

The PARAGON Perspective
From the President

*We Extend Our Wishes for
a Very Prosperous & Fantastic 2008!*

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.

We welcome your comments on any topic and encourage you to contribute to future newsletters. The PARAGON Perspective is now beginning its seventh 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. We had asked for recommendations about changes to format; style; or substance in this newsletter in the last 2 editions and every response was a recommendation to not change things so we will keep it much as it has been the past few years.

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

This month's newsletter is the first of 2008. It is amazing that this is our seventh year for our business as well as this newsletter. The business topic we will focus on today is sharing a success competence of one of our clients in their use of "**Contractual Advantages in New Business Development**".

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

Paragon Update

We, at PARAGON, are very excited about this coming year. We anticipate another 'breakout' year carrying us even further in our own growth; just as 2007 had from our foundation the previous year. We have found that the Voice-of-Market™ Process is becoming a first choice in many areas and is being systematized into several functional areas creating a platform of 'planned' projects which serve to 'base-load our business.

We expect our rapid growth to continue outside of new business/technology/product development and also beyond the materials based clients that now represent just 50% of our business, where it had been 90% just 3 years ago. We have increased our number of projects in chemicals and materials but the growth in pharma; bio-tech; electronics; and software has been very dynamic. Also, we have many projects in M&A as well as a wide range of strategic development initiatives; so our growth has been both in new functional areas as well as new industries.

Conferences

This space is reserved for announcements of conferences or events that may have value to our readers.

PARAGON is not scheduled to attend any major conferences for the rest of this year but we would be more than happy to make any announcements if a reader sends one in.

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.

Technologies of Interest

1. New technologies of interest for license or acquisition are:

- Unique separations materials and processes with a focus on gas, liquid, and/or gas/liquid phase separations. Primarily for non-consumer applications.
- Specialty adsorbents with an emphasis on high value add markets such as environmental or healthcare

Anyone with technologies fitting the above should contact us and we will forward the responses to our clients so they can contact you directly.

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

Quotes of the Month

“Necessity is the mother of taking chances.” *Mark Twain*

“He that can have patience can have what he will.” *Benjamin Franklin*

“Discoveries are often made by not following instructions; by going off the main road; by trying the untried.” *Frank Tyger*

“An invasion of armies can be resisted, but not an idea whose time has come.” *Victor Hugo*

“Most people are willing to pay more to be amused than to be educated.” *Robert C Savage*

“Not what I have, but what I do is my kingdom.” *Thomas Carlyle*

“We would all like a reputation for generosity and we would all like to buy it cheap.” *Mignon McLaughlin*

“Any fool can criticize, condemn, and complain---and most do.” *Dale Carnegie*

“Habits are like supervisors that you don’t notice.” *Hannes Messemer*

“The louder he talked of his honor, the faster we counted our spoons.” *Ralph Waldo Emerson*

“It doesn’t hurt to be optimistic; you can always cry later.” *Lucimer Santos de Lima*

Interesting Words

Chav: (chav) Noun

A youth whose behavior is marked by ignorance, aggression, and a fondness for jewelry and clothing.

Adscititious: (as-si-TISH-uhs) Adjective

Derived from outside; external; additional.

Bunbury: (Bun-buh-ree) Noun or verb

n. An imaginary person whose name is used as an excuse to some purpose. Especially to visit a place.

v. To use the name of a fictitious person as an excuse

Jentacular: (jen-TAK-yuh-luhr) Adjective
Relating to breakfast.

Riant: (RI-ant) Adjective
Smiling; cheerful.

“Contractual Advantages in New Business Development”

Discussion focus:

The point of this discussion is using contracts as a means of achieving sustainable competitive advantage. Much as patents and other intellectual assets can do.

We have innumerable examples where our clients have been challenged in developments because they are facing situations where a competitor has an area tied up because of contractual agreements *exemplified* by: bundling of multiple offerings; joint development agreements with a hold well after development; long term supplier agreements; formal strategic alliances; rights of refusal agreements; etc. We have had clients with new processes, products, and technologies that have had their value capture potential diminished considerably because of these agreements. Yet there are many industries that do not even attempt to make contractual advantages an early; proactive; and critical part of their strategy.

