

The PARAGON Perspective

From the President

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 perspective can be invaluable in both determining and capturing new value, balancing present project requirements while facing limited resources due to economic uncertainty. The title is: "**Project Management with Reduced Budgets**".

We hope your New Year is off to a productive and prosperous beginning!

Jack T. Peregrim
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Paragon Update

Amazingly, PARAGON has maintained the high and record level of business we had been enjoying in 2008. Our first quarter looks very busy and we attribute it to many factors not the least of which is our providing cost effective ways to evaluate and move the right projects and initiatives forward. It is more critical than ever to make sure that resources are being applied only to projects that receive independent, outside validation.

We have Forums and formal project kick-offs in January spread over 3 continents. That 'reach' has also helped us from a business perspective in maintaining our level of project work and there may be a lesson there for many others who rely on narrowly defined industry or geographic markets.

Conferences

LES (Licensing Executives Society)
Winter Meeting
February 25-27, San Antonio, TX

LES is an organization that is best in class in technology transfer and intellectual asset management well beyond the licensing aspect of it. We will be presenting there and assisting in a round table exchange of best practices. We thoroughly recommend this conference and hope to see you there. Information and registration is at: <http://www.usa-canada.les.org/meetings/2009winter/>.

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

Wax modifier: A client had developed an additive that modifies waxes with many new property improvements. One key one is that it makes waxes more adhesive which enables significant possible improvements in hot melt adhesives and sealants in cost reductions and enabling use in new areas. A key focus is on package sealing as an initial development focus.

Thermo-set process: A client of ours has developed a new thermoset material that offers better processability to comparable thermosets, such as polyurethanes, while improving properties and lowering costs in many composites applications. Initial focuses are on pressure vessels; transportation components; and alternative energy. Specific interest in those is of great value.

Preservative alternative: A client has a material and design/process to incorporate a very environmentally friendly chemistry into packaging and packaged materials such as wipes and thus eliminate adding preservatives. Initial testing has shown efficacy with no diminished product protection or 'trade-offs' but potentially allowing claims such as "no preservatives added" or possibly even "preservative free".

Additive materials for coatings: A client is interested in licensing or acquiring either binder or additive materials that have differentiation in specialty; high performance; and industrial coatings. Specific materials of interest would be those that enable 'smart coatings' in both architectural and industrial paints plus technologies that enable reduction of TiO₂ and other pigments without compromising quality.

For more information on the above opportunities contact
Jack Peregrim @ (203) 288-4154 or Peregrim@ParagonDevelopment.com

Quotes of the Month

"We are continually faced with by great opportunities brilliantly disguised as insoluble problems." *Lee Iacocca*

"When one door closes, another opens; but we often look so long and so regretfully upon the closed door that we do not see the one that has opened." *Alexander Graham Bell*

"One of the advantages of being disorderly is that one is constantly making exciting discoveries." *A. A. Milne*

"The best way to have good ideas is to have lots of ideas." *Linus Pauling*

"YOU must be the change you wish to see in the world." *Mahatma Gandhi*

"If you have knowledge, let others light their candles in it." *Margaret Fuller*

"Life is great big canvas and you should throw all the paint on it that you can." *Danny Kaye*

"Let us be thankful for the fools. But for them the rest of us could not succeed." *Mark Twain*

"He who is carried on another's back does not appreciate how far off the town is." *African proverb*

Interesting Words

Quidnune: (KWID-nungk) Noun
A nosy or gossipy person

Argal: (AHR-guhl) Conjunction, adverb
Therefore

Absquatulate: (ab-SKWUCH-uh-layt) Verb
To leave in a hurry; to flee

Golconda: (gol-KON-duh) Noun
A source of great wealth

Doolally: (DU-lah-lee) Adjective
Irrational, deranged, or insane

November newsletter response

The following is another response to our November perspective entitled: "Big Fish; Little Fish". The author has asked to remain anonymous. We want to thank the author for sharing experiences and insights on this topic.

Dear Jack,

Here are some other random comments I'll share with you:

Regarding "Big Fish", I recommend the simple book "The Medici Effect", which outlines the different types of innovation and their associated differences in style, management, reward, etc. Incremental innovation is often pushed by conservative managers who seek the comfort of metrics and measures of incremental progress. Radical innovation is unlikely in such an organization -- and radical innovators will likely be miserable and make their bosses miserable. I think radical innovation needs insulation and isolation from the rest of a conservative company -- and that's hard to establish or maintain, especially in tough times.

In a previous organization, I confronted HR that my compensation pool was stagnant. Over several years compensation had decreased plus other benefits decreased against inflation (while the company's sales rose 50%, executive compensation skyrocketed). With many billions of dollars in sales, the \$20M CEO compensation wasn't considered out of line, but I pointed out that if just as much was spread among the company's thousands of workers, each employee would have over a \$2000 raise -- which would have put most of us ahead of inflation. Rationalizing a few EVPs compensation could have added another \$1-2k/employee, and I wasn't advocating equal distribution without merit consideration either. Why does a BoD approve such outrageous salaries, which clearly have negative impact on morale, productivity, and retention of staff? I can only guess its less risk for them. If they don't pay their execs enough and they bolt, the BoD looks bad. And if the execs destroy the company, it's not the BoD's fault -- after all they hired the "best" and paid them well. HR's response to me was interesting too. First, it was apparent that "You're no longer of this company" by verbalizing these issues (and I wasn't -- I'd already decided to leave). Secondly, they acknowledged that the company had over hired and needed to downsize, layoffs were even likely, so retention was no longer a goal of theirs. I questioned whether HR was doing their job appropriately by not targeting retention, but they were concerned with headcount and dollars, not staff quality, productivity, etc. (that will sort out at lower levels). In good years, our CEO said, "My job is to keep the stock price up." His comp was a few \$M then, when the stock went up 400% over several years. As the stock dropped half way back, his comp soared, and he argued that the stock would have gone much lower were it not for his management. Yet those below him are supposed to be held accountable to their metrics. And fear of accountability drove us to only do things that could be measured -- which excludes radical innovation that was more necessary than ever.

