

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 and this is our 40th edition of The PARAGON Perspective. 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: **"Time to Market—Lost Value"**

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.

At PARAGON we are starting several new projects in the chemicals industry and with new clients for us although we have worked with so many to date. We will share more in the coming months on specific areas of interest with them. It appears to be indicative of the needs for growth finally reaching a higher priority than was evident in previous years. We also are seeing an increase in our module programs which indicates an interest in systematizing the value creation process and not just handling things 'one project at a time'.

In Memoriam

A very good friend of PARAGON's has passed away unexpectedly. Bob Morland died as he was in the process of moving to Tacoma Washington from Naperville IL based on his new position with MicroDiffusion.

Bob had previous been with BP for many years. He was an active contributor in the CDMA and also it's Educational Foundation where he helped develop and teach many of the courses and workshops. He was an accomplished magician (Mercurio) and had other talents too numerous to mention.

He leaves a wife and 3 sons. Our sympathies go to them as well as to those of us who worked with him. Bob will be sorely missed by all who knew him.

**AIChE Conference
Cincinnati Ohio
November 2-4, 2005**

“Innovation: The Engine for Growth”

AIChE is a Chemical Industry based organization and attracts many of the leaders in that industry. This conference referenced above has one of the best line-up of speakers relevant to the topic. We know and have worked with many of the presenters and would certainly endorse them.

Program information can be found at: WWW.aiche.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.

If anyone is interest in partnering with or even acquiring a small producer of unique pigments, please contact us: Peregrim@ParagonDevelopment.Com

Technologies Being Sought

We have a client who is looking for small acquisitions or licensing of new drugs applicable into oral care applications. Their interest is primarily on drugs but they would also be interested in other molecular based functional materials such as adhesives, coatings, etc. It is imperative that strong IP protection is attainable. 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

“If you hire the best people and leave them alone, you don’t need to hire very many.” *Thomas Murphy*

“Stubbornness is a virtue if you’re right. It’s only a character flaw if you are wrong.” *Chuck Noll Hubbard*

“The ultimate inspiration is the deadline.” *Nolan Bushnell*

“An inventor fails 999 times, and if he succeeds once, he is in. He treats his failures as practice shots.” *Charles Kettering*

“The hardest thing in life is to learn which bridge to cross and which to burn.” *Laurence Peter*

“Experience is the name everyone gives to their mistakes”. *Oscar Wilde*

“Every flower must grow through dirt.” *Anonymous*

“Motivation will always beat mere talent”. *Norman Augustine*

“Not everything that is faced can be changed, but nothing can be changed until it is faced.” *James Baldwin*

“Character may be manifested in the great moments, but it is made in the small ones.” *Phillip Brooks*

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.

Interesting Words

Palmy: (PAH-mee) Adjective

1. Flourishing; prosperous.
2. Triumphant.

Decrescent: (di-KRES-ent) Adjective

1. Decreasing gradually.
2. Waning; as the moon.

Patulous: (PACH-e-les) Adjective

1. Open; Gaping.
2. Expanded.
3. Of a tree or tree limbs; spreading.

Galimatias: (GAL-e-MAY-shee-es) Noun

Confused or unintelligible talk.

Time to Market---Lost Value

Background:

When looking at past projects that have become commercial successes, we don't usually do a 'post mortem' of the "value left on the table". We try to learn from the failure of our failures and not the failures of our successes. We ask many of our clients about updates on projects that have met expectations and we very rarely hear about the tempered success that realistically defines them. There just is no incentive to look at successes and learn from them. Nobody wants to discredit the success and that includes management as well as those on the project team itself.

In our experience, the main loss of value is hardly ever calculated and that is the time to market value creation. We have found this to have a significant effect on NPV in over 80% of the cases. And, even when a project meets time requirements, it is based on inefficiencies that were built into the original project's timeline. The following are examples of projects we worked on and are considered commercial successes although they had major deficiencies and value lost because of time to market delays.

