

The PARAGON Perspective

From the President

PARAGON Perspective is sponsored by PARAGON Development, an international consulting organization specializing in new value creation for corporations. This is accomplished through new business development and optimized planning in addition to corporate venturing. The purpose of this newsletter is to update, educate, stimulate, and enlighten our friends and business colleagues on many topics involving new business development as well as the world at large as it may affect our businesses and/or our professional interests. We are not intending, and will not use this communication to promote our business. There are other times and places and opportunities for that.

We hope to inspire debate and pass along information that may enable all of us to better understand and succeed in our new business objectives in the future. We further hope you pass these along to colleagues who may have mutual interests.

We want to use this forum 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 we encourage you to contribute to future newsletters. The PARAGON Perspective is now in its third year and we thank everyone for their contributions, ideas and suggestions that have made our newsletter production easier and brought recognized improvements. We have incorporated several suggestions within this edition including adding anecdotes with a business relevance and new words and definitions with relevance in business. Ironically, these suggestions came from two separate people. We will remove the business factoids to keep the newsletter from being too long.

This month's newsletter will highlight our opinion on the business development topic: **"Acquisitions Need Market Perspective "**

Jack Peregrim
Pres., PARAGON Development

Paragon Update

We are continuing to see an economic expansion, though much slower than anticipated. The nature of our work continues to span a broad spectrum, with several new projects having a focus on acquisitions.

If you or your company have upcoming events you think will be of interest to our readers please send us an email describing the particulars, including a brief description of the organization, the event program, and the "take-aways" that attendees will receive. An example is the one following on the Commercial Development and Marketing Association Fall Meeting in Chicago at the end of this month.

CDMA-Commercial Development and Marketing Association **Fall Meeting, Chicago IL** **September 29-October 1**

The CDMA is an organization of business development executives with responsibility for growth in their organizations through both internal (technology, product, market, channel development) and external approaches (licensing, acquisitions, alliances).

The value proposition of the CDMA has two different components.

1. Education. The education component is primarily focused on the functional aspect of best practices in creating growth but also includes a content piece on markets and industries represented.
2. Networking. Many networking opportunities are presented at the meetings. These opportunities enable experiential learning to occur, as well as the opportunity to develop key contacts to further future alliances and partnerships.

The cost is very reasonable. Information about the Association and the Meeting can be found on their website: www.CDMAonline.org

Technology Transfer

This section is open for clients, friends, and other newsletter recipients to spotlight technologies they have available for licensing, acquisition, or development. 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 is for non-client project technologies that we will highlight.

This newsletter has a distribution of several thousand individuals who are primarily in new business development, so the audience is one that has the potential to generate legitimate interest. We only reserve the right to withhold posting any technology closely related to ones in which we have a client conflict.

If you have any interest, please contact Jack Peregrim at:

(203) 288-4154 or Peregrim@ParagonDevelopment.Com

Quotes of the Month

“To improve is to change; to succeed is to change often.” *Winston Churchill*

“Tis better to be silent and thought a fool, than to speak and remove all doubt.” *Mark Twain*

“Resolve to perform what you ought. Perform without fail what you resolve.” *Benjamin Franklin*

“Good decisions come from wisdom. Wisdom comes from experience. Experience comes from bad decisions.” *Forbes*

“Marketing takes a day to learn. Unfortunately, it takes a lifetime to master.” *Phillip Kotler*

“A gentleman can withstand hardships; it is only a small man who, when submitted to them, is swept off his feet.” *Confucius*

“There are two kinds of statistics. The kind you look up and the kind you make up.” *Rex Stout*

‘HUH?’

“If fans don’t come out to the ball park, you can’t stop them.” *Yogi Berra*

“A verbal contract is not worth the paper it is written on.” *Samuel Goldwyn*

“I think that the free enterprise system is absolutely too important to be left to the voluntary action of the market place.” *US Congressman Richard Kelly*

New Technologies Being Sought

Products/Technologies

A client is looking to license or acquire products in the following areas:

- High specialty or performance minerals (silicas, talcs, clays, micas, etc), or technologies that will functionalize any of the above to improve basic properties.

If anyone has technology or products of interest, please contact us and we will arrange a presentation or communication with the respective clients. You can contact:

Jack Peregrim at: Peregrim@ParagonDevelopment.com

Web Site Additions

We have updated our web-site recently but will continue to add to our alliances and partnerships page, which provides sourcing to our clients on services that they may be seeking in specialized functional or industry areas. As such we will post organizations and individuals who we **know** to excel in products and services.

If you would like to be included in this listing (free of charge), please submit a request to us with a short (50 word) description of your products and services, as well as direct contact information. We view this as a mutual service to our clients as well as companies, consultants, and other entities we have had the pleasure to work with.

