



The PARAGON Perspective

PARAGON DEVELOPMENT

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From the President

For those of you not familiar with us and may have received this as a ‘forward’ from the original recipient, The PARAGON Perspective is sponsored by PARAGON Development.

We want to use this newsletter 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.

All issues of *The Paragon Perspective* are archived on our website, so you may easily pass along past issues to colleagues.

This month’s editorial is titled “*Cap X Mistakes---Part 1*”. Part 1 focuses on the underlying problems. Part 2 will focus on recommendations.

Jack T. Peregrim
 Pres., PARAGON Development
 Peregrim@ParagonDevelopment.com

Paragon Update

By all indications, 2013 is not being viewed as robust or expansionist. PARAGON is encouraged though as several key clients have already told us they will be engaging us at higher levels this year with a number of new project starts in Q1. A healthy indicator for us is the number of new clients as well as former clients with whom we have not worked in a few years who are once again investing in growth.

We are planning a redesign of our website in late Q1

Conferences

LES Exec 100
 Licensing Executives Society – Invitation only
 Phoenix, AZ. February 11-12, 2013

The Licensing Executives Society is a premier organization for licensing and commercializing technology and they hold a once a year event with an upper limit of 100 executive who hold relevant positions in corporations and universities. Service providers are not provided invitations. We have found the content, attendees, and format to be a superior value and would



recommend requesting registration for all who qualify at <http://LESUSACanada.Org>. The conference (and the attendees) is global.

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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 over six thousand individuals who are in executive positions who either oversee or practice 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.

Technologies of Interest

We have 2 new technologies to highlight and they are:

Cellulosic Biomass Conversion: A new technology has come to our attention that appears to have high potential. It is based on a silica based catalyst for converting cellulosic biomass to glucose. They can be described as artificial enzymes that can work effectively for months at 150°C.

For more information contact Beth Stewart at: Stewart@UnitedCatalyst.Com

Locking Water Filter: This is a new patented invention that offers protection against tampering with water filters in a wide variety of unsecured buildings (hospitals, schools, office buildings, etc).

More information can be found at WWW.CoolerTechnologies.Com
or by contacting Bob Lisenko at (203) 230-2873 or RLisenko@CoolerTechnologies.Com

Ultrasonic nozzles: A client has created nozzles that are ultrasonic and have very high levels of effectiveness in atomizing liquids includes those with high viscosity. This capability has large potential in fuel combustion, coatings, spray drying, and many other applications.

If interested contact: Jack Peregrim at (203) 288-4154 or Peregrim@ParagonDevelopment.Com

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Quotes of the Month

“Most people think that shadows follow, precede, or surround beings or objects. The truth is that they also surround words, ideas, desires, deeds, impulses, and memories.” *Elie Wiesel*

“There are two kinds of light—the glow that illuminates, and the glare that obscures.” *James Thurber*

“The man who strikes first admits that his ideas have given out.” *Chinese proverb*

“Diamonds are nothing more than chunks of coal that stuck to their jobs.” *Malcolm Forbes*

“I am always doing that which I cannot do in order that I may learn how to do it.” *Pablo Picasso*

“The best computer is a man, and it’s the only one that can be mass-produced by unskilled labor.” *Wernher von Braun*

“Riches do not consist in the possession of treasures, but in the use made of them.” *Napoleon Bonaparte*

“I would rather fail in a cause that will ultimately succeed than succeed in a cause that will ultimately fail.” *Woodrow Wilson*

“Problems are only opportunities in work clothes.” *Henry Kaiser*

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Interesting Words

Nugacity: (noo-GAS-i-tee) Noun
Triviality; futility



Praxis: (PRAK-sis) Noun

1. Practice as opposed to the theory.
2. Accepted practice or custom.
3. A set of practice exercises.

Sang-froid: (san-FRWA)

Calmness, especially under stress.

Tmesis: (tuh-MEE-sis)

Stuffing a word into the middle of another word. Examples are: a-whole-nother or abso-possitive-lutely.

