

The PARAGON Perspective

Happy Holidays and our very best wishes for a safe and fulfilling New Year!

Features

Conferences
Technology Transfer/Capabilities
Technologies of Interest
Quotes of the Month
Interesting Words
Formal Acquisition Strategy
Trivia

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 is a reissue of an article from 2007 in response to two separate Reprint requests. Both organizations are starting to look at acquisitions as a key part of strategy. They want to get a 'jump start' on their respective industry competition before values become inflated again with a projected economic recovery. The title is: "**Formal Acquisition Strategy**".

We, at PARAGON, have always looked forward to this time of year when we would send holiday greetings to our clients and many professional friends. The pleasure has truly been ours as it reminds us just how grateful we are and should be to the many people who have helped us succeed and who have been our supporters throughout the years. This year, however, as we did last year, we have decided to apply what would have been our investment in greeting cards and postage by making a more than commensurate donation to the Parent Project Muscular Dystrophy for support of Duchenne disease. This worthy cause is close to those in the PARAGON family. We recognize that donations are down due to the weak economy and our resources are served better doing this. We know you all understand and we encourage you to do the same on any cards that would have been directed to those of us on the professional staff.

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

[Return to #Top](#)

Paragon Update

PARAGON is completing a year with lower revenues but one in which we believe we did much better than could be expected based on the economy. We thank all of our clients, referrals, and other supporters who were responsible for this year's success. Our growth has been without any formal marketing or promotion. Over 95% of our projects are with previous clients and the rest are from referrals from those same clients. We are proud of that and thank each and every one of you who has advocated for us.

Based on first quarter scheduling, we are expecting 2010 to meet or exceed the levels of 2008 which had been a record year.

[Return to #Top](#)

Conferences

No request to post conferences has been sent to us for either November or December. (Just a reminder that we are glad to do so without any charges if the conference has appropriate fit with our readers' interests)

[Return to #Top](#)

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 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.

[Return to #Top](#)

Technologies of Interest

Acoustic Foam: A client has a new thermoset based foam that has superior values in acoustic insulation in building and construction. It also has thermal insulation properties based on the unique combination of material and cell design. It is felt that this has large potential based on the growth in applications requiring and benefitting from acoustical barriers within building and non-structural walls/ceilings.

Liquid processing: A client has developed an ultrasound based system for mixing; dispersing; and emulsifying liquids—>liquids and solids—>liquids. It has considerable cost and performance advantages in comparison to comparable batch and other processes used today. There are so many benefits that it is impractical to try and list them, but we can send information if requested.

Artificial Muscles: A client has developed a system that includes 'muscles', sensors, controllers, motors, and actuators. Initial applications are focused on: prosthetics; motors for small devices such as cameras; objects that can propel things through water or other fluids; and many types of human machine interfaces.

More information can be gained about any of the above by contacting:

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

[Return to #Top](#)

Quotes of the Month

"The less you talk, the more you are listened to." *Abigail Van Buren*

"Some folks never exaggerate—they just remember big." *Audrey Snead*

"There has never been an age that did not applaud the past and lament the future." *Lillian Watson*

"No man was ever wise by chance." *Seneca*

"You can't depend on your judgment when your imagination is out of focus." *Mark Twain*

"Appreciation is like an insurance policy. It has to be renewed every now and then." *Dave McIntyre*

"There is a foolish corner in the brain of the wisest man." *Aristotle*

"Jealousy is all the fun you think they had." *Erica Jong*

"All the art of living lies in a fine mingling of letting go and holding on." *Havelock Ellis*

[Return to #Top](#)

Interesting Words

Videlicet: (vi-DEL-uh-set) Adverb
That is; namely; to wit. Used to introduce examples.

Subserve: (suhb-SURV) Verb
To help to further something.

Expiate: (EK-spee-ayt) Verb
To atone, to make amends for.

Nugacity: (noo-GAS-i-tee) Noun
Triviality; futility.

[Return to #Top](#)

Formal Acquisition Strategy

Background:

We have a client who insists on anonymity because their new strategy is not widely known within their industry and they want to hold off as long as they can before their competitors are aware of what they are doing. They are a very large, global corporation in specialty chemicals, which is all that we can divulge.

