

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: **"The Changing Face of Innovation"**

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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. This month is a good example as several readers have requested the topic we are highlighting which is an add-on to a similar one a few months ago.

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.

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.

Their program this year is on "Creating Profitable New Revenue Streams" and has leading presenters who will discuss how to do 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 www.CDMAonline.org.

LES Annual Meeting
Licensing Executives Society
October 16-19, 2005
J W Marriott Desert Ridge, Phoenix Arizona

LES is an excellent organization and the value goes well beyond licensing. The members and attendees are involved in technology transfer and represent many diverse industries. Of course there is excellent content dealing with licensing but many of the areas addressed have a relevance to other business development activities such as valuating technologies in early stages and also finding and securing partners and alliances. We recommend this to anyone in business management; technology sourcing and commercialization; and business and commercial development. More detailed information is on their website at 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, 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.

Technologies Being Sought

We have a client who is looking for small acquisitions or licensing of new materials with a focus into the packaging market. Their interest is not on commodity or large volume sectors but they are interested in unique new products or materials that address niche applications with a clear competitive advantage. If you have, or know of, any potential technologies or products for this client, please contact:

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

Quotes of the Month

“You have to be careful about being too careful.” *Beryl Pfizer*

“It is a fine thing to have ability, but the ability to discover ability in others is the true test.” *Elbert Hubbard*

“Difficulties mastered are opportunities won.” *Winston Churchill*

“Discovery consists of looking at the same thing as everyone else and thinking something different” *Albert Szent-Gyorgi*

“Never express yourself more clearly than you are able to think.” *Niels Bohr*

“Action may not be happiness but there is no happiness without action”. *Benjamin Disraeli*

“If you can find a path with no obstacles, it probably doesn't lead anywhere”. *Frank A Clark*

“Go the extra mile, it's never crowded”. *Many authors*

“Modesty is the clothing of real talent.” *Pierre Veron*

"I don't believe in pessimism. If something doesn't come up the way you want, forge ahead. If you think it's going to rain, it will." *Clint Eastwood*

Keep staring at the black dot.
After a while 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

Termagant: (TUR-me-gent) Noun

1. Someone who is bullying or nagging
2. A shrew

Peccable: (PEK-e-bel) Adjective

1. Liable to error or to sin.
2. Capable of sinning; weak.

Raillery: (RAY-le-ree) Noun

Good humored joking or teasing. Banter.

Concinnity: (ken-SIN-i-tee) Noun

Elegance of literary structure or style.

The Changing Shape of Innovation

Background:

Innovation is one of the topics we get the most requests about and there are many specific aspects representing those requests. Many have been addressed in past newsletters such as "Innovation In Strategy", "Innovation Beyond The Lab" and "Innovation From The 'Outside In'".

Today's topic is going to be similar but we want to look at innovation from the '30,000 foot' perspective. The question is "Where Should We Innovate?" In other words, an organization needs structure and can't be innovative in everything; so how do we determine which area to choose and the priorities for innovation while maintaining controls in other areas?

First steps:

We recommend that a twofold approach be undertaken and in parallel that allows iterative feedback. These parallel approaches have several steps each and although they may sound like they can be accomplished in a 2-day retreat, they cannot. In fact, if an organization believes that, they are not ready for the effort.

The first of the approaches is an internal review of the organization (with outside help). This requires setting extensive criteria that go well beyond financial and timing guidelines. These criteria need to allow for prioritizing potential targets for innovation based on everything from the organization's culture to the specific industry position that is the current starting point. In addition, a core competency review must be made with an unbiased perspective being the critical component which means that it will be heavily weighted by what others think of the organization and not what the internal stakeholders believe. We have found this leads to eye-opening revelations on existing assumptions about areas such as why existing customers are buying today.

Secondly, an evaluation needs to be made by outsiders as to the existing and potential options for innovation. It is even better if the contributors don't know which specific organization they are evaluating which can be set up by a third party. We will get into specific mechanics below but there are several major 'keys' and a critical one is to have evaluations involve leaders who are either in analogous industries or markets, or even in totally different ones.

[This is exemplified by a recent project where we included representatives from venture capital in generating and evaluating new strategies for a specialty chemical company. Of course several perspectives could never be applied, but we were able to 'cherry pick' some as having large potential to create real competitive advantage.]

Mechanics:

First thing that must be done is to budget for the process and do so in a way that 'gets people's attention'. Even if the budget is set so large that it won't all be used, make sure that it sends a clear message to all in the organization that your interest is real. "If it isn't budgeted, it isn't serious". (Besides, controls can be set up on expenditures but a large 'overall' budget is critical).

