

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: "**Outsourcing Business Development**"

Jack Peregrim
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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.

We are seeing an increase in projects dealing with growth via new platforms over internal R%D.

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 on 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.

This year's program is on "Creating Profitable New Revenue Streams". Leading presenters will discuss how to accomplish this utilizing 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. Further information can be found at <http://www.CDMAonline.org>.

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.

Two technologies or capabilities are being highlighted in this issue.

K.T.Conner Associates LLC.
<http://ThinkingPattern.Com>
(912) 638-5082

This is an organization with a product for testing managerial strengths and weaknesses. They had allowed us to take a simple on-line test of only 18 questions and we were very impressed with the results. It was amazing how accurate it was. It helped pinpoint managerial strengths to leverage and also weak points to improve upon. It was well worth the minimal investment in time and it is a very cost effective tool. We believe that trying it out will lead to your supporting a broader testing in your organizations.

Nexicor, LLC
www.sinch.nexicor.com
Phone: 888-486-6342
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Nexicor is a spin out company of Senco Products, the pneumatic fastening company. It has developed a platform technology called Sinch Technology® which represents a major technological advance that involves the miniaturization of electromagnetic induction technology into a system consisting of a hand held tool and a corresponding metallic suscepter. The technology is covered by 16 issued US patents, plus several patents pending, as well as numerous foreign patents. The applications are numerous, such as: flameless soldering, nail-free wood trim and molding, and membrane roofing to name a few. Over 62 markets have currently been identified for introduction of new products based on Sinch Technology®. The first commercial embodiment of the patented Sinch Technology® is the KoolGlide™ Carpet Seaming System. For more information, go to www.sinch.nexicor.com.

The product was introduced into the market at Surfaces in January 2004 and there are currently more than 4000 tools in the hands of carpet installers throughout the country. The product is endorsed by carpet manufacturers, installation training organizations and unions as a revolutionary and beneficial technology that will replace current hot iron technology in much the same way that the hot iron replaced hand sewing thirty years ago. The product received the 2005 New Product of the Year Award from the Ohio Society of Professional Engineers in May 2005.

The KoolGlide™ Carpet Seaming System with Sinch Technology® is the first of many applications for the basic Sinch Technology® - a powerful handheld induction heater which is so safe and easy to use that anyone can take advantage of its capabilities. We think of it in much the same role that the electric motor plays in the wide array of hand tools available today.

Nexicor is seeking market and development partners to apply this technology to new applications. If you are interested in talking about a potential application or would like to participate in the current KoolGlide™ Carpet Seaming System, please contact Susan Stanton at 513.583.7819 or ssanton@nexicor.com.

Technologies Being Sought

We have a client who is searching for new technologies and products with large appeal in food technologies. This could target new or natural additives to food that impart value added qualities.

The client is a global company with a considerable existing business and is thus looking to add a new platform to their existing product lines. They would be interested in licensing or acquiring companies.

If you have, or know of, any potential technologies or products for this client, please contact:

Jack Peregrim @ (203) 288-4154 or Peregrim@PARAGONDevelopment.com

Quotes of the Month

“Patience is bitter, but its fruit is sweet”. *Jean Jacque Rousseau*

“The principal mark of genius is not perfection but originality, the opening of new frontiers.” *Arthur Koestler*

“It is by logic that we prove, but by intuition that we discover” *Henri Poincare*

“Both optimists and pessimists contribute to our society. As an example, it was an optimist who invented the airplane and a pessimist who invented the parachute.” *Gil Stern*

“The person who knows how will always have a job. But the person who knows why will be his boss”. *Carl C. Wood*

“Opportunities are never lost, they are just lost to you and found by others.” *Jack T. Peregrim*

“A stumble may prevent a fall.” *English proverb*

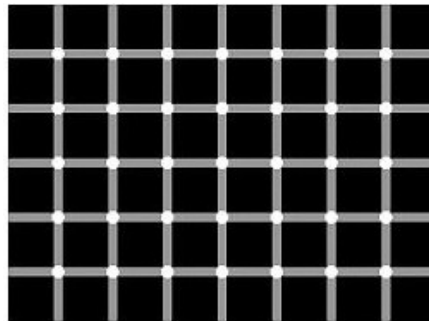
“Do not let what you cannot do interfere with what you can do.” *John Wooden*

“It is better to be boldly decisive and risk being wrong than to agonize at length and be right too late.” *Marilyn Moats Kennedy*

“Let him that would move the world, first move himself.” *Socrates*

“You can’t build a reputation on what you are going to do.” *Henry Ford*

Stare at the black dot and the gray haze around it will appear to shrink.



Web Site Additions

We have recently updated our web-site 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.

Interesting Words

Dubiety: (doo-BI-i-tee) Noun

1. A feeling of doubt
2. A doubtful matter

Lucubration (LOO-kyuu-BRAY-shen): Noun

1. Laborious work, especially at night
2. A literary work, especially one of pedantic or elaborate character

Exterpate: (EK-ster-payt) Verb

Root out and destroy completely

Sagacious: (se-GAY-shes) Adjective

Showing wisdom in one's understanding and judgment of things; wise.

Outsourcing Business Development

Background:

There have been innumerable times we have been in client meetings and the subject comes up that they prefer to outsource business development. We are not going out on a limb to say with 99% certainty that it will raise the risk of failure considerably! And, continuing with another strong statement: it is a bad investment.