They have done a great job in growing their core businesses which has covered up the inadequacies in the external investments they have made. These are primarily acquisitions, including bolt-on acquisitions which should be easy to understand, justify, and integrate. There were many reasons for their lack of success and the ones they have shared with us include:

- They had no formal process or protocol to look at acquisitions. No one was dedicated to this as months might go by without needing anyone's involvement and they did not want to justify an executive when not required. There was also the mindset that they had been so successful in their internal growth that all executives should stay focused on that.
- When an acquisition was being considered (see above) they assigned lower level and inexperienced people to evaluate, value, and make the deal. Needless to say, they did not do as well as their experienced counterparts 'across the table'.
- They had not worked out a formal strategy for acquisitions. What do they want? What do they expect? What are they trying to achieve? What is their criteria? All of these aspects and more were basically re-invented with each acquisition considered.
- Each mistake made the next acquisition even more difficult. They had a revolving door of people involved (already mentioned) because each time a person or team did an inadequate job due to lack of experience; they were replaced with another team without experience. Also, past problems meant that very good deals were not acted upon because of the 'baggage of past failures'. And after they missed a few good ones, they overreacted to go after less attractive ones because they did not want to "miss a good one again" and subsequently made a bad choice.

More was shared with us; but the above are the main reasons for initiating a new process.

Formal Process:

In early 2006 the client asked us to help facilitate their establishing a more efficient process. We began by facilitating a retreat with top executives with an agenda that helped identify the root sources of the past failures and then put in place a formal strategy that would be employed. Key aspects of that strategy were:

- Clarify the role of acquisitions in a portfolio of investments. Separate types of acquisitions in the portfolio such as those for: strategic consolidation; bolt-on growth; adjacent expansion; and 'stretch' or step-out potential investments.
- Establish specific and detailed criteria to deal with all four of the above. Thus, resources could be efficiently applied proactively and not just reactively.

- Dedicate personnel at two levels. First a dedicated 2 person team with one person hired from further down the value chain, both of whom have done many previous successful deals. Also, establish internal teams who would convene regularly for updates and then become a ‘tiger team’ when required. Each team was customized based on the type of acquisition. As an example, the director of manufacturing/operations was a key person on several teams but with only a limited role on the step-out types of acquisitions.
- Use outside resources regularly such as the Voice-of-Market™ process to ‘stay smart’ about possibilities. They realized that the best things just don’t drop in their laps, so they need processes to identify, qualify, and quantify things before their competition does; and to give them time to consider things and avoid bidding wars and deadlines that don’t allow the best scrutiny.
- Set regular intervals for updating this strategy and presenting it to the outside Board. It will be every year for the first few years; then they anticipate making it a bi-annual requirement. This, of course may be even more frequent as major things change regarding overall business strategy. As an example, they are considering an acquisition right now that is almost equivalent to their own organization in size. If this happens, then their criteria will change considerably and investment beyond this single deal will be restricted for at least 2 years.

Summary:

Acquisitions have the potential to impact an organization in ways (positive and negative) that most internal activities could not do. Yet, a ‘typical’ organization with 10,000 employees may have only one person with responsibilities for acquisitions, and many times it is only a part of their responsibilities. We have even worked with pretty large organizations who don’t have anyone dedicated full time to acquisitions and each division or business unit is expected to handle what they need.

The potential impact alone should require having at least one experienced executive dedicated to acquisitions with at least a few ‘staffers’ who also have experience. The experience should not only be in “doing the deal” but also in establishing a strategy and finding acquisitions that deliver success under established criteria.

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. This edition and three of the last Perspective topics were submitted by others. 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.

[Return to #Top](#)

Trivia

1. Where did the term “second string” originate?

Second string means replacement or back-up and it originated in the middle ages when an archer always carried a ‘second string’ in case the one on his bow broke.

2. What is the origin of the word ‘news’?

It came from the first letters of the words: North, East, South, and West .This was because information was gathered from all directions.

3. What country hosts the world’s largest art gallery?

Russia. It is at the Winter Palace in St. Petersburg. Visitors have to walk 15 Miles (24 KM) viewing 322 galleries housing nearly 3 million works of art.

[Return to #Top](#)

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

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[Return to #Top](#)