Intelligence and Planning in High Risk Environments

Martyn Denton, **MD of intelligence specialists QRO Global (www.qro-global.co.uk), discusses how intelligence can inform future planning when setting up operations in unfamiliar or unstable environments.**

The construction and engineering industries have long been active in overseas operations – often in areas of political instability or high risk. In particular, many countries in Africa and parts of Asia offer lucrative opportunities for these sectors, with projections of rapid population growth over the next 20 years leading to increasing urbanisation and the need for a more highly evolved infrastructure.

However, whilst the potential returns in these regions are significant, setting up operations in an unfamiliar country can involve a range of unforeseen problems if the essential research and groundwork hasn't been thoroughly carried out. These risks can range from civil unrest and warfare through to geological disasters - which have a far greater impact in developing countries than more industrialised nations. Whilst it's impossible to see into the future, detailed research will help with operational set up, future planning and risk management – both financial and physical. In fact, most business planning is likely to be ineffectual unless supported by an accurate and comprehensive understanding of the operating environment.

The Challenge of the Unfamiliar

All new working environments present challenges which need to be quantified and understood so that they can drive operational planning. This need is hugely increased when venturing into areas that are perceived to be unstable or high risk. However, companies will always be drawn to challenging environments as the risks are offset by the potential for lucrative returns. The key issue is managing risk to maximise the commercial opportunities available.

Some of the regions where projects are taking place have such deep rooted and complex problems that it can be difficult to know where to start an analysis. Corruption, security and social issues, political instability and local allegiances are all crucial factors that may have a long and complex evolution, and operators new to the region may simply be scratching the surface of these problems. Furthermore, even if research has been diligent, the information available may be conflicting, incomplete or simply overwhelming.

One way of ensuring that you are making good use of the information available is to determine the desired output – that is, what do you need to know to support the planning process? This is likely to include information that will enable you to address key issues such as financing and managing capital projects, recruiting a reliable and skilled local workforce, managing risk and identifying potential security problems.

The African Example

Having established the importance of detailed information, let's look at the process in action. For the purposes of this article, the focus will be on Africa. Whilst UK companies working on construction and engineering projects have been operating on the continent for many years, this looks set to escalate over

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Construction Trends in Africa

- In excess of USD222 billion is being invested in 322 African infrastructure projects.
- The top sectors in African infrastructure development (rated by investment value) are as follows:
  energy and power, transport, mining, real estate and water and oil and gas.
- Allocation of construction projects:
  - Southern Africa - 38%
  - East Africa - 29%.
  - West Africa - 21%
  - North Africa – 7%
  - Central Africa - 5%
- European/US contractors are building 37% of projects with Chinese construction corporations accounting for 12%. The balance is made up of private or domestic companies and contractors from a range of countries such as Brazil, Australia and South Africa.

Taken from the Deloitte 'African Construction Trends Report 2013'. The sample refers to infrastructure construction projects valued at over USD50 million. Projects need to have broken ground, but not been commissioned, by 1st June 2013.

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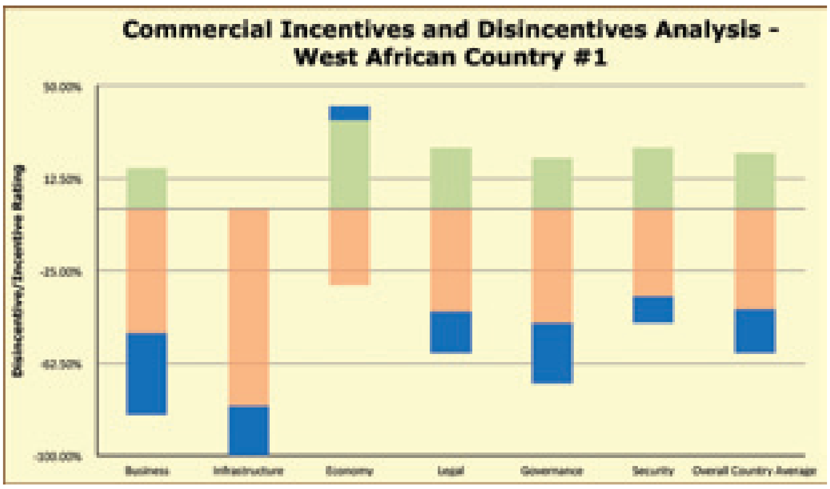
the next decade, particularly in Southern and Eastern Africa. The increase in population, particularly in the middle classes, is driving the process of urbanisation. According to the Deloitte report on African construction trends (2013) over 60% of construction projects in Africa are in the sectors of energy, power and transport. Furthermore, despite the persistence of the stereotypical view of the continent as mired in poverty and self-destructive conflict, many African countries are experiencing a surge within their financial sector. They also offer a large share of the world's natural and industrial resources. As a result, many African countries are working towards becoming more self-sufficient, with foreign investment playing an important part in the whole process.

