

## *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.

We welcome your comments on any topic and encourage you to contribute to future newsletters. The PARAGON Perspective is now in its sixth 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.

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 'perspective' is based on a conversation with a trusted (and very appreciated) executive friend (thanks, Bob) along with recent experiences in working with corporate clients with aggressive growth objectives. It reflects what we see are trends that have improved acquisition results on one hand while crippling us on the other. The topic is: "**Growth by Acquisition—A Lost Art**".

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

---

### Paragon Update

PARAGON is looking at a busy July just when we felt things were going to 'coast' for the summer. Most of the new projects are in chemicals and several are 'follow-on' projects from ones recently completed where we are involved in the detail of commercial development. New projects, however, are also being started in healthcare and an educational software product for assessment and testing in primary and secondary education.

---

### Conferences

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

The World Future Society  
July 29-31, 2007  
Minneapolis, MN

We are long term members of this organization and will be attending it again this year. We highly recommend this conference for anyone involved in long or short range planning, scenario planning, strategic planning, or corporate affairs.

Additional information can be found at: [WWW.WFS.Org](http://WWW.WFS.Org)

---

### 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:

- Specialty plastics additives that impart unique properties to PE, PP, or PU
- Technologies for adding value to bio-fuels.

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 @ (203) 288-4154 or peregrim@paragondevelopment.com

---

### Quotes of the Month

“Luck is what you have left over after you give 100%.” *Langston Coleman*

“It is better to look ahead and prepare than to look back and regret.” *Jackie Joyner-Kersey*

“As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them.” *John F. Kennedy*

“The work will teach you how to do it”. *Estonian proverb*

“When you are skating on thin ice, you might as well tap dance.” *Bryce Courtenay*

“Yes, risk taking is inherently failure-prone. Otherwise, it would be called sure-thing taking.” *Tim McMahon*

“What counts is not necessarily the size of the dog in the fight—it’s the size of the fight in the dog.” *Dwight D. Eisenhower*

“The truth of the matter is that you always know the right thing to do. The hard part is in doing it.” *General H. Norman Schwarzkopf*

“To do what others cannot do is talent. To do what talent cannot do is genius.” *Will Henry*

“He who is impatient waits twice.” *Mack McGinnis*

“Facing it. Always facing it. That is the way to get through it.” *Joseph Conrad*

---

### Interesting Words

**Selcouth:** (SEL-kooth) Adjective  
Strange; unusual; marvelous

**Latchet:** (LATCH-it) Noun  
A narrow leather strap, thong, or lace that fastens a shoe or sandal on the foot

**Pudibund:** (PYOO-di-buhnd) Adjective  
Prudish

**Agrestic:** (uh-GRES-tik) Adjective  
1. Rural; rustic.  
2. Crude; unpolished.

**Compossible:** (kom-POS-uh-buhl) Adjective  
1. Comptable.  
2. Possible along with something else.

---

## “Growth by Acquisition—A Lost Art”

### Background:

We have intentionally used the word “art” in this editorial because it is the essence of the issue we are addressing. A trend we have been exposed to for several years is that corporations have more in-house deal-making capabilities and experience than ever before. Plus, the resources available from external sources are even more comprehensive and sophisticated. There is no doubt that our ‘science’ of doing deals is at an all time high and that we are very skilled and sophisticated on the mechanics of acquisitions.

But, we have lost the ‘art’ involved in acquisitions that has created a tremendous vehicle for past growth and had set the stage for long term and sustainable growth, not just limited to ‘consolidated’ growth.

### Examples:

A decade ago, a minority of deals were made of competitors or other players in the exact same market space. Now, we are more adept at making deals but they are almost exclusively “bolt-on” deals. An example is a recent acquisition by a consumer products company that has a beverage unit. They have water, juices, etc. It is considered a “bold move” that they made an acquisition that brought a line of iced teas: the same branding value, packaging, marketing/distribution channels, customers, and business model. But, it is a **bold** move?

We had a recent client in specialty chemicals with basically 2 business platforms and they wanted to establish a third one for long term growth. The President/CEO and his top executives all were behind this and they went to the Board with their proposal to *look* for a third platform and make the investments to establish one. (Actually, they only asked for the support of looking at options and determining potential and possibilities). They were told very definitively, “No”. The Chairman had himself done just what they proposed when he was Operating President by establishing the second platform. That is where he ‘made his name’ but he was no longer interested in taking risks and he also was probably protecting his legacy of being the one who succeeded in doing it. Instead the President was told to continue to look for smaller competitors that could expand market share geographically—if they could be acquired for less than their market value!

### Reasons for our timidity:

Using the word timidity is understating the lack of vision and the ‘art’ that we used to have in finding and acquiring companies, products, and technologies that had served as drivers for growth in the past. We always knew that acquiring a competitor was very expensive in most cases and it severely limited options that would allow acquisitions at better terms. Some of the reasons we have encountered are:

