



PARAGON DEVELOPMENT

The PARAGON Perspective

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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.

First and foremost, we wish to thank our readers for your continued patronage.

Besides our wishes for success, 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 a contribution forwarded to us. It is in the form of a letter from Jeffrey Bezos, CEO of Amazon. It has a very good perspective on overall business attitude and perspective and is entitled “**Day 1.**”

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

Paragon Update

Q2 is strong. New services we offer supporting M&A are being received at levels beyond projection and expectation especially on the sell side. We have a healthy number of new projects with new clients which we are very grateful to see.

Last year we tested a new process that has proven to be very successful and valuable. We have been involved in technology and new product startups beyond our traditional client base bringing individual experience in addition to access to outside experts. We are ready to offer an initial discussion to anyone interested and we appreciate referrals.

Conferences

Air & Waste Management Annual Conference
Pittsburgh, PA. June 5-8, 2017
<https://WWW.AWMA.Org>

This is an extensive exhibition and conference and could appeal to anyone in the industry directly but also to anyone developing and producing products where environmental issues could be involved.

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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.

The following items were submitted in the past month:

- A client is looking for any new additive or technology that improves the properties of rubber
- A client is interested in any technology they may employ which would modify the properties of EPS. Their interest is broad and could enhance one or multiple properties and may involve additives or process modification.

If interested, contact Jack Peregrim. [\(203\) 288-4154](mailto:Peregrim@ParagonDevelopment.Com)

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Quotes of the Month

"It is our attitude at the beginning of a difficult task which, more than anything else, will affect its successful outcome. The greatest discovery of my generation (1800's) is that a human being can alter his life by altering his attitudes." *William James*

"Testing can show the presence of errors, but not their absence." *Edsger Dijkstra*

"If they can get you asking the wrong questions, they don't have to worry about the answers." *Thomas Pynchon*

"The first method for estimating the intelligence of a ruler is to look at the men he has around him." *Niccolo Machiavelli*

"The key to good decision making is not knowledge. It is understanding. We are swimming in the former. We are desperately lacking in the latter." *Malcolm Gladwell*

"No man needs sympathy because he has to work, because he has a burden to carry. Far and away the best prize that life offers is the chance to work hard at work worth doing." *Theodore Roosevelt*

"There are two kinds of truth: the truth that lights the way and the truth that warms the heart. The first of those is science, and the second is art. Neither is independent of the other or more important than the other. Without art, science would be as useless as a pair of forceps in the hands of a plumber. Without science, art would be a crude mess of folklore and emotional quackery. The truth of art keeps science from becoming inhuman, and the truth of science keeps art from being ridiculous." *Raymond Thornton Chandler*

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Interesting Words

Nugatory: (noo-guh-tor-ee) Adjective

1. Of little value; trifling.
2. Having no force; ineffective

Fructify: (FRUHK-tuh-fr) Verb

To make or become fruitful.

Au Courant: (oo koo-RAN) Adjective

1. Up-to-date; fully-informed
2. Fashionable..

Excursus: (ik-SKUHR-suhs) Noun

1. A detailed discussion about a particular point, especially when added as an appendix
2. A digression



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“Day 1”

The following letter was sent to us. It is from Jeff Bezos of Amazon responding to the investors regarding a question about 'Day 1' and what it means to his company. We really liked the lesson here for all of us even if our 'Day 1' is long past. The issue is how can we re-start to Day 1 and never leave it. Work backwards and have plans and commitments that support it.