We encourage readers to review the organizations and individuals on the website as they are limited to those people we have personally qualified. This is also a service we offer without any compensation as our intention is to serve as a 'catalyst for success' in a broad way that extends beyond those areas where we are best in kind.

Interesting Words

Absquatulate: (ab-SKWOCH-e-layt) verb
Flee or make off.
Abscond

Fugacious: (fyoo-GAY-shes) adjective
Fleeting, transitory.
Difficult to capture

Recreant: (REK-ree-ent) Noun
A coward
A traitor

Execrate: (EK-si-KRAYT) Verb
Detest greatly
Denounce
Utter curses upon

Acquisitions Need Market Perspective

In reviewing "done deals" through the years we have seen many instances where the lack of market and industry input has lead to poor returns from acquisitions made. It appears that one of the last functional areas in business initiatives that hasn't emphasized market input is in deal making.

We recently worked with a client who made a conscious decision to include our Voice-of-Market™ Forums as a vital part of their integration planning. They found the output to be valuable, and were able to produce a quicker integration, spending less than expected on overlapping personnel and facilities, as well as meeting contribution objectives 2 quarters sooner than expected.

Through input from industry leaders, they were able to understand the market's requirements specific to the two organizations integrating, which enabled them to maintain and retain the best possible mix of brand names, service support operations, and sales/marketing management. They created a new strategic plan that was developed quickly by industry leaders who understood which strategies would optimize value from the new organization. In hindsight, their only regret was that Forums were not conducted earlier when the first value considerations were being created, as they felt they would not have paid as much and are sure they would not have had to because of the much greater synergy to both organizations that the acquiree did not recognize until late stage negotiations.

There are many hurdles related to all acquisitions. Some are:

- The "deal makers" still view their role as having value from experience over formalized processes.
- Supportive organizations, such as business brokers and investment bankers, having influence over "the deal" may have biased stakes in "getting the deals done". Their focus may be at odds with an approach

that may question the overall premise of an acquisition, and that could even potentially lower the price paid.

- Concerns over confidentiality of the acquisition leads to the organizations being unwilling or unable to approach customers or market leaders with anything but a finished and publicly announced plan. This secrecy also extends to employees of both organizations, who may have concerns and premature changes in commitment that can affect productivity.
- The main people involved focus on the “hard” and measurable aspects of acquisitions, with the “numbers” being the first, second, and third most important considerations.

There has developed over the years an evolving business climate (fueled by failed acquisitions) that overcomes these hurdles. A few of the strategies are:

- Embracing customer and market based processes that are driven by Six Sigma in the planning and development processes.
- Recognizing that today’s acquisition environment is much more difficult than in the past. In the last two decades there has been a base of consolidations so that most acquisitions that can be easily done and with the least amount of risk have been made in most industries. There is also an extraordinary increase in knowledge that can be gathered before and during the acquisition, so that all interested acquirers know all candidates and have a strong understanding of their organizations.
- Lastly, there is a plethora of articles, books, and studies that detail these acquisition failures, including reasons why they did not achieve the results that were forecast. This information provides valuable insights for organizations at all stages of the process.

Recommendations:

We recommend that processes be formally established within and as parts of the acquisition process that reflect the current market and industry requirements. There are three distinct stages in which this information is particularly valuable:

1. At the earliest stage of an acquisition strategy being considered as a growth strategy for an organization, current market and industry requirements enable a criteria to be set with unique inputs from outside the organization along with success factors that may not all be apparent internally.
2. During the search process and initial stages of due diligence, candidates are being identified and evaluated. An unbiased external perspective can recognize undervalued candidates and uncover strategic weaknesses in proposed candidates. It cannot be over stated that value is determined by the market place and that perspective is critical.
3. In establishing and implementing an integration plan when things are most vulnerable and have the highest potential for missteps.

The good news is that there are many ways to get market feedback at each of these stages. The main success factors are:

- Getting unbiased and objective feedback
- Involving the necessary people that are able to understand and facilitate the complexity and multiple perspectives that need to be sorted out
- Making sure that processes are set up and in place before needed (eliminating the “scrambling” to get the needed information)
- And last, but not least, making sure that the business initiative has top management support and cannot be sabotaged by stakeholders with alternative agendas.

Candidates that can assist in your acquisition strategy can be consultants, leaders from academia, and key customers (who should be dealt with at the business level and as management equals). Brokers and investment bankers also offer these services, but they should not have primary responsibility because of the potential for a conflict of interest.

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 reader's 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.

Business & Other Anecdotes

21 Gun Salute

Francis Hopkinson was a signer of the Declaration of Independence. As he was doodling during the momentous day after signing the document he wrote over and over again the year. "1776" He then wrote 1-7-7-6. He then added it up and it came to 21, and the number intrigued him. He then just blurted out that the colonies should have a 21 gun salute for dignitaries of the new republic. The idea was accepted and has been the protocol ever since.

