

## *The* PARAGON Perspective

### From the President

PARAGON Perspective is sponsored by PARAGON Development 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 encourage you to contribute to future newsletters. The PARAGON Perspective is now in its fourth year. We thank everyone for their newsletter contributions and for the ideas and suggestions that have brought recognized improvements and made it easier for us to produce.

This month's newsletter will highlight our opinion on the business development topic: **"Developing Business in Non-Core Areas"**

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### Paragon Update

We have made changes to our newsletter in 2005 and will continue to do so throughout the year as we incorporate recommendations and contributions from readers into future editions. We have resisted adding 'marketing' oriented information about PARAGON but have done so at the end of the newsletter based on the number of requests. Thus, only those people who are interested need to review that information.

At PARAGON we are now seeing new projects overseas at an unparalleled rate and that is without a proportionate marketing effort. These projects are also spread among various technologies and markets as well as geographic regions.

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### CDMA 2005 Commercial Development & Marketing Association September 27-29, 2005 Union League, Philadelphia, PA

The CDMA (Commercial Development & Marketing Association) is a functional association based on tools and experience in developing new business. Their emphasis is with developing new business with a strong technology focus which is indicative of business to business marketing. Typical outcomes are new products, alliances, licenses, or acquisitions.

The program this year is on "Creating Profitable New Revenue Streams" and has leading presenters who will talk about how to accomplish that with both new technologies and by expanding technologies into new markets.

There are also 2 workshops attached to the course on finding market information on-line and on understanding market opportunities.

We strongly recommend this conference to executives, managers and practitioners with responsibility for growing their organization. Information can be found at [CDMAonline.org](http://CDMAonline.org)

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**SOCMA Corporate Leadership Conference**  
**Society of Organic Chemical Manufacturers**  
**September 11-14, 2005**  
**Westin Hotel, Philadelphia, PA**

This is an excellent program sponsored by a leading chemical association. The program could, however, appeal to anyone with managerial or executive responsibility in related fields as well. The program focus is on how to address issues such as commercializing technology and using innovation to achieve competitive advantage. Additional information can be found on the SOCMA website under conferences. [WWW.SOCMA.Org](http://WWW.SOCMA.Org)

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**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 highlights non-client project technologies.

This newsletter has a distribution of several thousand individuals who are primarily in new business development, so the audience 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.

No new technologies were presented by the deadline this month.

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**Technologies Being Sought**

We have a client who is searching for new technologies and products with large appeal in implantology. The client is a global company with a considerable existing business in professional oral care and is looking for technologies that assist, enable, or support implants. They are primarily interested in materials or drugs used in conjunction with these procedures. They would be interested in licensing, marketing agreements or acquiring companies.

If you have, or know of, any potential technologies or products for this client, please contact:  
Jack Peregrim at (203) 288-4154 or [Peregrim@PARAGONDevelopment.Com](mailto:Peregrim@PARAGONDevelopment.Com)

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**Quotes of the Month**

“We are what we repeatedly do. Excellence then, is not an act, but a habit”. *Aristotle*

“There are two kinds of people, those who do the work and those who take the credit. Try to be in the first group, there is less competition there.” *Indira Gandhi*

“Many of life’s failures are people who did not realize how close they were to success when they gave up”  
*Thomas Edison*

“If it takes a lot of words to say what you have in mind, give it more thought.” *Dennis Roth*

“Success is never final, but failure can be”. *Bill Parcells*

“A knife of the keenest steel requires the whetstone, and the wisest of men welcome advice”. *Zoroaster*

“If you risk nothing, then you risk everything”. *Geena Davis*

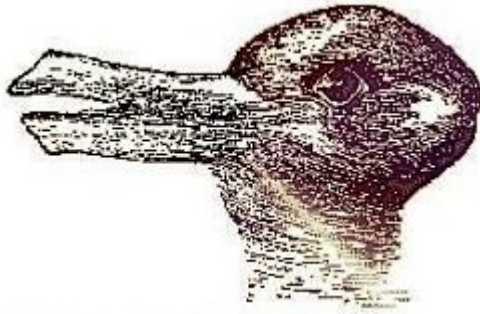
“Believe the one who has tried it”. *Virgil*

“The greatest obstacle to discovering the shape of the earth, the continents and the ocean was not ignorance but the illusion of knowledge.” *Daniel J. Boorstin*

“When nobody around you measures up, it is time to check your yardstick.” *Bill Lemly*

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## Is it a rabbit or a duck?



