

This article was originally published on the website of the China Britain Business Council in May 2020 and can be found here: <https://focus.cbbc.org/what-is-corporate-intelligence/>

What Is Corporate Intelligence and Who Needs It?

Kieran porter of Elicius explains what corporate intelligence actually is, who needs it and why, and the pitfalls to look out for.

“People should have seen this coming” was the widespread reaction to the recent [dramatic downfall of Luckin Coffee](#). China’s US-listed Starbucks challenger dropped 90 percent of its RMB 85 billion valuation in April and was raided by regulators as part of an investigation into its accounting practices. But who should or could have anticipated it?

Representatives of an often-overlooked professional service, corporate intelligence, would contend that a company from their industry should have been consulted, particularly when state-led regulation and enforcement is complicated by a cross-border listing. Signals were not hard to spot, and many may have been picked up early on as part of an enhanced due-diligence investigation. Alarm bells would have been prompted by the substantial difference in Western and Chinese media coverage of the company, as well as the track record of some of the company principals, and the familiar trick of explaining away unrealistic profit margins by claiming a unique ability to do something that no competitor is able to do.

What Do Corporate Intelligence Firms Do?

Corporate intelligence firms specialise in protecting or reassuring international companies that are considering new opportunities, even in parts of the world that might feel increasingly familiar, by providing independent research and risk analysis. Some foreign firms that have established a strong foothold in China have leaned heavily on intelligence partners for the confidence needed to move quickly and boldly in the world’s most exciting and fiercely competitive market. Research ranges from the most basic, know-your-customer ‘red flag’ compliance reports, through more detailed ‘enhanced integrity due diligence’ products, high-end strategic consulting for corporates and law firms, and finally, crisis and investigation support in the event that things don’t go to plan.

At the most basic level, analysts at ‘red flag’ compliance firms rely on public data sources to provide additional clarity about who to trust as a possible new manufacturing partner or who to rely on locally to run a branch or satellite office. These important but generally preliminary checks scrape public domain information to screen for identified fraudsters as well as those with political connections, who represent a higher risk of involvement in bribery or corruption. In addition to Chinese language media and press archives, analysts rely on global sanctions and regulatory enforcement lists, some public court filings, and corporate records. Although China now compares favourably to some countries in Asia like Cambodia and Vietnam when it comes to publicly accessible information (Hong Kong provides greater access still), you will likely only be getting a fraction of the story if you rely on what’s available in the public domain.

Corporate intelligence companies at the more premium end of the market (and price-range) tend to differentiate themselves based on their access to non-public information, including insights from their networks of human sources, which they recruit and maintain in the same way that a journalist would across industry, politics and media. A good source network should be able to serve up insights on a company’s operations, strategy and leadership, as well as highlighting any concerns regarding corruption, fraud or political exposure, which would not be immediately apparent in ‘open sources.’ These insights are combined with the work of good investigators who hit the road to retrieve filings from remote brick and mortar public registries, conduct discreet site visit inspections, and speak with customers and former employees. The information is then collated by professional intelligence analysts rather than search strings or algorithms, ensuring relevance, accuracy and – hopefully – valuable context. The best corporate intelligence companies can do this at speed and in-depth, even in niche industries and obscure parts of the country.

The Types of Players

The white-collar professionals in the Shanghai and Beijing offices of the established industry giants (Kroll, Control Risks, and the big four accounting firms) represent a complete transformation from the earliest days of the industry, which were heavily influenced by Brits – canny and well-connected former Hong Kong Police Officers looking to top up their pensions with investigations and advisory roles. Spin-offs from these established firms have also formed a second wave of successful professional service companies, with many former employees of industry giants relying on their rigorous private sector training rather than the cache of a former government or diplomatic role. Hong Kong remains a preferred base for many China-specialist firms, from where it is relatively straightforward to conduct enquiries and remotely manage fieldwork on the Mainland while remaining close to clients in the international business hub.

Research ranges from the most basic, know-your-customer ‘red flag’ compliance reports, through more detailed ‘enhanced integrity due diligence’ products

The key to finding a reliable intelligence partner is getting a feel for who is actually doing the work. Some larger firms servicing high volume, low fee contracts with big banks will make the most of talented but only recently-graduated analysts in order to squeeze their overheads. Whereas some smaller boutique firms with a core of experienced project managers may ramp up and down according to demand and cherry-pick the best freelancers for important projects from a pool of regional academics, investigative journalists, policy experts and PR specialists. Industry insiders will confide that some of the best local investigators and sub-contractors who maintain networks of sources, often serve more than one master, and would be more than adept at marketing their access directly to firms based in the West if they could afford the business rates in Manhattan or Canary Wharf.

In other international hubs of corporate intelligence, like London, the US East Coast or Moscow, there are suites of firms populated by former intelligence officers or diplomats who offer a private sector equivalent of government intelligence work – reporting on developments within an enigmatic elite.