Vehicles do exist that, on paper, make outsourcing business development appear attractive. These include distributors and wholesalers, alliances and partnerships, and other methods.

Why bother to spend the money in marketing and promoting a new product when someone else can do it for you? Why go to upper management to secure new sales and marketing resources prior to having a revenue source to offset expenses?

The answer to the above is, "Because controlling and investing in business development is the most efficient, effective way to ensure success!"

Example:

We were involved in a project several years ago with an organization that developed a very unique technology with applications in cosmetics and toiletries. This product was a new platform from their main development focus in their core market and would be directed at a completely different market with different customers. The market development could not be efficiently combined based on very diverse testing and applications development, and selling protocols. The client felt that the best way to pursue the new customers was to select a key distributor with a long track record serving the main targeted customers. Thus, they would have their new product development and commercialization managed by experts in this application.

It sounded great on paper and the client would not need to expand its staff with new people experienced in the new area. It was estimated they would save over \$2 million per year in R&D, product development, marketing, sales, and technical service people.

They negotiated with several organizations to represent their offering and ended up with one that granted the distributor a 3-year exclusive arrangement *from the first commercial sale*. The distributor promised to put its resources into the initiative and both sides were satisfied with the arrangement.

That was 4 years ago and today there are virtually no sales when initial projections had been for over \$30 million per year with a gross margin over 50%. The client is in litigation as they dumped their arrangement with the distributor and were sued over it. They are now doing what they should have done initially - managing the business development with their own people.

The reason things did not work out was that although the distributor presented the technology to its sales and marketing people, their emphasis is on the existing business volumes that give them the most profit. Business development is a difficult and uncertain activity and they gave a cursory effort to see if there was 'low hanging fruit'.

They realized there was a large upside but they just wouldn't spend the time or money to create the opportunity for someone else. Once they encountered the first hurdles, they did very little to focus the effort that new business development requires.

This example is indicative of what we have seen with new products or technologies crossing into new markets or applications when new business development needs to exceed typical new product commercialization to existing customers.

Recommendations:

Our recommendation is not to 'break the bank' on all projects, but those with the greatest potential should very, very rarely be outsourced for the business development. It may be a strategic decision to use alternative channels or sales outlets but that should be done after the product or technology has reached a value capture level that puts the organization in a position of strength.

Organizations tend to act like the value is almost exclusively created with the innovation in the R&D or applications development and it is typical for a business-to-business organization to find in a review that over 90% of the development expense is always from a technical perspective over a marketing one. (The above example was a chemical company and the 90% estimate was over 95% in their case). We believe that it is prudent business to invest almost equally in the business development and marketing as it is in the technical innovation. The reasons for this are:

- The technical development is a large sunk cost and, although it may be viewed as a huge expense, that is the end. We should not waste the investment at the 'half way mark' by not going all the way with the business development.
- Opportunities today are very limited and those that have potential should never be dropped which is what we do sometimes. We face a critical juncture where we realize that capital can be used in a continuous investment or in a new area and we typically go to the new area. Usually just as we see the first hurdles and commercialization problems. (A future newsletter will focus on "Dropping good projects" which was another reader request). We tend to believe that it will either sell on its *obvious merits* or we should just go on to one that will have immediate pull through without any extensive effort.

Steps/Actions:

The main action we recommend is obvious!

Require a huge, clear, quantified, compelling reason to outsource business development!

It is just too attractive to look for an easy way, yet it rarely is going to work. At least it won't optimize value creation.

Other things that can be done include:

- Using industry or market consultants for some of the direction and planning based on their experience. You can then have the plan executed by your own dedicated people. And, it will enable an efficient hiring of new people or reassignment of existing ones because there will be clarity of critical success factors.
- Get top management support to the entire concept of business development and the inefficiency of trying to outsource this. One of the biggest misconceptions by upper management is that this is the best way because they have read about a few successful ones. Those examples usually are rare exceptions but management sees this as a way to capture value without investment, which is very attractive.
- Budget for new business development at an equal level with technical development. We have been involved in a project that exemplifies many others. A new innovation would be projected to have \$20 million in sales with one business development person but would grow to \$50 million in 3 years with 5 people. The initial technical investment was over \$8 million and 5 dedicated people would cost about \$1 million per year. If anyone would want to run a 'Monte Carlo' or other financial projection they would be amazed at how lucrative the investment is in business development.

In summary:

We address numerous topics, most are at the request of readers, clients, and other business colleagues and often there are many factors that make it difficult to apply recommendations to a large percentage of cases without getting into detail. We believe that this topic is not one of them. It clearly makes sense to keep business development internally in the vast majority of cases.

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.

Business & Other Anecdotes

E F Hutton

Hutton wanted land in the south to hunt on, and he found a plantation, Hickory Hill, for sale. After the deal was concluded Hutton said to the former owner; "Mr. Ravenel, it's been nice knowing you but you're about the poorest businessman I know. You accepted my price immediately and I would have paid twice the price. Said Ravenel smiling; "I would have sold it for half as much."

James Abbott Whistler

Some blank canvases were lost in the mail and Whistler was asked by the agent if they had any value to which he replied; "Not yet".

Abraham Lincoln

When a gentleman called on the President asking for a pass to allow him to visit Richmond, the President replied: "I would be very happy to oblige you if my passes were respected; but the fact is sir, I have, within the past two weeks given passes to two hundred and fifty thousand men to go to Richmond and not one has got there yet."

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>.

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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 TM that generate very targeted information that our clients require.

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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