excellence. 'Garbage in; garbage out' which is not meant to be a slight to the people involved. They are very intelligent, committed, and have excelled in past new technology development. They just had no training or experience in alliances. They needed training from one of the many excellent alliance programs at universities as well as in conferences held by associations and commercial organizations, or, from a mentor.

Recommendations

There are several recommendations, but the obvious ones are:

- Use alliances as a tool, not as a strategy. We don't mean that alliances shouldn't be an integral part of your strategy, but they shouldn't be the strategy or even the first strategy. Whether it is a project or business strategy, all options should be considered and then the right tool should follow.
- Alliances require experiential learning - combining education with direct experience. Or, to word it differently, they need both talent and training.
- Alliances are not a panacea for "eliminating investment". You get what you pay for. Alliances may be the most cost effective way to optimize value but they do not allow 'no cost' substitution for other development approaches.

It has been our intent to pass along things we have learned or experienced on topics involving growth and new business development. Particularly ones that may be provocative or be beyond those considered every day. 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 Anecdotes

Grasping the obvious

F. Scott Fitzgerald remarked to Ernest Hemingway that the rich “are not as we are”. Hemingway replied: “No, they have more money”.

Opportunity

John Pierpoint Morgan had at least one servant who watched his boss and learned a great deal from him. He saved his earnings and invested very well and eventually he had decided that he had saved well enough to retire in style. He then notified Morgan that he would be retiring. He was asked to find a suitable replacement and the following day he presented two candidates to Morgan to be interviewed. Morgan did so and chose one at which point his old servant said: “In that case, I will take the other one Mr. Morgan”.

Planning

Before the Battle of El Alamein, Winston Churchill summoned General Montgomery and suggested that he study potential logistics. Montgomery doubted that he should become involved in such technical matters. “After all,” he said, “you know, they say familiarity breeds contempt.” Churchill replied, “I would like to remind you that without a degree of familiarity we could not breed anything.”

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)

We hope that you have enjoyed the issues of *The Paragon Perspective* that you have received and will let others who might find this newsletter useful know about our publication. To provide us with profile changes; or to let us know about other individual interested in receiving our newsletter; or for other information just click on this link <http://www.paragondevelopment.com/contact.html> (or copy and past this shortcut) and complete the Contact/Request for Information form (be certain to include your email address) or you may simply reply to this email and provide us with (or ask us) the information.

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