

The PARAGON Perspective

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From the President

We wish our readers a very productive start to a prosperous 2012! It is hard to believe this is the 12th year for us at PARAGON. We are very, very grateful for the opportunity to have served our clients over those years and to continue to serve old and new ones in the years ahead.

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 titled: “**Keys in Acquisition**” is in response to a client request during one of our recent projects.

Jack T. Peregrim

Pres., PARAGON Development

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Paragon Update

The next two quarters look good for PARAGON with new project starts representing a wide variety of industries, geographies, and types of projects. Hopefully this reflects an overall economic strength. Ironically, although we are seeing most business increase in Europe, most experts believe those economies to be lagging the United States.

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Conferences

No conferences have been sent to us to post for June.

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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 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.

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Technologies of Interest

Halogen free, fire resistant, nontoxic polyolefin: One of our readers would like to present a new halogen free, fire resistant and non-toxic polyolefin. There is also a second one that has intumescent properties. Both have passed FAA test for approved use on commercial aircraft. Several polyester grades are also available for testing.

If interested please contact Ed Gregor at (01) (704) 442-1940

Water purification. Chemical and process technologies that can enable water purification in industrial processes.

If interested contact: Jack Peregrim at (203) 288-4154 or Peregrim@ParagonDevelopment.Com

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Quotes of the Month

“The impossible is often the untried.” *Jim Goodwin*

“Success is often the result of taking a misstep in the right direction.” *Al Bernstein*

“Problems are only opportunities with thorns on them.” *Hugh Miller*

“The future is the past returning through another gate.” *Arnold Glasgow*

“The world is a book and those who do not travel only read one page.” *St Augustine*

“There’s no labor a man can do that’s undignified—if he does it right.” *Bill Cosby*

“A man who enjoys responsibility usually gets it. A man who merely likes exercising authority usually loses it.” *Malcolm S. Forbes*

“If you want truly to understand something, try to change it”. *Kurt Lewin*

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Interesting Words

Paragon: (PAR-uh-gohn) Noun & Verb

Noun:

1. A model of excellence and perfection.
2. A match or an equal.
3. To make an explanation.
4. To shine brightly.

Verb:

To compare, parallel, rival, or surpass

Nestor: (NES-tuhr) Noun

A wise old man..

Consuetudinary: (kon-swi-TOOD-n-er-ee) Adjective

Customary.

Casuietry: KAZ-oo-i-stree) Noun

Deceptive or exceedingly subtle reasoning, especially on moral issues.

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“Keys in Acquisitions”

Background:

There are many types of acquisitions (and mergers) where future value can be quantified with reasonable certainty. They are typified by examples such as:

- Bolt on acquisitions where they expand a strong operational business into a new area.
- They will be kept as standalone business units and will continue to extend their business as projected prior to the acquisition.
- Acquisitions that are in stable commodity areas and the acquisition brings additional capacity.

Other projects are more difficult to calculate in regard to impact and value. Of the many types of these acquisitions, the following are just a few examples:

- Acquisitions that have a radically different value proposition such as biopolymers for an existing polymer producer.
- Acquisitions that change position on the value chain for the acquirer - either backward or forward.
- Acquisitions that are to change offerings to existing customers such as supplying bundled products or modules instead of individual products.
- Acquisitions that involve new, dynamic technologies such as those that are alternative energy enabling or leveraging new fields such as sustainable or preservative free.

Organizations have the same requirements for the amount of knowledge needed to manage risk in these investments yet the ability to attain that knowledge is exponentially more difficult and costly. Plus, it can rarely be generated internally because of the limitations and lack of objectivity of the personnel. We have also found greatly inadequate budgets based on previous M&A efforts with some expansion that does not come close to what is required to achieve the objectives. In the second group of M&A categories, the intelligence needed involves very complicated and complex issues that may not have been sorted out by the existing market although managing risk on large investments requires accurate projections. An example of this is a project we were involved in where the budget was exceeded before they had even figured out the type and source of information needed!

Recommendations:

Some of the following are basic to every initiative but the degree they are important can be significantly different. Our recommendations are:

- Do not underestimate the resources needed to generate the highest level of foresight (knowledge of the future) that the organization will require. It may require generating knowledge that no one has catalogued before so it could be a matter of generating and not simply acquiring existing intelligence because of a unique value proposition.
- Get the knowledge from outside resources either primarily or independent of the internal efforts. Objectivity is critical and you must ensure that the process employed encourages identification of the problems and negative possibilities.
- Tap into new sources. Including new functional resources as well as ‘dotted line’ resources such as regulation or insurance experts who could contribute understanding of factors that will affect potential. If you typically tap into resources such as customers’ R&D or operations, you may need to access product or strategic planning or corporate development.
- Engage in scenario planning and include outside organizations that specialize in it.
- Ask many, many open ended questions because discovery based learning will be critical. In a new and different value proposition, you will not even know what you don’t know but should be exploring. Do this from the beginning of the process to the end. Typical questions that should be part of every interaction might be: “What questions should you be asking?” and “If *you* were in my shoes, what would you do to get the information needed?”
- Budget enough time which may be a multiple of how much time is typically allocated on preliminary and due diligence. A killer is not having the time to generate a comprehensive assessment so the end result is going to be a ‘guestimate’ no matter what it may be called.

In summary:

There is no manual or structured process that applies to the first group of M&A investments above that are also applicable to the second group. And, the process is not effective if extended to the second group. Yet, the risk can be many times higher which could represent much more than the initial financial investment but could have liabilities not even considered initially. Our final word of advice is to look at these step-out acquisitions with a commitment to do so with new approaches, additional resources, and a different process.

In closing:

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 beyond those considered every day. We do not try to presume to be the leaders in all areas we cover and 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 will continue to focus on topics that the readers choose over ones we consider within our staff, so please continue to send requests for topics you want covered.

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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Trivia

Who invented the scissors?

Leonardo Da Vinci.

What is the fuel economy of the QE2 luxury liner?

Six inches per gallon of diesel.

What are almonds closely related to?

Almonds are a member of the peach family.

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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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Your friends at:

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