



## 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 *“New Ventures”*. It was a pleasure to collaborate on this joint effort with Dr. Les Goff, a director at TPMG (The PEREGRINE Maven Group) and look forward to future collaborations. PARAGON is a proud member of TPMG, as well.

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#### Paragon Update

New clients and old that have been inactive for years seem to be the name of the game this past Quarter. Many of our larger clients have postponed Q1 project work and are starting in Q2. We are very happy to be busy with work in the first quarter with new clients.

#### Conferences

**LES Spring Meeting**  
**May 14-16**  
**Seattle, Washington**

The Licensing Executive Society is the preeminent organization for intellectual property and technology transfer with a business value perspective. This meeting will have hundreds of attendees who will learn about best practices in licensing and intellectual property in a broad sense. It is also set up to have healthy exchanges in networking sessions in addition to excellent content driven presentations. <http://www.lesusacanada.org/meetings/spring-meeting/2013-spring-meeting>



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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

No new technologies for April have been sent to us to post as of the deadline.

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## Quotes of the Month

“Humor is emotional chaos remembered in tranquility.” *James Thurber*

“Trying to determine what is going on in the world by reading newspapers is like trying to tell the time by watching the second hand of a clock.” *Ben Hecht*

“The more sand that has escaped from the hourglass of our life, the clearer we should see through it.” *Jean-Paul Sartre*

“Anyone who conducts an argument by appealing to authority is not using his intelligence, he is using his memory.” *Leonardo da Vinci*

“I have always thought the actions of men the best interpreters of their thoughts.” *John Locke*

“A handful of patience is worth more than a bushel of brains.” *Dutch Proverb*

“Luck is the residue of design.” *Branch Rickey*

“A wise man makes more opportunities than he finds.” *Sir Francis Bacon*

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## Interesting Words

**Discursive:** (dis-KUHR-siv) Adjective

1. Jumping from topic to topic, rambling
2. Proceeding logically, using reasoning or argument instead of emotion

**Palimpsest:** (PAL-imp-sest) Noun

Something reused but still showing traces of its earlier form.

**Uxorious:** (uk-SOR-ee-uhs) Adjective

Excessively devoted or submissive toward one's wife.

**Sprezzatura:** (spret-sah-TOOR-uh) Noun

Doing (or giving the appearance of doing) something effortlessly; effortless grace; nonchalance.

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## “New Ventures”

by Dr. Leslie Goff & Jack T. Peregrim

Technology Start ups

New start-ups (especially technology based ones) typically are unbalanced in their development because too much emphasis is focused on technology development over market, business development and management. In a study reported by The



Journal of Applied Economics and Business Research, ("*Critical Success Factors of the Survival of Start-ups with Radical Innovation*") successful new ventures have a balanced development profile with market knowledge and business management as key components early in their history.

One of the main findings is that market understanding and pull through are critical to success no matter how differentiating the invention. The five 'P's are critical to success (product, performance, placement, price and people). Value innovation is also cited which is a combination of invention with usefulness, process, and cost. It is critical that the new start-up have a value proposition and understand customer and market needs for its product to drive strategy and direction. It is an aberration when technology development alone leads to any commercial success and that is greatly diminished over the potential when it may occur. In fact M.A. Schilling presented in his book "*Strategic Management of Technological Innovation*" that it is a necessity to have clear customer needs and business standards to deliver solutions. Without those components, markets will not accept new innovations based on risk of change from existing and established products. Success is much more than superior technology because that technology is acquired based on business value.

Another reference is from Sandberg in his book "*Managing and Marketing Radical Innovations*". He remarks "for an innovation to be successful it must satisfy the needs of customers, although it is unclear who exactly the customers will be". Thus there suggests a clear need for market knowledge and development. He goes on to say "Unfamiliarity causes fear and resistance, the newness of the products encourages the focus on irrational needs and time and effort must be invested to overcome the problems with the interaction...resistance to acceptance is increased by uncertainty of advantages and risk of using the new product and the appeal of the product can be diminished when the product is still in the pilot phase."

Some of the problems cited in the article referenced above that led to failure or minimized success were:

- Largely unknown size of market and customer needs.
- Uncertainty on how to manage a radical innovation.
- Non-existing distribution channels, 'enabling, supporting' technologies and products, and non-matching quality and/or regulatory norms.
- Resistance to change in the current established order with uncertainty the first response from potential customers.