Analysis in Action

One of the first steps in gathering sufficient accurate information to inform planning decisions is to analyse the commercial incentives and disincentives of an operating environment. Such information helps decision makers to identify priorities and key issues. It also clearly demonstrates the balance of positives and negatives within an operating environment. Incentives and opportunities are the flipside to disincentives and risks; the former drive growth and consolidation, whilst the latter obstruct operations. Approaching a problem in this way promotes a much more stable platform for decision making.

The tables below summarise the commercial incentives and disincentives for two different West African countries. These analyses were carried out for the purposes of market entry for projects that were completed during 2013.



West Africa 1

The first country example adheres to the commonly held perspective of that region; the disincentives significantly outweigh the incentives. Infrastructure is particularly poor, whilst most aspects of the business operating environment are uninviting. These clearly would present challenges to a company entering this country to conduct business; this analysis would be a first step towards understanding the significance and priorities of business risks. However, it should not rule out this country for market entry, but should focus the mind on balancing the risks against the potential returns, enabling key decision makers to make more informed choices. Sufficiently lucrative business in a specific industry sector may warrant a careful management of the established risks within a business strategy. Indeed, it is possible that, with the right advice, many of these disincentives could be turned to a business's favour.

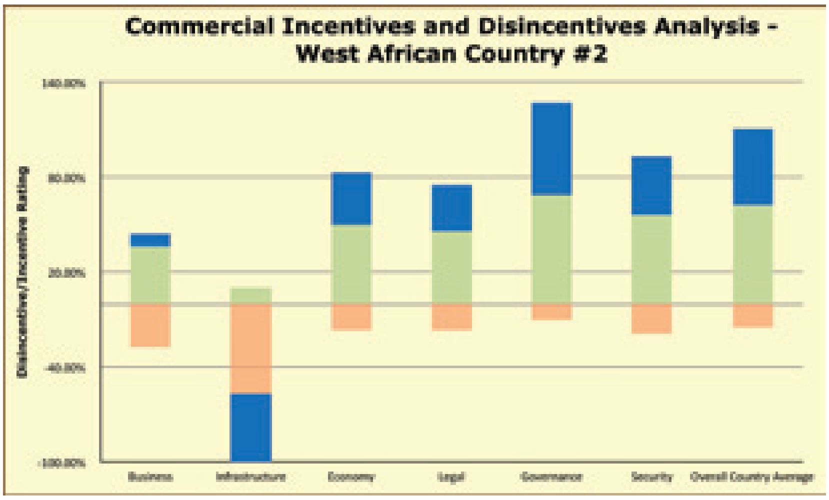
West Africa 2

The second country under analysis yields slightly different results, running counter to the generally held view of this region and offering a markedly better operating environment. However, there are still some significant challenges in this case - most noticeably with a lack of infrastructure - which would almost certainly need to be addressed. On the other hand, there are many attractive incentives for this country: either to operate within its borders, or to use it as a base for regional operations. The comparison of these two countries is an interesting opportunity to challenge some of the ingrained views of West Africa.

Capturing the True Picture

In my experience as an intelligence specialist, many businesses are reluctant to invest in Africa due to the perception of it as an overly harsh operating environment. However, Africa is a massive and diverse continent and this view needs to be confronted. In fact, there is a real desire in many parts of the world, including within the continent itself, to replace aid with trade. There is a danger that businesses will miss out on valuable commercial opportunities if they dismiss possible operating environments without investigating their true potential.

Access to quantifiable relevant information will help businesses get past the media headlines and generalities often stated when speaking of Africa. Even companies already engaged in activity there often restrict their operations to regions traditionally viewed as safe, such as South Africa, Kenya and Tanzania. However, the construction industry in Nigeria is booming, whilst Ghana is another 'infrastructure development hotspot' according to Deloitte. Many of these environments still face significant challenges in the form of consistent power supply and transport networks, but there is so much more to be discovered, and many African countries offer attractive opportunities for the business world.



Asking the Right Questions

It's quite common in the information gathering process to appreciate that the more we learn, the less we really know. However, the acquisition of a certain level of understanding of an environment enables us to ask important questions and gain a greater understanding of what we really need to know for effective business planning and operation. Of course, it's impossible to know everything, but it is vital to recognise the key factors that could cause success or failure. This means that if faced with a 'known unknown', at least we know where the gap in our knowledge lies.

Some of these gaps can be filled by the directed and co-ordinated collection of information. But even with extensive information sources, there may remain 'known unknowns' which can only be addressed through the use of intelligence analysis techniques. This means evaluating past trends and behaviours, applying theoretical models and analysing the situational logic through a process of critical thinking to produce auditable and accurate predictive assessments.

