

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, ideas and suggestions that have made our newsletter production easier and brought recognized improvements. We have incorporated several suggestions within this edition including adding anecdotes with a business relevance and new words and definitions with relevance in business. Ironically, these suggestions came from two separate people. We have removed the business factoids to keep the newsletter from being too long.

This month's newsletter will highlight our opinion on the business development topic: "**Budget for Marketing** "

Jack Peregrim
Pres., PARAGON Development

Paragon Update

We are seeing a great deal of interest in the Voice-of-Market™ process as it is an enabler to strategic and new business planning in organizations with six sigma cultures.

Several new projects with a focus on acquisitions including integration are ongoing as are another few looking at new platforms for expansion.

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 Licensing Executive Society in October.

LES—Licensing Executives Society Fall Meeting, Boston, MA October 17-October 21

The LES is an organization focused on licensing issues, but it is much broader in its appeal than that. For those who don't know LES, there are extensive and excellent programs related to various industries as well as evaluating and monetizing technologies with a value that goes beyond licensing alone. It is a highly recommended organization for anyone with technology development, product development, or business management as well as individuals involved in intellectual assets.

The value proposition of an LES meeting is two-fold:

1. Education. Parallel tracks enable attendees to choose those programs that hold the greatest interest for them, such as *how* to license; *where* to license, or even *if* you should license.
2. Networking. Many networking opportunities are presented at the meetings enabling experiential learning to occur in addition to making key contacts to further future alliances and partnerships.

The cost for the entire event is very reasonable. Information about the Association and the Meeting can be found on the LES website at <http://www.LES.org>.

Technology Transfer/Capabilities

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.

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

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

We received the following from Particle and Coating Technologies, Inc. and we have known and worked with them in the past with a high value received.

Particle and Coating Technologies, Inc.
5445 Highland Park Drive
St. Louis, MO 63110
WWW.PCTincUSA.Com

PCT solves problems in forming and coating particles. In particular:

- Forming narrow particle-size distributions
- Formulating for taste-masking, increasing solubility, and enhancing bioavailability of troublesome drugs
- Spinning-disk coating of particles (20 microns-5 mm).

Newly available is a Micro-Capacity Spray-Dryer™ capable of drying samples of 10 mg – 10 gms.

Any inquiries should be directed to:

Robert Sparks, Director R&D., (314) 535-1516; RSparks@PCTincUSA.Com

Quotes of the Month

“If opportunity doesn’t knock; build a door!” *Milton Berle*

“What isn’t tried won’t work.” *Claude McDonald*

“You can’t always go by expert opinion. A turkey, if you ask one, should be stuffed with grasshoppers, grit, and worms.” *Changing Times*

“The fewer data needed, the better the information.” *Peter F. Drucker*

“A specialist is someone who does everything else worse.” *Ruggerio Ricci*

“The conventional definition of management is getting work done through people. But real management is developing people through work.” *Hasan Abedi*

“Do not wait, the time will never be just right.” *Napoleon Hill*

‘HUH?’

“If you can’t imitate him, don’t copy him.” *Yogi Berra*

“And now, the sequence of events, in no particular order.” *Dan Rathermuel Goldwyn*

“It needs to be said that the poor are poor because they don’t have enough money.” *Sir Keith Joseph*

New Technologies Being Sought

Products/Technologies

A client is looking to license or develop via collaborative agreements products that enable superior coats:

- Specialized pigments.
- Dispersants
- New non-solvent based coatings 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: (203) 288-4154 or 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.

Interesting Words

Concatenate: (kon-KAT-en-ayt) verb

Link together.

Unite in a series

Jejune: (ji-JOON) adjective

Scanty.

Meager

Childish; immature.

Veracious: (ve-Ray-shes) Adjective

Truthful; honest

True

Eschew: (es-CHOO) Verb

Avoid

Abstain from

Budget for Marketing

Case Study:

We recently completed a project in which we were to identify and quantify business opportunities for a new technology. A specific application was targeted and we were to validate the potential there with the best commercialization strategies in addition to identifying new opportunities if they existed. Criteria were established to ensure that any opportunities pursued would exceed investment hurdles in new potential applications and market development.

This project was concluded in the first quarter of this year and the news was very good for our client. There are 5 valid opportunities in which there is strong market need, competitive advantage, fit with their criteria, and high potential for value capture at acceptable pricing. Since the project completion, however, **nothing** has happened with any commercial development.