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“Cap X Mistakes---Part 1”

Background:

We have had many projects where a client has a major capital project and a wide variety of specific objectives. Examples would be:

- Building a new plant or significantly expanding an existing one.
- Investing R&D toward a large new invention platform.
- Significant changes in products to meet new market requirements (geographic, industry, etc)
- Investing in meeting new environmental or other requirements.

What has been interesting is the type of issues we look at based on the stage we have been involved. It is a considerably different experience when it is in the planning and approval stage compared to projects that are after a large investment has been made. A recent example was based on a very similar material (bio-polymer). Our client had already spent \$30 million dollars for a large pilot production facility. After construction and debugging the client found they could not get the pricing required to justify operation in the targeted applications because of a competitive material that was much less costly and met new regulations for low VOC. Another client shut down their project when we quickly uncovered development of an alternative material. This is not meant to focus simply on our resources because the lessons go beyond the Voice-of-Market® process.

Underlying Problems:

The various types of Cap X projects have different primary reasons for their failures. The following have been key in many of the projects regardless the type of project. The first ones we will list represent underlying “personal judgment” which is probably the most common characteristic. Issues we have experienced are:

- Upper management empire builders. Without embarrassing specific organizations we can easily say that there have been several major corporations we have worked with in which the executive with the most political capital received an inordinate share of the financial capital to expand their operations while others that warranted investment with greater justification did not get support. In fact we had a project recently where we worked “both ends” of the problems for the same global corporation. We held Forums to help one business find new markets and applications to fill their excess capacity while also working for a different division to help with R&D portfolio management. The second division could not secure very justified development funds due to the overall organizational cutbacks implemented to counter the poor situation in the other major business in order to protect shareholder equity.
- “Hammer & nail” senior executives. If their backgrounds are strongly functional then that area has dominance in regard to analysis and assessment, and investment. There are too many examples to site but we have seen instances where Cap X decisions were very diverse when the decision was made by a senior executive who came from marketing versus when the executive came from manufacturing versus coming from finance. This was also applicable when the executives have different experience bases within a function. Examples would be one who had experience at one level on a vertically oriented value chain or had primary experience in a discipline such as chemistry or electronics in a horizontally integrated organization. Each tends to see the world within their limited experience base and make Cap X decisions based on their backgrounds.
- Senior executives who have personal predilections toward being visionaries or conservative or left or right brained or have any number of different Myers Briggs decision making preferences. Many Cap X decisions we have seen have been limited in success or been outright mistakes based on personal preferences and perspectives.



- The last of the strictly “people” reasons for failure is the career juncture that a senior executive is in. We have seen instances where senior executives have had recent failures and feel pressure to have a major success. Many, many poor acquisitions have resulted from an acquiring firm that had failed to get a deal made on several targeted acquisitions and just over-spent on the wrong ones because of that pressure. Or, a senior executive bases decisions on whether he or she has a long term contract or might be retiring in a short time. Cap X decisions are likely to be over or underfunded based on the career status of a key executive.
- Market projections have many different underlying reasons and we found the largest one is plainly poor information, especially where the information is generated internally or when the information is all secondary without independent confirmation. We helped a client look at new markets and applications because the Cap X production decision was based primarily on a new product capturing only 5 % in a targeted application where previous new products captured 3-34%. They made a decision like Harvard Business School students and ended up without any sales because they lacked an understanding about a dozen factors that were not even considered.
- Market projections based on 2 or 3 factors only. We have seen large investment failures where decisions were made based almost exclusively on things such as: more environmentally friendly, less calories, eliminates process steps, saves significant system costs, etc. There are *always* more factors than a few that will affect market success or failure.
- That customers and markets are rational. An assumption like this has burned many companies we have worked with. We are grateful that their mistakes have led to our projects to help them overcome their failures, but it would not be necessary if those clients had looked beyond the obvious to view what their customers were looking at instead of just looking at the customers themselves. The different viewpoint can change your knowledge dramatically. It is a very dynamic world and customers, markets, and industries change their needs very rapidly. What was a rational assumption over a long term may not apply any more.
- That engineering is a one-dimensional or “paint by numbers” process. We helped an organization with new product development driven by their initial failure to replicate a pilot scale plant that made materials with a particular functionality that was diminished at full scale. Our focus was on looking at new applications for the material with more limited properties but we also ran an Expert Forum focused on ways to fix the existing process. This was a success with minimal debugging that improved the functional value although not as initially projected. The client also uncovered a completely different process that will be much more efficient for future production. The issue was that the client made a decision of choice from 3 different engineering firms but none considered or presented the best approach anyway. The innovation was on the new material and no real innovation was done after that. The client basically worked things up to pilot scale and felt a reputable engineering company would succeed.
- Going cheap. We just had a client who issued an engineering study for \$3 million for a new plant after they had budgeted an internal market assessment effort with one internal person getting information for 3 weeks. One of our sponsors in another project had asked for a \$30,000 budget to get a much better understanding of the markets targeted and they were told no because it was not necessary. It is clear that there was no balance in making the right decision and many of the above issues were reflected in this example.