- A project a few years back (2002) was based on a new material with very unique properties that was directed to commercialization into one of their core markets. It has been a success in that it has met expectations for revenue from the first and second applications that have been its focus. Yet, it is now focused on the third, fourth, and fifth opportunities which had been quantified at the beginning of the launch. One of these opportunities is larger than any of the opportunities that had been the focus to date and has several dominant competitors who are already developing alternative products that deliver the same properties. The lost time to market not only cost several years of revenue with higher margins but also has a major impact on profitability because of the failure to establish standards and competitive advantage when it was possible. The reason was that the project had two marketers assigned and they pursued those markets most familiar to them.
- Another project was also clearly identified and quantified with a focus in the client's main market. It was a new platform and had considerable impact potential. As we finished the upfront work on the project, the client team laid out a Gantt Chart and it had first significant commercial sales over 3 years out. When we inquired why the projections were so far out (the market demand and potential was now), we were told that the timing needed to fit into **their** development system: wait three months for next project review meeting at their semi-annual retreat, and then go for funding at an event 2 months after that (which now missed the major trade show that would have been important to the launch timing). Other things involved were bidding on the positions for marketing manager and setting up technical support people. It can conservatively be estimated that 14-20 months lost time to reach maturity were the result of internal procedures.

Solutions:

A solid first step would be to have post mortems on all successful projects and to emphasize lost time in hindsight. This is not as difficult as it may appear and will lead to making calculations on lost value in future developments.

Most lost time that is controlled by an organization is based on cost control issues, but the *cost* of cost control is just not calculated the way it should be. It is eye opening when dollars are attributed to lost price elasticity or market share due to competitive responses. Or when calculations are based on a 3 year exclusivity in the market instead of a 2 year window because of delaying launch or ramp up. Or, when the product lifecycle is only 4 years instead of 5. It will be amazing how much is lost because of 'slowing down the investment requirements', not to mention, the value of money in 2 years instead of 3 or 4.

A philosophical issue is about new product or technology development and really recognizing that these are not management functions. They are investment functions. Growth requires investment and the longer investment takes, the longer growth takes. We certainly try to (and need to) manage development to a degree, but the balance between managing and investing is nonexistent or skewed too much in many cases.

As stated above, a major solution is to benchmark internal projects that have succeeded. Knowledge is power. If past projects do not show major loss of value due to time-to-market issues then the process has worked. We would never recommend approaches that lead to reckless or unqualified investment. But, there is no way to determine the lost value until it is calculated objectively and efficiently.

Summary comments:

In our experience time to market has not gotten the attention it deserves because it is a phenomena inherent in successful projects that are not reviewed as failed ones are. Of course there are many other reasons and factors, but that is the primary one.

Other lesson's learned are:

- Commercialize first in niche or specialty applications. Focus on the first adapters over the primary markets and customers. This speeds up initial revenues that, while smaller, have more value *dollar to dollar* than money received years later.
- Have a role established in management that someone is a "speed champion". Someone who will push new strategies, products, technologies, market expansions. That person's role is to ask "Why not?" while everyone else asks "WHY?"
- Use benchmarking as a tool to quantify lost value on even the most successful past projects. Then use benchmarking to look at organizations that are best in kind in shortening time to market.
- Expect to spend money earlier but to cash checks earlier as well. This requires a systematic review of the development process and to allow money to be accessed earlier with a calculation as to the value of that money. Or, a better way to put it is: to determine the value of that **investment**.

We recognize that this topic discussion just scratched the surface on the issue. And, based on reader requests, we will expand on various issues that were only touched on in this discussion in future newsletters where we can have a more comprehensive look at mechanics, tools, hurdles, and using case studies. Time and space precludes that at this time.

As always:

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.

Business & Other Anecdotes

Gregory Peck

Entering a crowded restaurant with a companion, Gregory Peck found no table available. "tell them who you are" requested his friend. To which he replied: "If you have to tell them who you are, then you are nobody."

Charles De Gaulle

De Gaulle was once likened by another speaker to Robespierre. De Gaulle's reaction was to say; "I always thought I was Jeanne d'Arc and Bonaparte. How little one knows oneself."

Bronco Nagurski

As a result of some horseplay with a teammate, the football player Bronco Nagurski once fell out of a second floor window. A crowd gathered and then the police arrived. They asked him: "What Happened?". To which he replied: "I don't know; I just got here myself."

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 unequaled 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.

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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