Neil Heywood was an occasional China consultant for the firm Hakluyt until his death in 2011 sparked an [unprecedented political scandal](#). The Chongqing Communist party secretary Bo Xilai was accused by his police chief of poisoning Heywood after a business dispute with Bo’s wife turned sour. For good reason, very few firms with offices within China will now trumpet intelligence services, and very few firms based anywhere are able to deliver that type of work to a high standard.

There are certainly parts of the economy which are strictly off-limits – corporate intelligence should not be commissioned in relation to national strategic industries for example, and most research on public bodies or officials should be avoided, as should anything that strays towards competitive intelligence, particularly on state-owned companies or anything that could be perceived as commercially sensitive.

Nevertheless, executives at the most senior level can still turn to the higher end of the corporate intelligence sector for strategic advice in China. Getting an inside track remains important when it comes to market entry and policy advice, particularly for fast-moving sectors like tech where innovation and R&D can generate products and sometimes entire industries before the government machine can agree and establish a regulatory framework. Where there is dialogue between regulators, state-owned companies and business stakeholders, crucial insights can be obtained for corporate intelligence customers regarding major structural changes under consideration, draft regulation, or changes to how existing regulation is likely to be implemented. Even giants like Uber or Amazon who were initially celebrated for establishing a foothold in the domestic market quickly learned how hard it is to keep up with the extraordinary levels of private sector and state-owned competition, a constant flow of independent information about the market landscape can only improve chances of survival.

The Purpose of Intelligence

Most firms focused on China also provide investigative and crisis management services when commercial ventures don’t

go to plan. The challenges of addressing [intellectual property theft](#), counterfeit goods and protecting brand-holders' supply chains have historically fallen largely to corporate investigators (although the tech firms with the biggest historical problems like Apple, IBM and Microsoft have brought this capability in-house over the years). This has made some consultancies effective one-stop shops for advice on best practice for registering trademarks, patents and copyrights with the right bodies in China, as well as acting as conduits for cooperation with the authorities in raids on illegal factories and warehouses (particularly the Public Security Bureau and the Administration for Industry and Commerce). Any historic tacit tolerance of these illicit industries, which so often involve elements of organised crime, has dissipated and in 2019 the legal context improved significantly when a new [e-commerce law](#) introduced heavier fines and made digital sales platforms equally liable for crimes as the pedlars of stolen and counterfeit goods themselves. [Industry tales](#) from Guangdong underline the importance of a good investigative partner. These include brand protection firms commissioning bespoke counterfeits to claim lead intelligence and win lucrative contracts, and entire factory raids being staged using low paid actors in dated police uniforms, to reassure the local security manager of a Job Well Done.

Compliance departments and legal counsel also lean on corporate investigators when allegations of bribery and corruption surface. The US Securities and Exchange Commission and the Department of Justice have already brought more cases concerning potential breaches of the FCPA (Foreign Corrupt Practices Act) by multinationals acting in China than anywhere else in the world. As trade tensions between the US and China continue to rise, the DOJ has declared its intention to be even more proactive, particularly when Chinese companies are competing with American interests. The cost-saving value of effective due diligence was underlined last year when Airbus paid a record-breaking £3 billion settlement to French, British and US authorities, partly in connection with their Chinese 'middleman' partner company having paid significant bribes to officials for sales to Chinese government airlines.

Experienced, respected and capable investigations partners work best alongside lawyers to unpick events and dig for evidence in internal investigations. Even then, the investigators sometimes fail to avoid becoming key players in the story themselves. Perhaps the most infamous case of a Western firm coming unstuck is that of GlaxoSmithKline (GSK). In 2013 they hired British investigator [Peter Humphrey](#) of ChinaWhys (and formerly Kroll and PwC), a risk-advisory firm based in Shanghai, to investigate anonymous bribery allegations (as well as a [sex-tape](#) involving GSK CEO Mark Reilly). GSK were ultimately fined almost £400 million in 2014m, and Humphrey and his Chinese-born American wife Yu Yingzeng were convicted of "illegally acquiring personal information" of Chinese nationals and sentenced to 30 and 24 months in jail respectively. Choosing a corporate intelligence partner with a strong reputation matters more in China than almost anywhere else – projects must be closely managed to ensure all information-gathering techniques stick strictly to the letter of the law, and almost as important, that they are perceived to. Results are rarely perfect and conclusions are rarely black and white but there are few better alternatives for managing risk in challenging markets and feeling better prepared for bold decisions than incorporating the perspective of an independent partner you can trust.

Kieran Porter is a director at [Elicius Intelligence](#), providing investigative consulting, cyber threat intelligence and dispute support work, around the world from their London headquarters. He can be reached on kieran@elicius.co.uk.