Another key aspect is that this needs to be a 'top-down' process. Upper management needs to set the parameters and establish scope and charter with newly created criteria to apply. Then they need to clearly commit support to options that fall within those parameters even though the options may appear far afield from existing considerations. Upper management sets criteria then allows innovation to generate options. [This may be a sea change in attitude from existing structures where upper management requests options be presented and then they give opinions on attractiveness.] Innovation will not occur in that environment. It is best to set the criteria first and ensure that it is comprehensive so even the most 'out of the box' alternatives would be supported if they can be found to meet the qualitative and quantitative criteria. Once that is done, the implementers can look at alternatives that are beyond the obvious ones and then apply the criteria eliminating those that would not be supported.

Once, criteria is established it is time to get an outside perspective which will lead to innovation in ways not considered by an established firm in an industry with a rigid structure. To get started Porter's Five Forces is an excellent framework providing that it is not done internally. By having an outside perspective, new dimensions will be added with regard to relationships and interactions among the various 'forces'. Another cliché clearly applies and it is the one in which we are 'peeling away the onion'. Once this is established, the output can be a tool to present to others outside the organization (sanitized to ensure the organization is not identified) and then creative potential options can be considered based on the situations existing today. Porter's is one of many tools that can provide a foundation so it is only suggested an example. It is only one approach and many others should be considered.

An expected outcome would be a focus in innovating in new areas functionally. As an example, we recently completed a project for a chemical company in which their innovation had always followed the same model. Invent a new molecule or a way to functionalize materials in a new way. Then, follow the same business development and marketing sales models that were considered 'tried and true'. In our project, we found that the most innovative approach involved a new business model that entailed pricing that was not 'by the pound' but was based on over-all product usage. This created much greater net returns than the best new product they had invented in the past two decades. Thus, the innovation was in a completely new way that they would not have considered and it was driven by leaders in a different industry (software) who were presented a model of the business and asked to apply their innovation principles that were different than the chemicals based company's.

Summary comments:

In our experience innovation can come in many new forms and it can create tremendous new value if an organization leads in innovation in new ways in comparison to its competition. There should be 'nothing sacred' when looking at new ways to innovate. Yet it is critical to look at many options and then settle on one

or two new targets for innovation. An organization cannot consider too many changes at once unless it is desperate or wants to fail at achieving results. Creative problem solving is applied in that many options are identified but then focused down to one or two.

Other lesson's learned are:

- Continue to innovate as you have in the past as long as that investment was productive. If previous innovation was from R&D then continue that as well as looking at new innovation options.
- Don't focus on the implementation options at an early stage. We have been involved with clients who declared that innovation would occur via licensing; or technology transfer; or partnerships and alliances. These *may* be the implementation vehicles when all options are understood but it reduces innovation when you lock into implementation vehicles in the early stages. And, mostly this is done because the option require the least amount of capital investment which should only be considered after strategic options are identified and applied against criteria.
- Use benchmarking as a tool to quantify innovation options. It is powerful to recognize that an option that appears radical to your industry has a proven record of results in another. It also leads to acceptance if it turns out to be the best innovation option. Plus, it reduces risks by ensuring that innovation isn't "new-new". Both new to the world and new to the industry.
- Expect to spend money! Compare it to innovation that comes from your R&D as an internal benchmark. If your R&D is based on 4% of sales investment per year and generates \$20mm in new value per year. Then don't expect an investment of \$100K to generate the same amount. **This is the biggest fallacy that companies have.** ROI can be a multiple of returns from traditional innovation models but it is not 'infinitely' so. There is no silver bullet!

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

Mike Schmidt

The Philadelphia media were always highly critical of the Phillies even when they were playing well. Schmidt once said that that the city was set apart because "Philadelphia is the only city in the world where you can experience the thrill of victory and the agony of having to read about it in the papers the next day".

Groucho Marx

Groucho sent a now well-known letter to the Friars Club to which he belonged. It read, "please accept my resignation. I don't want to belong to any club that will accept me as a member".

Walt Disney

"How does it feel to be a celebrity?" Disney was once asked. "It feels fine," he replied; "when it helps to get a good seat for a football game. But, it never helped me to make a good film or get a good shot in a polo game, or command the obedience of my daughter. It doesn't even seem to keep the fleas off our dogs. And, if being a celebrity won't give an advantage over a couple of fleas, then I guess there can't be much in being a celebrity now is there?"

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:

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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.
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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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