

# Intelligence Matters

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In today's world, every successful business leader and dealmaker understands and values the importance of intelligence. They use intelligence to identify hidden risks and mitigate them, obtain insights, and better inform their decision making.

What is business intelligence? Business intelligence has different meaning to different people. Some refer to the process of data mining and data management within an organisation as business intelligence. Others confuse it with corporate espionage and give it negative connotation. In our case, business intelligence signifies the gathering and interpretation of critical information about a company, its management, a market segment, or a situation, in order to help business leaders formulate an informed strategy when structuring a deal, navigating through a crisis, or transforming and expanding a business.

Having actionable intelligence is often the difference between success and failure.

## Who relies on business intelligence?

Investors who seek high-yield investments in high-risk markets often rely on intelligence. The risks in these regions run the gamut: high prevalence of fraud and corruption, bureaucratic, complex and antiquated governance and regulatory frameworks, unreliable infrastructure, political instability, social unrest, organised crime, and terrorist activity. Intelligence is critical in choosing, managing and exiting cross-border investments.



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Corporations that expand in new markets, launch new products or simply manage ongoing operations rely on intelligence to make strategic decisions. Senior management needs intelligence when trying to defend against a hostile takeover. Business leaders rely on intelligence to navigate through disputes with other companies or when a crisis strikes.

In order to invest in a mining operation in Sub-Saharan Africa, prudent dealmakers will want to take a deep dive into a wide range of topics, including geo-political, environmental, social risks. Beyond the requirements for due diligence, gathering insights into hidden risks is almost essential in ensuring you avoid doom scenarios. "How was the mining license you are buying acquired?" "Could the prior owner have bribed their way?" "Are there any local communities or groups that have been impacted by the mining operation?" "Are there other contenders for the assets who might be willing to bribe government officials and try to take over the mining assets by agitating through the government or interfering with the operations?"

An Investment Director of a PE firm contemplating the acquisition of a high tech or energy business founded and with offices in jurisdictions where the regulatory and compliance environment is opaque and complex requires insight into a range of risks including governance, social, and geopolitical. The fund may be concerned about distribution fraud, sanctions risk, environmental risk or human rights issues. Much of this information is not readily available in open sources and requires on-the-ground sources with experience of the sector and region. Confidentially acquired intelligence to understand potential liabilities require trusted, reliable sources who have direct access to the intelligence, and crucially, can conduct the intelligence-gathering understanding the

commercial sensitivities. This intelligence report will contribute to the decision-making for the pre-transaction deal team.

## The Intelligence Process

The internet has revolutionised the availability of data. A wide range of public records data is available at our fingertips. While some years ago the struggle was locating information, today, the challenge is to discern relevant and accurate information from fake or to comb through mountains of data to find one piece of information. However, there are also plenty of instances where important information is either not publicly available or it is incomplete. To close the gaps in the public record, but most importantly to obtain true insights into the activities, track record, character, personality, style or integrity of the organisations or individuals with whom you are considering to work with or invest in, it is critical to focus on human intelligence.

Business intelligence professionals usually have years of experience in managing risks and collecting intelligence. Many of them have prior government careers and others have always worked in the private sector. They develop networks of trusted sources across industries, government agencies, regulators, and social circles who they can consult discreetly. Intelligence experts are also skilled at identifying sources who are well-positioned to provide insights into a particular issue and establishing new relationships with those sources to gather their insights. They have often worked in or on significant matters in multiple jurisdictions so that they understand the cultural and political context of an issue.

Intelligence gathering is an iterative process. Information that is in the public record formulates questions for pursuit with human sources and insights that human sources provide warrant

corroboration and triangulation through public record facts. To effectively structure the intelligence gathering process, intelligence professionals will formulate hypotheses and seek to either confirm or refute them. Intelligence gathering is also structured around assumptions about the risks involved and risk scenarios, based on experience and knowledge of a region, industry or a situation. Intelligence professionals will perform an early assessment and forecast the potential risks.

## About the Authors

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