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## Web Site Additions

We have recently updated our website but will continue to add to our alliances and partnerships page. It provides sourcing to our clients on services 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

**Sapient:** (SAY-pee-ent) Adjective

Having or pretending to have great wisdom.

**Brummagem:** (BRUM-e-jem) Adjective

1. Cheap and showy but inferior and worthless.
2. A showy but inferior thing(Noun).

**Ennui:** (ahn-WEE) Noun

A feeling of mental weariness from lack of interest; boredom.

**Morass:** (me-RAS) Noun

1. Something that confuses or impedes people; an entanglement.
  2. A marsh or bog.
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## Developing New Business in Non-Core Areas

Background:

Most organizations look at expansion into non-core areas every few years. We are focusing this discussion on strategic expansion and not tactical development. We define tactical development as those product, market, channel, or business actions that are *supportive* of a strategic development. An example would be a new application of a core technology which goes into applications and markets that are not presently targeted for investment. The strategy is to expand the fundamental technology strength (where value creation will come) from but the implementation involves new markets.

Strategic expansion is investment in a technology, business, market, or channel in which to create a new competency platform. Organizations typically do this when growth in the existing core areas do not create enough value to meet stakeholder and management objectives.

We have been involved in dozen of projects with an objective to explore and commit to new platforms and there are success factors that we will share. Thanks to the successes, and, also the failures.

Lessons learned:

Each situation is unique and frustrating without defined and detailed processes that are analytical and can be

clearly applied. There are too many variables in starting points, investment strategies, competitive environments, and other factors that would enable us to provide anything other than a generalization; yet, the following success factors are based on extensive study, and many years of experience. These generalized success factors can be transferred into actions based on the specific situations and objectives.

Our study was, to a large, extent based on asking hundreds of executives a simple question: “Why has growth into new areas failed, or failed to occur, in your organization?” We felt that the ‘negative’ aspect of the question would be more insightful as it would focus on actual circumstances and it clearly addressed the tangible aspects of success factors without getting ‘opinions or wish lists’. Translating these negatives to positive success factors was fairly straightforward.

Compiling the data was fairly easy and showed five top factors on the vast majority of lists. We will present and describe the five below along with recommendations on approaches and mechanics that worked. There may or may not be any surprises to our readers but we can all benefit from thinking about them.

The five are:

- **Strategic Fit**
- **Clear Focus and Direction**
- **Competitive Advantage**
- **Solid Process**
- **Knowledge**

**Strategic fit** was high on most lists. The most surprising finding is the huge discrepancy on definition and criteria utilized to determine strategic fit. Without getting into great detail, we will present our definition of strategic fit. Strategic fit is actual or potential business to an organization that leverages core competencies with the potential to create and sustain value capture. Those words can be interpreted as ‘consultant speak’ so a simpler description is that the business has (or can acquire) core competencies that are superior to competitors and differentiated via a premium by the customers.

An example is that one of our clients felt there was a strong strategic fit for new products that could go through their distributors who they used for market access. Their distributors, however, were losing share to people who used direct sales. Their channel was a tactic but not a leverageable core competency that warranted platform investment. We have also experienced varying interpretations of strategic fit by the various functional departments in a company. An example is one in which a client had products based on materials technology that were additives into plastics sold into the packaging market. The marketing people thought their applications development capability along with dedicated sales, customer service, and technical support was their major core competency. The R&D people felt it was their innovations with a continuous stream of new functional materials that was the major core competency. It could be that they were both right but that could only be ascertained after a major core competency assessment by outsiders. The bottom line is that this needed to be done before major investment went behind either a new platform investment in technology for packaging or in duplicating their marketing capabilities in other markets that could use the present technologies. These are two very different investments.

**Clear focus and direction** refers to the initiative’s mission, requirements, criteria, and output required. It is a process issue and was described by contributors as simply knowing what success is and understanding how to measure progress and results.