Example:

In order to protect the ‘guilty’ (not to mention a very good client) we will sanitize this case study but keep the salient aspects accurate. Our client is a materials based organization that invented an additive that could be added to polymers and provide new functionalities while also lowering costs to customers. The lower costs were primarily in operational efficiencies and minimized use of a different additive. Our client identified the 2 applications in which their advantages were most pronounced and moved to commercialize in the two applications which had an original estimated potential of over \$70 million U.S. combined per year. They tried to commercialize their product for almost 3 years and only have minimal sales to date in an Asian market segment and in Latin America. The reason for the poor results were different in each application but they were based on non-IP barriers (contracts) established by the existing additive suppliers.

In one instance; the 2 main suppliers had made contractual agreements with the major end-use customers to expend certain resources to continue to improve their material in final applications and they had locked in supplier agreements with set pricing, volume, and development milestones. There was little IP involved; and the cost of switching was based on penalties for making that switch within a reasonable period of time. Our client would require at least 5 years to have a positive NPV in this area, yet they could deliver a better product at lower cost today. (We had found out during one of the Forums that the first supplier of the existing additives did plan very systematically to lock up the markets contractually instead of with IP.)

The second application area involved our client’s competitor who lobbied government agencies to have specifications established in which only their additive could meet the specs. The main customers were then offered the additive in a bundled package where they had to buy the additive and could get it at a substantial discount if lower value products were also purchased. This, in essence, locked up the application for the competitors with another very minimal IP foundation established around making the additive.

Several recommendations are:

- Benchmark other organizations in your industry but also and specifically include analogous industries that have been successful with using contracts to establish competitive advantage. Draw up a list of ‘foundation’ strategies that could be customized.
- Include a ‘contractual’ strategy as part of your business plan or development plans. That would force a formal and comprehensive consideration of options and will include evaluating: existing contractual issues you will face; potential new ones as a competitive response; plus your own best contractual approaches.
- Include a contract specialist on your business team whose focus and experience is more in business strategy than legal. (You can always have the lawyers ‘fine-tune’ agreements later)
- Set up a competitive intelligence effort to uncover as much as legally possible about competitors’ contracts with major customers. *Many are required to be filed or made public and particularly by the customers.*

Summary:

The above discussion and recommendations only scratch the surface on this issue but we would not be able to comprehensively explore this area if we increased this exponentially. At least we hope to have provided food for thought and an awareness of a very, overlooked issue in new business development.

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.

PS:

We want to remind our readers that this section of the newsletter is open up to anyone with a development topic or an approach they would like to share. Four of the twelve topics of 2007 were submitted by others and we know many consultants, company managers, and academics who have very solid and profound contributions they could make in future newsletters. We ask that it be from 600 to a 1000 words although that is not a 'hard' range. Let us know and we will gladly distribute your topic to the thousands of people on our distribution list. Also, we will agree that the copyright and ownership is kept by the contributor and that we only have a right to reproduce it in conjunction with this newsletter.

Trivia

1. What is the largest joint in the human body?

The knee.

2. What is Dorothy's last name in the Wizard of Oz?

Gale.

3. Why are traditional Venetian gondolas always painted black?

The regulation to do so is in line with the strict sumptuary laws passed in the 16th century whereby the power of the great Venetian Republic was in rapid decline. This was meant to curtail the extravagance of the wealthy classes to had vast sums of wealth and who furnished and embellished their gondolas in ostentatious ways.

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

<http://www.paragondevelopment.com>

PARAGON Development

1485 Dunbar Hill Rd. Suite 4010

Hamden, CT. 06514

(203) 288-4154

www.ParagonDevelopment.com

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 employees and affiliated industry partners are dedicated to helping clients optimize their planning and development efforts. We bring a network of 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. 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 paste 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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