In "*Organizational Competencies for Radical Innovation*", Brinks offers that the most important factors influencing success are technological skills and differentiation, market insight, and being entrepreneurial (business). He shows a business model that begins with radical technological innovation but then requires the other factors in coordination that generates a venture success.

There are many additional studies that confirm and quantify that commercial success does require a balanced approach of technology, business, and market development. In fact, a key component of all successful ventures are the solid business plan that is really a summary of all three contributions.

We would also like to add our own experience to the foundation of the many studies. We will begin with a few of the main issues we find in new ventures that diminish the time to success or the impact. They are:

- Inventors who focus primarily on noncommercial success. No matter what they say publically and especially to investors, they intend to focus primarily on advancing the technology and not the venture dependent upon it. A 'healthy balance' is 90% on technology development, 5 % on market development, and 5 % on business. Until that is adjusted, every new cycle will follow the same pattern even if the communication to attain the funding does not reflect it.
- Business plans should have several key contributors and not just a single one. We have found that most business plans written by inventors quantify the technology presented but the market and business sections are at the most qualified even though they are presented as well and informative as the technology. There are many business plans on the internet where it is easy to cut and paste the corresponding sections that make the overall plan appear professional and comprehensive when, overall, they are just looking to justify continued support of the technology or product.

- Lack of market and customer interaction is a key failure factor because invention (new technology) does not advance into innovation (practical application of invention). If possible there should be direct contact with the customer (end user) and customer needs defined.
- Inventors or Founders of the company sometimes do not want to share rewards with anyone else (Money, control, glory, etc). Thus, they do not invest in success until they have been assured failure, which, unfortunately is past the point of recovery in many cases. Of course, care has to be taken in the sharing but not to do so at all, ensures failure.
- Investors are reluctant or unable to ensure that a new venture is in balance. Many angel firms today will incorporate risk into their investment model based on the way things are done today and not how it can be handled differently. They invest on the improvement potential of the technology and bet the upside, thus this improvement alone will ultimately generate a few that will cover the cost of the many. Therefore, they are investing in the inventor, which is what they should do, but they could add a more balanced requirement as referenced in the studies cited above.
- Considering most start-ups are always in the process of raising money. Having the right people in the company and experienced advisors solidifies talent, network and experience, which is key to acquiring financial support and the business success that may follow. Having the correct cross-functional team and the right advisors/board members should bring the correct skills and network to address challenges as they arise. Different stages of the company's life will require different expertise. Also, as a company grows and matures team and talent should also change depending upon the needs and challenges.

In concluding this perspective essay, we want to recommend actions and methodologies that will create and optimize successful ventures. A few key recommendations are:

- Involve experienced outsiders early in the process and particularly on the market development issues. This is for two main reasons. The first is that it may be a mistake to commit too early to a specific market development investment until it can be determined that the targeted market is the right one. Thus, use outsiders who are not limited to experience in any single market regardless how much you view that initially as the best one. The second reason is because the commitment at first is limited and not long term so the initial inventors and investors can maintain control longer until certain that a final choice is the right one to create value. Make sure there is a cross-functional team involved.
- Another recommendation is to do the same with business management. Use external people until a quantified understanding is apparent about what is needed long term and who best can deliver what is necessary.
- Investors need to ensure that a balanced approach is taken even in the early stages of development. Inventors will resist any effort to have anything done that might limit continuous technology advancement but a firm budget (with balance & milestones) may be more valuable than a well written business plan.
- Set 'stop points' in technology and product development where accomplishments require market and business confirmations before advancing any further. This would eliminate advancing invention too far while sacrificing innovation.

In summary, there is quantified need for taking a balanced approach to new ventures if business success is the ultimate goal. And, there is significant history that very few new ventures do take that balanced approach. Therefore, we recommend you assume you are in the category that is unbalanced because you are and you do what is necessary to increase your potential for success.

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

### **Benjamin Harrison, U.S. President**

Harrison took the 1888 election results very calmly. He waited to hear about his local Indiana results then went to bed at 11:00 PM. The following morning a friend, having called at midnight to congratulate him, asked why he had retired so early. The President-elect explained, "I knew that my staying up would not alter the result if I were defeated, while if I was elected, I had a hard day in front of me. So, a night's rest seemed the best in either event."

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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](mailto:contact@paragondevelopment.com) and include the word SUBSCRIBE in the subject line or message. We will never sell your email address to others.

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