Even with a high level of diligence within the intelligence process, it's impossible to foresee all the variables that

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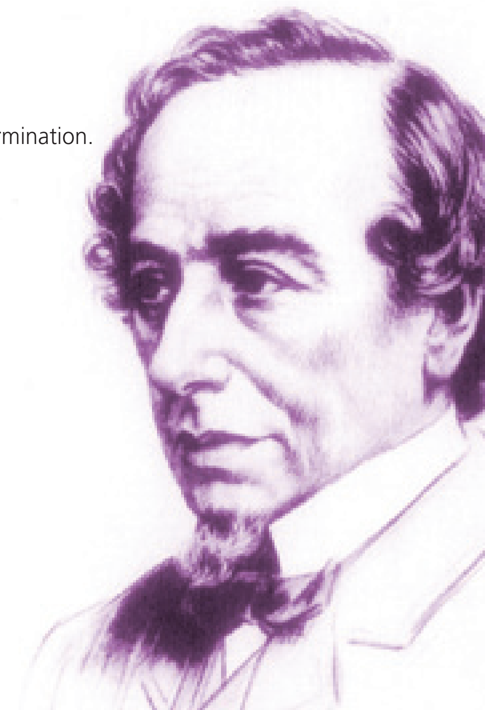
Key Messages when Setting Up in a High Risk Environment

- Ambiguity inhibits thinking and decision-making whilst certainty promotes confidence and determination.
- Accurate, relevant information about the operating environment, risks and opportunities drives business success.
- Information overload blurs spending and operational priorities.
- Predictive assessments develop confidence in future planning.
- Risk mitigation requires an understanding of upcoming events.
- Specifically sourced information answers the key concerns in the boardroom.
- Missed opportunities represent business failures.

To quote Benjamin Disraeli "As a general rule, the most successful man in life is the man who has the best information."



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could affect a business. Furthermore, there are seldom definitive black-and-white issues in construction and engineering, and so it will always be a case of dealing with shades of grey. Information and assessments are no different and they come with quantifiable health warnings as to their accuracy and relevance. They do not remove risk in its entirety, but do enable the decision makers to make well-informed choices and underpin effective planning.

Ditch the Crystal Ball

Even if operating in a familiar, stable and well established environment, it makes good commercial sense to consider future trends and influences. These environments can evolve, whilst operations may change in response to unexpected developments and modified objectives. Inevitably, this susceptibility to change is multiplied many times over in unstable environments. A temporal context analysis, as shown below, seeks to identify trends and significant future events and, as such, is a really useful tool for business planning.

Key Factors	Overall Assessment	Sector analysis	2012	2013	2014	2015	2016	Comments
Business		Bueaucratic Efficiency					–	
		Business Integrity						
		Industrial Relations				–	–	Strong unions linked to ruling party
		Labour Quality					–	Poor education and skills
		Labour Availability					–	Large young workforce
		Access to Market				–	–	Monopolies (some state-owned) and duopolies exit in some sectors
Infrastructure		Transport						
		Communications						
		Utilities						
		Technology						
		Research and Development						
Economy		Growth				–	–	
		Capital Investment				–	–	
		Inflation				–	–	
		Currency and Exchange Rates				–	–	
		Government Debt and Spending				–	–	
		Taxation				–	–	
Legal		Legal System					–	
		Business Regulation					–	
		Legal Integrity						
Governance		Strategic Direction					–	
		Political Continuity					–	
		Democratic Stability						
		Foreign Relations					–	
		Regional Relations					–	
		Political Integrity						
Security		Regional Stability					–	
		Internal Security					–	No significant terrorist or insurgency threat exists
		Rule of law					–	High levels of organised crime and general criminality
		Law Enforcement Integrity						

Incentives and Disincentives	
	Substantial Incentive
	Moderate Incentive
	Low Incentive
	Neutral
	Low Disincentive
	Moderate Disincentive
	Substantial Disincentive
–	Undetermined

This trend analysis is for a Latin American country and allows a focus on specific incentives and disincentives. All outputs are tailored to produce bespoke analysis according to the business and, at this stage, it could be used to identify critical topics for later, more detailed, analysis and research.

The Environmental Context

For obvious reasons, the gathering and use of intelligence has long been a priority for the military, and there is much that the commercial world can learn from processes that the armed forces use. For example, the importance of understanding the local environment, which is illustrated (in a military context) in Doctor Mike Martin's recent book ***An Intimate War***. This book tells the story of the last 34 years of conflict in Helmand Province, Afghanistan and is unusual in that the conflict is told as seen through the eyes of the Helmandis. The book incorporates the Soviet intervention, the civil war, the Taliban and the post 2001 nation-building era. It explains how outsiders have often misunderstood the ongoing struggle in Helmand and how they have often unintentionally exacerbated the conflict.

Similarly, in the commercial world a failure to properly understand the operating environment could cost a business dearly in terms of production, profit, global reputation - and even lives. Unfortunately, there are many examples across the world where even large multinationals have been undone by unforeseen events.

Operating in new markets is key to the growth and success of many companies in the construction and engineering sectors. However, without a clear understanding of the environment that you plan to operate in, the odds will be stacked against you. The opportunities are there and the rewards can be lucrative, but intelligence-led operations are crucial to ensure success – and avoid catastrophe.

About the author

Martyn Denton is MD of QRO Global. Martyn has more than 30 years' experience in the armed forces, reaching a senior level within the British Army where he was involved in security clearance, intelligence analysis, training and management. Martyn now works in intelligence operations across the world in both a military and commercial capacity. He works in co-operation with the armed forces, law enforcement agencies and government departments of both the UK and foreign nations.

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