The greatest failures were the result of the “Dilbert conundrum’ which is management giving vague instructions but requiring specific outputs. There are many ways to look at it but it is best summed up with the “Alice in Wonderland analogy” that “If you don’t know where you are going, any road will take you there.”

This is a much more common problem today than people realize even with our more sophisticated business development processes. Management used to be more open and tell those involved “You find us the opportunities and we will tell you if we like them.” That is not as open today but it still exists. And, this is particularly applicable to new platforms.

The best approaches we have employed to ensure there is a clear focus have two main components. The first is to have a sponsor from senior management very closely involved to ensure buy-in at each step. If that person or persons are not available then everything waits for them.

The second component is having a multi-stage and multi-option process. It is multi-stage in that a first and possibly second stage will only get to qualified, not quantified, platform options. Subsequent stages will get to quantified options. But, it is important to start rank rating so the right time and effort can be spent on the best things. The multi-option process means that the process is not designed to come up with a single answer but prioritized options. As an example, we recently finished a program in which 2 targets were designated for aggressive pursuit, which we classified as representing 80% of the involved client’s time. There were another 4 targets that represented another 15% of time and investment and we describe those as being attractive with a strategy to be opportunistic but not fully committed. We would look for ‘low hanging fruit’. The last 5% of our

effort should be on about 5 more targets that are less well known but had the potential to be 'home runs' and we should watch them for signals and changes that could change their designation.

**Competitive advantage** is a difficult and sometimes subjective thing to judge but the people who we surveyed all said it was a major reason for failures and a huge part of the successes. Intellectual property is certainly a major component and not worth mentioning any further as it is clearly the main way to gain competitive advantage so we will focus on the other aspects of competitive advantage which deal with strategies and business models. We offer a current example that we are not advocating but exemplifies this. Blockbuster has offered 'no late fees' as a way to differentiate itself. The reason is that it is a way to do something that they are best capable of handling. They have the highest capital structure in what is a mainly fragmented industry so anyone who matches this has a more negative impact than they do. If they offered other deals such as 'fifth rental free' or a 'one week advanced rental for best customers' or something else on those lines, others would do the same and without hurting themselves much. Instead, they used their tremendous buying power and deep pockets to offer something that they are uniquely qualified to deliver. After all, the products (movies) are all the same.

We have been involved in many other examples and sometimes an organization has a differentiated competency that is unique and valuable in a different field. For example, offering a 'warranty' may be standard in one market but hasn't been done in another as policy, particularly if supplying a component of the final product. But, offering the same warranty in a market with the current suppliers not doing so could offer a competitive advantage. The company offering the warranty has a competency to understand the real costs and the actuarial competency to manage it best. We have also been involved with materials based businesses and a recent example uncovered that a core competency to control particle size was a basic requirement in their present market but the differentiation came from modifying the particle's surface. Yet, in another platform opportunity, the existing suppliers did not have the process capability to control particle size and that was becoming much more important to the customers in that market. Our client is now exploring licensing and partnering options to get 'best in kind' application capability in this application and their competitive advantage will come from a competency that they did not list as core to their existing business.

**Solid process** is a 'catch all' term and manages the development of the other four factors but the people surveyed strongly felt that it was a major factor in success. The toughest thing to deal with is that we have many business processes to handle new product development or to do strategic planning or to do market research, or to look at acquisitions. But, none of those exactly fits looking at potential new platforms. Thus, a big mistake is in trying to 'force fit' developing non-core business into a process that is not made for it. The usual result is in screening everything out or in making changes that create a subjective over an objective process. The risk/reward profile in new, non-core areas will never be the same as extension business and it cannot be held to the same levels of scrutiny.

This is a difficult area to prescribe even general approaches beyond the following.

- Know that the existing processes do not fit this area and create a new process that is customized to the specific situation, investment support, expectations, and outputs required.
- This will end up more a 'people' process and not as much an analytical one.
- The process will cost at least an order of magnitude more than current processes looking at extension business.
- The *attitude* will be different and not "why should we be convinced that this is what we should do." Instead, the attitude is more like "If not *this*, then what?" That is a huge difference but it is required to have any chance of success.
- Because the potential platform involves very different areas, do not do this mainly with internal resources. This requires many consultants and outside service providers to be involved because the danger that always occurs is that internal people will believe they know more than they do.