"Project Management with Reduced Budgets"

It is obvious that 2009 will be the poorest year we may face in our lifetimes. We will face unique challenges in our growth plans and projects and we need to handle things differently than we might have preferred in the past. The following are some of our thoughts about looking at growth projects and initiatives in 2009.

The first area is about psychologically moving away from the expectations we held in the past. This is a 'different world' and we need to shake the paradigms of our experience and forget the following:

- that we can count on having the resources we need to do things the way we want. This sounds naïve but we are hearing from different clients in areas such as their R&D that they are 'sure' there will be no cut backs. The same is also said by our clients in academia. We will face reduced resources and we need to accept it and deal with it.
- that corporations will not put off investments in the future. Companies will delay even the largest potential opportunities to manage the coming financial quarters very closely.
- that we can get what we need by just pursuing partners and alliances to provide the resources we cannot provide internally. The best possible partners are in the same situation we are.

- that we should avoid those industries facing the greatest challenges. Areas such as automotive and banking seem like areas that should not be targeted at this time but they may be the best opportunities if your value proposition is in line with their needs.
- forget cash flow projections based on previous experience. Most payments will be delayed during the year and particularly in the last month of each quarter.

The following are recommendations that we suggest in 2009.

- Think, live, and breath 'cost effective'. Our growth comes from adding value which is primarily solving problems. Many times the problems are ones of improving things and allowing clients and customers to do things they want to. This is a time, however, where we need to focus on things that are **needed** over those that are wanted. We suggest looking at your project portfolios and separate them according to need and want from a customer perspective. It sounds simplistic but it is very effective and an informal survey of our clients has not uncovered anyone doing it formally.
- Taking the previous item a step further it is redefining our value propositions. "Better tasting; less filling" We need to emphasize one over the other when the past had better outcomes the other way. An example is the simple 'equation' where value received is equal to functional benefit over (divided by) cost. At this time lowering the denominator a very small amount will have much more value than increasing the numerator. Therefore we propose changing the equation to Value= 10 X Functional Benefit/cost. This articulates that lowering costs by 1% has the same value as increasing performance by 10%
- Look at 'over-all costs' such as lifecycle costs in using your products downstream to a much greater extent than you had in the past. And, document with supporting data those areas that provide an advantage to your product or service offering.
- Embrace but don't rely on past customer intimacy. Customer intimacy may be a considerable influence but the rate of change in your customers may obsolete any efforts that have been made. It is still worthy of the effort and actually presents new opportunities where restructuring and changes at your competitor's main customers could open doors for you! If you make the effort to follow things even more closely than normal and increase contact efforts.
- Plan on 'positive' personnel changes. Now is the time to make changes that would have both short and long term value. There are many very qualified and valuable professionals who will be available and they are the type who may not be attainable except during extraordinary times such as this one. This is exemplified by a client of ours in the chemical industry who, in the fourth quarter, reduced his sales and marketing staff by 5 people although the upper management requested a reduction of 2. He then hired 2 new people who were in key positions in the industry served by the client and they were able to gain immediate, new customer intimacy; much better understanding of downstream value capture options; and the knowledge needed to make new strategic plans long term. The benefit of the two new people was considerably more than the reduction of the 5 and that was not to diminish them as we knew them to be very productive, loyal, hard workers.
- Look at BIG investments for growth over smaller ones! The analogy in baseball is to look for home runs over many singles. Now is the time when acquisitions are valued at an all time low and yet the interest rates are also low if borrowing is needed. Plus, the dynamics are such that acquisitions are possible without the ramifications that may have been felt in the past. Examples would be a downstream play that competes with a customer in a limited way or even acquiring a competitor facing financial problems that would not face stronger regulatory concerns. There are dozens of scenarios where the time is right for major platform investment.

Summary:

As we began to think about the 2009 challenges we realized that there was no way to capture all of the considerations and recommendations that would be appropriate. We have highlighted a few above and we don't claim they are the best or most important. We hope to use the first 3 months of 2009 to continue the discussion about the unique challenges this year will bring and we would appreciate our reader's comments and recommendations that can be incorporated into this forum. We can include your contributions anonymously or by acknowledging the source which we prefer.

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. Why didn't nature invent the wheel?

It did only we didn't notice until fairly recently. Nature uses round discs to move about on a microscopic level. Bacteria use 'wheels' to get around; they employ what is known as bacterium flagellum (a rotating mechanism that drives them along). Half of all known bacteria have at least one flagellum, which works by attaching itself to a "wheel" in the cell membrane. This wheel also generates electricity by rotating at huge speeds (up to 100 times per second), causing fluctuating charges in a ring of proteins that is attached to the cell membrane. Sounds sophisticated because it is and is considered major advancement when we did it but bacteria have done it for eons!

2. What did actor Steve McQueen invent and patent in 1970?

The bucket seats for racing cars.

3. What are the only animals outside humans to have fingerprints?

Koalas. Their fingerprints are indistinguishable from humans.

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 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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