Replacement

When Woodrow Wilson was Governor of New Jersey a State Senator passed away suddenly. The Senator was also a personal friend and the Governor took the news hard. Just a few moments later while still feeling the shock, Wilson received a phone call from another politician who told him he would want to take the Senator's place. To which Wilson replied: "If it is okay with the undertaker then it is very much acceptable to me".

Comebacks

George Gershwin and Oscar Levant were close personal friends who frequently traveled together. One day on a train Levant asked Gershwin why he always got the lower bunk while Levant always had to have the upper one. To that Gershwin replied: "That's the difference between talent and genius."

Levant then replied: "George, if you had to do it all over, would you fall in love with yourself again?"

Secrets

During rehearsals one day John Barrymore and his leading lady had a passionate argument that ended with Barrymore telling her what he thought of her parentage and off-stage pursuits. She snapped back that Barrymore should try to remember that she was a lady. To which he replied that he would indeed remember that and pledged to keep the secret.

Futurist Perspective

The following are excerpts and projections from multiple sources including internal observations from the PARAGON Development staff.

Energy Projections

Uncertainty is adding about \$15 per barrel to oil prices and there is little projected change over the next 2 years. This will have an effect in the US of lowering GDP growth by about ½ % in 2004 and has the potential for lowering it 1% in 2005.

There are many reasons for this but the main one is that there is no "production cushion" that we have had in previous years. Production is available to match demand but it will fail to do that if anything happens to alter production. There is just no more leeway to make up production elsewhere.

We are counting on production areas that face potential political or social problems that could affect oil production: Nigeria, Venezuela, Russia's crackdown on Yukos, and the Middle East. Production risks and the high price of investment are stifling new production along with political/environmental positions, thus no long-term solution appears realistic.

The bottom line is that overall production will be at about 85-90 million barrels per day in 2007 and market demand will continue to grow and surpass that level.

Dieting and Longevity

Caloric restriction is the single biggest factor in determining life expectancy (other than genetic). Thus it is the most controllable factor that can lead to a longer and healthier life. Multiple studies (many of which are scientific) have been made to support this and have claimed to identify the root cause.

One such study was conducted on blue mussels. Through this study it has been determined that food deprivation leads to a cleaning out (recycling) of old cell components and thus allows rejuvenation of cells quicker. This ensures that old cells are not kept past their usable life and new, heartier cells take their place. The cells are heartier because they need to be "leaner and meaner".

Research work has increased dramatically in developing processes to mimic this phenomena without limiting caloric intake and thus reduce medical costs and lead to increased productivity. The studies equate a caloric content that is optimal to be one that is about half that presently consumed in North America and Western Europe.

Heat in the City

Everyone who has spent time in a large city recognizes that it is warmer than surrounding rural areas. But a trend has been identified that shows that this is actually increasing proportionately with time. The causes had thought to be the numbers of equipment and machinery (including transportation vehicles) and the surfaces, which are primarily asphalt and roofing materials, absorb the sun's rays and/or resist discharging heat back into the environment. Yet, with virtually measurable change in known factors, the gap is widening and the main reason is that cities are continuing to get warmer while the rural areas remain the same.

The trend is showing a warming factor of .05°C per decade. Organizations are now considering the ramifications which are everything from developing new products and services to relocating to areas with reduced energy costs.

Economic Outlook

Experts project that the world gross domestic product (GDP) is likely to gain 4% in 2004, which is the fastest pace since 2000 and is up from the 3% from 2003. This trend is also expected to continue in 2005 but with a slight slowdown to about 3.7%.

There are very large differences in regional growth, however exemplified by growth in Japan of 1.5% and 8% in China. India will grow at 5.5% and the European Union countries between 2 and 3 %.

Consumer Markets

Consumer markets are undergoing dramatic changes in buying habits and drivers. Many old and reliable products are losing out to others that offer extra conveniences, even if the overall performance suffers. This is driven by the lack of time that consumers have to deal with any product that requires using it in ways that take time or demand attention. Consumers also have become much more sophisticated buyers and they demand simple effect solutions, though they will not pay premiums for most of them.

Demographics have even shown that aging buyers who did not act this way in the past are now becoming as demanding as the Gen-X buyers.

Other factors that also put demands on consumer product companies include the expectation for many versions of each product that specifically appeal to the many segments of diverse markets. As an example, Coca Cola has dozens of versions of Colas because they need to appeal to a wide variety of tastes.

These and other factors have caused major changes in marketing strategies and have put a premium on having a variety of strategies for each segment.

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