1. Our pendulum has swung from diversity in acquisitions (conglomerates) to one of sameness which the shareholders view as less risky and more predictable to the overall organization. It is this predictability that is attractive because a company with very limited products and limited market focus will have predictable returns. The operating company has intimate knowledge of the space it is in and can curtail or increase investment accordingly.
2. It is easier to justify an acquisition that isn’t a ‘stretch’ and management does not expose themselves to scrutiny they would face if they were looking to acquire a company with a new profile. Also, top management does not look at the ‘longer term’ like they used to. They are not in their positions as long as leaders were in the past so there is little reason to do anything that would primarily benefit the company in a future that the leaders are not part of. Lastly, top management would not find it attractive to have to manage the new business in an area they don’t know as well as the existing one.
3. We have lost our ‘vision’ and the capability to create vision because we have downsized to the point where everyone knows only the narrow, existing business space. Even in functions such as strategic planning and corporate development, our mission is to continually focus on doing what we can do better and better with improvements and bolt-ons.
4. We are, admittedly, in a very dynamic environment and the areas of greatest growth are in unpredictable and rapidly evolving areas. Predictability can be made with some certainty in mature, existing, core businesses but with little to no certainty in new dynamic areas. Thus, we choose moderate returns with moderate growth, with moderate risk over high risk/high reward.
5. The last point we will make about the reasons for our timidity is the gurus or the ‘sages’ of our time. The gurus almost all tout the wisdom of letting others create new value and then acquiring only those that survive—even at a high premium. We never look at ‘lost opportunity cost’ but we always look at R.O.I.

### Responses to the above reasons:

We will now respond to the above “reasons” to highlight other approaches and considerations that used to be considered visionary or ‘art’. It is that lost ability and commitment that has seriously handicapped our corporations and limited their options. We have many more cash cows as major corporations than we do as growth engines. Our perspectives are:

1. We believe that the pendulum will be starting back toward new platform growth and that needs to start in our formal strategy. A good start may be a commitment to venturing or to new investment that amounts to a small percentage of new investment. 10%? If a corporate actually commits 10% of new investment into new ventures that have limited (but some) fit with the existing business, then the organization gradually changes how it looks at new growth while also creating new value. We use the term venturing because we can have predictable returns from a portfolio of small new ventures where a single venture's contribution would be unpredictable. (Hedging) In the long term, the corporation would find itself with platforms in new space and with the competitive advantage of establishing the IP and being first to market; also, without paying a huge premium for acquiring an established company.

2. Top management needs to start lobbying the controlling stakeholders about the value of growth outside their core while not holding the organization to the short term scrutiny in those limited investments. We are starting to see some corporations doing that by 'couching' the investments into a greater purpose such as "green"; "sustainable"; and other aspects in the public's general best interest. A President of a major corporation admitted to us over a dinner that he wanted to expand the company beyond the narrow existing product focus; and he used a "commitment to sustainability" as the primary reason when he really was looking for new growth opportunities. Using processes such as Voice-of-Market™ can also serve as both a commitment tool as well as providing core intelligence in new areas equal to that in existing businesses but prior to making commitments.

3. We can start to build up our internal capabilities through many different, new approaches (venturing already mentioned). Another can be engaging in a 'staging' strategy which will limit the initial investments in new platforms but will also allow the gradual resource capability of new executives involved in the platform who can provide in-house skills and vision for more substantial and longer term growth. As an example, if a large corporation has a 3 person staff in Strategic Planning, then a new platform will bring a need for and justification for a fourth person who has a visionary or futurist background, certainly one with less focus on operational or technological experience in the existing industry. It is a matter of 'ramping up' and not 'fast build'.

4. In addressing the issue of our dynamic environment; it is a 'double-edged' sword. We end up focusing everything into one or two areas that have limited (but not eliminated) risk instead of spreading risk around to many business platforms which may be a more conservative approach overall if it is done properly. We just need to look at risk with a different lens.

5. The gurus of the past are not the gurus of the present and will not be the gurus of the future. Even someone such as Jack Welch is being partially discredited for some of his approaches and he was one of the most successful executives of the recent past.

#### Summary:

If you doubt the value lost today just look at the huge growth in value through acquisition by private equity investors. Each of those acquisitions (major and small) could have been complementary to existing corporations or could have expanded them into 'adjacent space' with some but not substantial synergy. But, the private equity firms make the acquisitions and end up harvesting very lucrative returns and, with little to no synergy! Much of that value could have been captured and increased by corporations with a more visionary approach. We have an excellence on the **HOW** of doing acquisitions and we need to focus as much on the **WHAT** perspective of acquisitions.

#### 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 last year 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

### **What is the rarest blood type in the world?**

There is a blood type A-H but there are less than ten people in the world reported to have it. The next rarest is AB.

### **What is the most abundant metal in the earth's crust?**

The most abundant metal is aluminum.

### **What is the reason that turkeys have both dark and white meat?**

Most people would say that the same applies to other fowl in that they all have both dark and white meat. Most turkeys do not fly but they certainly do a lot of running around. Anatomically the active muscles which do all the activity are located in the legs and thighs together with a lot of blood vessels to support them. These vessels contain myoglobin (Muscle hemoglobin) which transport oxygen to the muscles. The more myoglobin the muscles hold; the darker the muscle.

Frequently these busy muscles are regarded as being 'slow twitch' fibers, built for endurance which enable the muscles to work for long periods of time so it is little wonder that the turkey can turn around all day and still keep going after other animals are tired. Alternatively, the white meat located for the most part in the breast area is the result of well-rested muscles, which are used in the main for infrequent flying. Consequently, there is no purpose in having a rich abundance of oxygen delivered to the muscles and they are referred to as 'fast twitch' fibers because their main purpose is slow bursts of energy.

---

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  
[www.paragondevelopment.com](http://www.paragondevelopment.com)

---

## **PARAGON Development**

1485 Dunbar Hill Rd. Suite 4010  
Hamden, CT. 06514  
(203) 288-4154  
[www.ParagonDevelopment.com](http://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 past 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.

If you no longer wish to receive *The Paragon Perspective* please respond to this email and include the word REMOVE in the subject line or in the message.