“Jeff, what does Day 2 look like?” That’s a question I just got at our most recent all-hands meeting. I’ve been reminding people that it’s Day 1 for a couple of decades. I work in an Amazon building named Day 1, and when I moved buildings, I took the name with me. I spend time thinking about this topic. “Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And, that is why it is always Day 1. “To be sure, this kind of decline would happen in extreme slow motion. An established company might harvest Day 2 for decades, but the final result would still come. I’m interested in the question, “how do you fend off Day 2?” What are the techniques and tactics? How do you keep the vitality of Day 1, even inside a large organization? Such a question can’t have a simple answer. There will be many elements, multiple paths, and many traps. I don’t know the whole answer, but I may know bits of it. Here’s a starter pack of essentials for Day 1 defense: customer obsession, a skeptical view of proxies, the eager adoption of external trends, and high-velocity decision making. True Customer Obsession There are many ways to center a business. You can be competitor focused, you can be product focused, you can be technology focused, you can be business model focused, and there are more. But in my view, obsessive customer focus is by far the most protective of Day 1 vitality. Why? There are many advantages to a customer-centric approach, but here’s the big one: customers are always beautifully, wonderfully dissatisfied, even when they report being happy and business is great. Even when they don’t yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf. No customer ever asked Amazon to create the Prime membership program, but it sure turns out they wanted it, and I could give you many such examples. Staying in Day 1 requires you to experiment patiently, accept failures, plant seeds, protect saplings, and double down when you see customer delight. A customer-obsessed culture best creates the conditions where all of that can happen. Resist Proxies As companies get larger and more complex, there’s a tendency to manage to proxies. This comes in many shapes and sizes, and it’s dangerous, subtle, and very Day 2. A common example is process as proxy. Good process serves you so you can serve customers. But if you’re not watchful, the process can become the thing. This can happen very easily in large organizations. The process becomes the proxy for the result you want. You stop looking at outcomes and just make sure you’re doing the process right. Gulp. It’s not that rare to hear a junior leader defend a bad outcome with something like, “Well, we followed the process.” A more experienced leader will use it as an opportunity to investigate and improve the process. The process is not the thing. It’s always worth asking, do we own the process or does the process own us? In a Day 2 company, you might find it’s the second. Another example: market research and customer surveys can become proxies for customers – something that’s especially dangerous when you’re inventing and designing products. “Fifty-five percent of beta testers report being satisfied with this feature. That is up from 47% in the first survey.” That’s hard to interpret and could unintentionally mislead.

Good inventors and designers deeply understand their customer. They spend tremendous energy developing that intuition. They study and understand many anecdotes rather than only the averages you’ll find on surveys. They live with the design. I’m not against beta testing or surveys. But you, the product or service owner, must understand the customer, have a vision, and love the offering. Then, beta testing and research can help you find your blind spots. A remarkable customer experience starts with heart, intuition, curiosity, play, guts, taste. You won’t find any of it in a survey. Embrace External Trends The outside world can push you into Day 2 if you won’t or can’t embrace powerful trends quickly. If you fight them, you’re probably fighting the future. Embrace them and you have a tailwind. These big trends are not that hard to spot (they get talked and written about a lot), but they can be strangely hard for large organizations to embrace. We’re in the middle of an obvious one right now: machine learning and artificial intelligence. Over the past decades, computers have broadly automated tasks that programmers could describe with clear rules and algorithms. Modern machine learning techniques now allow us to do the same for tasks where describing the precise rules is much harder. At Amazon, we’ve been engaged in the practical application of machine learning for many years now. Some of this work is highly visible: our autonomous Prime Air delivery drones; the Amazon Go convenience store that uses machine vision to eliminate checkout lines; and Alexa, our cloud-based AI assistant. (We still struggle to keep Echo in stock, despite our best efforts. A high-quality problem, but a problem. We’re working on it.) But much of what we do with machine learning happens beneath the surface. Machine learning drives our algorithms for demand forecasting, product search ranking, product and deals recommendations, merchandising placements, fraud detection, translations, and much more. Though less visible, much of the impact of machine learning will be of this type – quietly but meaningfully improving core operations. Inside AWS, we’re excited to lower the