Recommendations:

Based on the scope of this topic and our commitment to limit the size of each newsletter, we will address the issues above in our March PARAGON Perspective.

In summary:

The summary of Part 1 is that there are innumerable issues when making any Cap X decision - both internal and external. As extensive as our processes are in evaluating these decisions, we just do not consider all we should or we use skewed decision processes. Because of the impact of these investments, we should not settle for 50% achieving their objectives that were made at the time of the investment decision.

PS:

We want to remind our readers that this section of the newsletter is open to anyone with a development topic or an approach they would like to share. Many of you - consultants, company managers, and academics - have very solid and profound contributions that could be presented in future newsletters. We ask that your submission be from 300 to 800 words. Let us know and we will gladly distribute your topic to the thousands of people on our distribution list. We agree that the copyright and ownership be kept by the contributor and that our only right is to reproduce it in conjunction with this newsletter.



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Anecdotes

George Washington

Early in the Revolutionary War, Washington sent one of his officers to requisition horses from the local land owners. Calling at an old country mansion, the officer was received by the elderly mistress of the house. "Madam, I have come to claim your horses in the name of the government," he began. "On whose orders?" demanded the woman sternly. "On the orders of General George Washington, commander in chief of the American army," replied the officer. The old lady smiled. "You go back and tell General George Washington that his mother says that he cannot have her horses," she said. And, she ended up keeping all her horses.

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Alliances and Partnerships

The number of organizations that we have worked with and collaborated with is too numerous to mention but we do want to add this section we will highlight an organization that we are comfortable endorsing to our wide body of readers. We will do this each month and then list those from the previous months with a few words about their focus and how they can be contacted.

This Month:

starlight design

Lisa Berko, LBerko@Charter.net or (203) 270-9161, www.starlightdesigngraphics.com

Starlight Design is a firm that does branding, logos, and graphics design. They provided the design for PARAGON which is on the top of this newsletter. We have been very pleased with the work and the fees were very reasonable. They went well beyond expectations with discussions with us on our focus and use of a logo and developed many options for our review and editing. High value and exceeding expectations describe our experience.

Last Month:

Firespec LTD

John Aitken, John@Firespec.Co.UK or (44) 7739 775509

Firespec LTD is an organization in Scotland who was engaged in a project with us and who we were very impressed with. They are focused on designing and meeting fire specs in buildings that includes inspections, consults, estimations, and all comprehensive services. For more information contact

Two months ago:

Global Sustainable Solutions

Jamshid Armaghani, Ph.D. P.E. Phone: (352) 336-1161, Mobile: (352) 338-2913, Jamshid@BellSouth.,Net

Global Sustainable Solutions is a consulting company that specializes in pavement and materials engineering, new product/technology evaluation and marketing. Focused on infrastructure engineering, they provide innovative and sustainable solutions and intelligence to public and private clients.

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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 and that you will let others who might find this newsletter useful know about our publication. Previous issues of our newsletters can be found at <http://www.paragondevelopment.com/perspective.html>. If you would rather not receive the newsletter please respond to this email and include the word REMOVE in the subject line or in the message. To subscribe to our newsletter, please send an email to contact@paragondevelopment.com and include the word SUBSCRIBE in the subject line or message. We will never sell your email address to others.

We encourage you to visit our website at <http://www.paragondevelopment.com> to find out more about PARAGON Development, who we are and how we assist our clients.

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