**Knowledge** (not information) is a critical component and that is simply explained by the fact that information (historical and documented) just doesn't exist for a new platform entry with the requisite new competitive advantage expanding into a new field and having a negative effect on the existing suppliers. As that occurs, there is a much more likely potential that the process will not be rational. There will be variables and responses that cannot be predicted. An example is the different potential competitive responses. One case could have the suppliers decide to exit rather than compete on new terms and they may have other businesses that they can use for growth. On the other end of the scale is a response where the main competitors are dedicated strictly to this business and will aggressively respond with price cuts, bundling, or other approaches to reduce any potential short term value capture. Even with a competitive advantage.

The best solution we can recommend is to gather as much information as possible and emphasize two processes to project potential. Those are scenario planning and benchmarking.

Benchmarking should be done both in the targeted area if possible as well as in analogous businesses.

Scenario planning involves outside industry or market consultants who will give 'opinions' on reactions and expectations to possible strategies and actions and this should be used in conjunction with processes such as Voice-of-Market™ to provide a 'blind' and objective perspective.

In summary:

We address many topics and most are at the request of readers, clients, and other business colleagues as this one was.

We hope that this perspective has stimulated thoughts and helps improve your future returns. 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 readers 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**

Johnny Kerr

As coach of the Chicago Bulls, he had a seven game losing streak and decided to have a pep talk with his players before their next game with the Boston Celtics. He told one to pretend he was the leading scorer in the league and told another to pretend he was the best defensive player in the league and told another to pretend he was the best rebounder in the league and so on. The Bulls lost by seventeen points and Johnny asked his team: "What happened?" To which they replied: "Don't worry about it coach just pretend we won."

Alfred Hitchcock

Hitchcock never sat among an audience to watch his films. He was once asked: "Don't you miss hearing them scream?" To which he replied: "I can hear them when I am making the movie."

Charles De Gaulle

In the midst of a major international crisis De Gaulle once exclaimed: "How can one govern a country that has three hundred and fifty kinds of cheese?"

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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)

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### **PARAGON Development**

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Mission:

To ensure that our clients make decisions that optimizes their growth and measurable value creation. We will do this with unequalled effort and efficiency.

Background:

PARAGON has over a dozen employees and affiliated industry partners who are dedicated to helping clients optimize their planning and development efforts. We bring over 40,000 external industry experts who provide objective information and insight into critical areas affecting our client's success potential. In addition to our own experience base and the external access to knowledge, we utilize a decision making process that combines best practices such as Voice-of-Market™; Stage-Gate; and Discovery Based Learning. Very simply stated, we

combine efficient processes with the information necessary to ensure that commitments are made with solid, objective knowledge. We allow planning and development from the 'outside in' that compliments internal efforts. We are not industry specialists and the experts from our PARAGON Network™ provide the specific knowledge in their fields while PARAGON brings process and functional experience that generates and interprets the relevant information.

Focus:

Our client assignments are broken into three main areas:

1. Retainer agreements in which we offer discounted plan with minimum thresholds for numbers of Forums or phases. They are exemplified by clients who may write us into their R&D or new product development processes in which a PARAGON Forum is required as a part of a gate approval.
2. Evaluation and monetization of assets such as technologies, operational capacities, or new product extensions. PARAGON's support is particularly valuable when the potential is unknown but falls outside core markets or industries.
3. Support in strategic planning and strategic expansion into non-core business areas. The deliverables are typically in the form of a strategic commitment into new platforms.

Mechanics:

The steps employed are a combination of internal (client) and external events. The internal events include:

- Setting criteria for the project.
- Examining the internal knowledge base.
- Setting scope and charter issues.
- Determine specific outputs required for overall success.

External events are:

- PARAGON Forums that have 6-8 external experts who bring distinct but complementary knowledge about markets, industries, trends, competition, channels, downstream value, and function excellence that is specific to the assignment. These are typically day long events that have been referred to as "Super Focus Groups" with the client involved in the planning and then viewing the group and providing guidance and direction throughout the day. All this without the outside experts knowing whom the client is and they are thus unbiased, creative, and provide different perspectives than our client has because of their 'inside-out' viewpoints.
- Surveys and interviews with people from our PARAGON Network™ that generate very targeted information that our clients require.

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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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