The main reason this project is 'on-hold' is no monies were budgeted for marketing. Even in the application first targeted! The R&D group was able to get the project into and through a gate much earlier than expected. Now the client is faced with a system where they are going through their budgeting cycle for 2005, which is when they may expect to launch these new products. Plus, the markets are not their primary, existing markets so they don't have an infrastructure to 'drop in' the products.

By conservative estimates we see this at least a half dozen times a year where new products are delayed while budgeting 'catches up' with a project.

Background:

In our experience the reasons for the above occurring are:

- The old dilemma of who is in *control* of a project - R&D or business/marketing. R&D initiates or at least drives the project and normally resists interference by marketing until they believe they have worked out all the technical issues. And, marketing isn't upset because they are focused on the need to deliver short-term returns from existing products because of business pressures. New products typically require a great deal of time, effort, and money to make an impact.
- Our budgets are tight and we have business process controls such as stage-gate that hold back commitments until thresholds are reached. Once they are, a new budgeting cycle begins.
- R&D does not *appreciate* the considerable effort needed to market new products. The belief is that 98% of the work is done when the technology reaches a stage of feasibility and now it is only a matter of *having sales people present to customers and take orders*.
- Business managers have never had less job security than they do today. And with the pressure to deliver numbers this month, they are not as committed as needed to long term, uncertain investments. And, **all** new products are uncertain until they are in the market.

Another issue that occurs in new products is that the budgeting window not only delays commercialization but it also may delay hitting a 'market window'. We worked on a chemical technology that would allow a marker to be put on packages to allow tracing, inventory control, and reduced handling. A major market was with a major small package handler who had committed to a technology other than our client's just 3 months prior to our client offering them the technology. This would have been a huge opportunity and would also have driven many other applications but the client missed the window. They were admittedly about 2 years delayed in getting it out of R&D and then funding a marketing effort to look beyond the initial application they had targeted. (Documenting these *lost opportunities* can be embarrassing but it is one of the most important things to do in order to get management's attention).

Recommendations:

The first necessary thing to do is to recognize the above as a major problem. 'Band-aids' (memos, meetings) will not solve the problem. Only when top management puts measurable systems in place will any reasonable impact be made.

An example is to put a longer time to market into the calculations that mirrors the last 5 launched products in a class (platform, extension, etc). The impact would be that R&D would have a lower NPV on projects as time to market would now be calculated with as much time as they take in internal development. Until the market development time is reduced, R&D must face higher hurdles, which they don't want.

Another recommendation is to budget market research and market development into R&D budgets. This is done now but controls are typically not in place to ensure that the money budgeted for marketing within a project is actually spent on marketing. It is too easy to have project funds spent by those controlling the project for their own use – the internal development.

A last recommendation is going to be controversial, but we have seen it work very effectively in a few organizations. That is to have the C.T.O. or a V.P./Director of R&D who does not have a technical background. A particularly effective CTO we worked with came out of finance and another V.P of R&D in a global organization came out of general management. At that level, the value of managing the process outweighs the value of understanding the technology at a project level.

Summary:

Not all projects have been delayed in the transition from development to marketing, and some organizations we work with are excellent in managing it. But, we have encountered this often enough that it is worth highlighting so our readers can look at their organizations and at least determine whether their transition is optimized, particularly in new product launches where we have systems that can measure the fact that 'time is money'.

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 you would like covered.

Business & Other Anecdotes

Among the following anecdotes we are including one that is not really an anecdote but may be more of an 'urban legend'. We had it in our newsletter a few years ago and twice in the past month we have had requests to put it in again. It is about an alleged study involving monkeys and organizational behavior. The contributor had said it was conducted years ago by Stanford (Stanford Research?) but we have not been able to confirm that. In any regard, it is a great story.

Ten Monkeys

10 Monkeys were placed in a large cage and a bunch of bananas was hung from the ceiling and then a stepladder was put under the bananas so the monkeys could get to it. But, every time any monkey tried, all were doused with cold water. After a few attempts, none of the monkeys would try to go up the ladder and get the bananas.

5 of the original monkeys were replaced by new ones and the new monkeys immediately tried to go up the ladder but the original 5 would jump them and stop them from doing so and thus avoid getting sprayed with water. The new monkeys stopped trying because they were getting attacked by the old ones every time they tried.

The last 5 original monkeys were replaced with new ones who also tried to go up the ladder but they were now jumped by the 5 who were left from the last bunch. The 5 who stopped the new ones had never been sprayed with water but they still took the role of stopping the new monkeys just as they themselves had been attacked.