costs and barriers to machine learning and AI so organizations of all sizes can take advantage of these advanced techniques. Using our pre-packaged versions of popular deep learning frameworks running on P2 compute instances (optimized for this workload), customers are already developing powerful systems ranging everywhere from early disease detection to increasing crop yields. And we've also made Amazon's higher level services available in a convenient form. Amazon Lex (what's inside Alexa), Amazon Polly, and Amazon Recognition remove the heavy lifting from natural language understanding, speech generation, and image analysis. They can be accessed with simple API calls – no machine learning expertise required. Watch this space. Much more to come. High-Velocity Decision Making Day 2 companies make high-quality decisions, but they make high-quality decisions slowly. To keep the energy and dynamism of Day 1, you have to somehow make high-quality, high-velocity decisions. Easy for start-ups and very challenging for large organizations. The senior team at Amazon is determined to keep our decision-making velocity high. Speed matters in business – plus a high-velocity decision making environment is more fun too. We don't know all the answers, but here are some thoughts. First, never use a one-size-fits-all decision-making process. Many decisions are reversible, two-way doors. Those decisions can use a light-weight process. For those, so what if you're wrong? I wrote about this in more detail in last year's letter.

For something amusing, try asking, "Alexa, what is sixty factorial?"

Second, most decisions should probably be made with somewhere around 70% of the information you wish you had. If you wait for 90%, in most cases, you're probably being slow. Plus, either way, you need to be good at quickly recognizing and correcting bad decisions. If you're good at course correcting, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure. Third, use the phrase "disagree and commit." This phrase will save a lot of time. If you have conviction on a particular direction even though there's no consensus, it's helpful to say, "Look, I know we disagree on this but will you gamble with me on it? Disagree and commit?" By the time you're at this point, no one can know the answer for sure, and you'll probably get a quick yes. This isn't one way. If you're the boss, you should do this too. I disagree and commit all the time. We recently greenlit a particular Amazon Studios original. I told the team my view: debatable whether it would be interesting enough, complicated to produce, the business terms aren't that good, and we have lots of other opportunities. They had a completely different opinion and wanted to go ahead. I wrote back right away with "I disagree and commit and hope it becomes the most watched thing we've ever made." Consider how much slower this decision cycle would have been if the team had actually had to convince me rather than simply get my commitment. Note what this example is not: it's not me thinking to myself "well, these guys are wrong and missing the point, but this isn't worth me chasing." It's a genuine disagreement of opinion, a candid expression of my view, a chance for the team to weigh my view, and a quick, sincere commitment to go their way. And given that this team has already brought home 11 Emmys, 6 Golden Globes, and 3 Oscars, I'm just glad they let me in the room at all! Fourth, recognize true misalignment issues early and escalate them immediately. Sometimes teams have different objectives and fundamentally different views. They are not aligned. No amount of discussion, no number of meetings will resolve that deep misalignment. Without escalation, the default dispute resolution mechanism for this scenario is exhaustion. Whoever has more stamina carries the decision. I've seen many examples of sincere misalignment at Amazon over the years. When we decided to invite third party sellers to compete directly against us on our own product detail pages – that was a big one. Many smart, well-intentioned Amazonians were simply not at all aligned with the direction. The big decision set up hundreds of smaller decisions, many of which needed to be escalated to the senior team. "You've worn me down" is an awful decision-making process. It's slow and de-energizing. Go for quick escalation instead – it's better. So, have you settled only for decision quality, or are you mindful of decision velocity too? Are the world's trends tailwinds for you? Are you falling prey to proxies, or do they serve you? And most important of all, are you delighting customers? We can have the scope and capabilities of a large company and the spirit and heart of a small one. But we have to choose it. A huge thank you to each and every customer for allowing us to serve you, to our shareholders for your support, and to Amazonians everywhere for your hard work, your ingenuity, and your passion. As always, I attach a copy of our original 1997 letter. It remains Day 1.

Sincerely,

Jeffrey P. Bezos
Founder and Chief Executive Officer
Amazon.com, Inc.

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 or even just comments or criticisms of a past topic. We had primarily written editorials on

topics based on our experience and perspective but we are grateful for the increase in items that have been sent to us over the past couple of months---Keep them coming!

Also, many of you - consultants, company managers, and academics - have very solid and profound contributions that could be presented in future newsletters as a guest contributor. 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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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.

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