The lesson is clear. How often do we do things a certain way with conviction and yet the underlying reasons aren't understood. Does your organization have 'history' that precludes getting 'bananas'?

What should I do?

In the 1948 Presidential election between Dewey and Truman, it looked on election eve that Dewey was a clear winner. Before going to bed Dewey asked his wife; "How will it be to sleep with the President of the United States?" She replied: "A high honor, and quite frankly darling, I'm looking forward to it".

Next morning at breakfast after Dewey's defeat became clear, Mrs. Dewey asked: "Tell me Tom, am I going to Washington or is Harry coming here"?

Good compromise

During the Constitutional Convention someone suggested that the size of the army be restricted to five thousand men at any one time. George Washington was present and saw the impracticality of this, but as chairman he was prevented from making a counterproposal. Instead he whispered to a delegate sitting near him that they ought to amend the proposal to provide that "no foreign army should invade the United States at any time with more than three thousand troops".

Golf Lesson

A friend took Ulysses S. Grant to a golf course in the hopes of encouraging him to take up the game. At the first tee he watched another beginner hack the grass up around the tee without touching the ball. Grant remarked: That does look like very good exercise. But what is the little white ball for?"

Futurist Perspective

The following are excerpts and projections taken from multiple sources including internal observations from the PARAGON Development staff.

2005

The US economy is expected to continue the growth started in 2003 and continued in 2004. The rate of growth will slow, however, and the results will not be across the board according to economic indicators.

Some of the projections are:

- Consumer Price Index rising 2% in 2004 and again in 2005 but at a lesser rate.
- Corporate profits rising 13% in 2004 but only about half that in 2005 as recent productivity increases level out.

- Stocks should finish up 10% in 2004 and another 6-8% in 2005
- Unemployment should fall to 6 % in 2004 and drop to less than 5% in 2005.
- Interest rates will surely continue to increase through 2005 but at a very slow and steady rate that won't come near any of the high rates we have seen in past recoveries.
- Energy prices will remain volatile with a wide range of projections.
- The housing market will cool in 2004 and again in 2005 with a dip in home sales but that is from all time highs (dropping from 5.8 million home sales to 5.5 million),
- Commercial construction will follow a similar pattern to housing.
- Retail sales are expected to raise 6% in 2004 over 2003 but that is with a great deal of discounting which will affect earnings.
- Auto sales will rise again in 2004 but are expected to be flat in 2005.
- Travel industry will be flat in 2004 and probably flat again in 2005 if no major negative events occur.

Gender Mega-trends

A trend that has potentially devastating impact is on the gender imbalances in the two most rapidly growing economies. Experts refer to it as the masculinization of Asia. Because China and India have engaged in sex-selective technologies and even infanticide, the ratio of males to females is at a ratio not seen before.

The ratio in China is 'officially' at 106.7 males for 100 females but the ratio of children under 5 years old is 118.4 to 100. The overall sex ratio in India was 107.2 to 100 in 2001 but births since then are recorded at 113.8 to 100.

Historically, in high-male-sex-ratio societies, the surplus males belong to the lowest socioeconomic class, and are likely to be unemployed or under employed. As they have a more difficult time finding a mate because of the imbalance, they are typically more transient and have few ties to the community which could have serious negatives affects in crime and other behaviors.

Experts also feel that the best solution is to promote out migration of males to areas that have a female to male imbalance but neither China nor India is making any plans to do so.

City Planning

A major trend over the last 20 years is expected to be embraced in an even bigger way in the coming decades. This is the trend to city planning with rigid guidelines to ensure that cities grow in ways that meet long-term visions. Several U.S. cities engaged in this in the 1980's and they have proven to be more prosperous and have higher living standards than those that did not.

These include cities such as: Providence RI; Charleston SC; Madison WI; San Diego, CA; Chattanooga TN; Burlington MA; and Wichita KS. Other cities who did not create and commit to rigid guidelines were cities such as Pittsburgh that today is having financial and infrastructure problems.

According to experts this is a trend that is expanding globally with Europe considered either the 'first' or 'next' area as many cities have been doing this for years but they are now formalizing the process.

This trend is expected to have a large impact on many industries such as retail, construction, transportation, and tourism. An extended effect will be felt by basic industries like plastics, metals, and concrete as the infrastructure requires conformance to new guidelines.

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 ~~7~~ 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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