



INTELLIGENCE TWO CENTURIES LATER

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It has been nearly two centuries since Nathan Rothschild catapulted his family's banking business to worldwide prominence. Aside from Nathan's innovations in creation of the bond market and international banking, an astute use of intelligence helped him achieve his many successes. Nathan helped the British government oppose and ultimately defeat Napoleon, making a fortune for both his family and the British Empire in the process. He saved the London stock exchange from collapse. He befuddled his financial rivals, building the world's most far-reaching banking concern.

Nathan had grown up in a cramped rabbit warren of rooms in a tiny house in the ghetto in Frankfurt, Germany. He and his brothers built their international strength through a uniformity of purpose, using a communications system that proved faster and more efficient than any government diplomatic courier service. Most important, they knew how to apply critical intelligence to make timely decisions.

Nathan Rothschild's prowess in the use of intelligence to create financial leverage revolved around three operating rules: First, stay close to the center of activity – be it political or competitive; second, make sure you find ways to speed critical information to decision-makers faster and more efficiently than your rivals; third, think about ways to use this critical information to achieve competitive advantage. Centrality, speed, and application were the cobble-

stones that paved Nathan's way for his family's successes.

Taking The Long View

What if we could somehow reanimate Nathan Rothschild, and hire him to critique the way twenty-first century corporations use information to generate intelligence?

Nathan has visited a number of the largest corporations in the world today, all multinationals. All have the latest communications equipment, instant access to commercial news, and private corporate jets. No one, he observes, is out of touch – or at least all the business entities he has seen have the capability for remarkably fast decision making.

After learning the QWERTY keyboard (knowing how critical the computer has become as a tool to send e-mails to your fellow business colleagues), he sits back on his high-tech swivel, anti-gravity executive desk chair (after pressing the do-not-disturb button on his phone), and begins composing his thoughts.

Why are so many companies suffering from bad decisions, or hubris in their investment decisions? Yes, people will be people, he muses, but do they not have the plain, raw information from which to see the next one or two moves on the competitive chessboard? This should be relatively easy with all this technology. He just shakes his head and begins to type his advice to a number of his colleagues on his newly created corporate "buddy list."

"To my new, dear friends. I must first thank you for all the time you have taken out of your very fast-moving lives to take me by the hand, as you would a little child. Indeed I feel like a child. To think how my brothers and I used carrier pigeons, when you have this wonderfully

speedy electronic mail device. I do not quite understand all the mechanical devices you employ but I have begun to see how it allows all of you to instantly know what the other knows. Ignorance of events should no longer exist.

"At least that is what I thought until I began to see how you are using all of your fast devices and tools. I have been greatly disappointed. For, you see, I believe that my brothers and I had accomplished greater victories with far less.

Stay Close To The Center Of Activity

"Do you recall our first principle? Stay close to the center of activity. Why is it that so many of you have forgotten this? This is not just an issue of proximity or exact physical location. If that were so, almost none of the hundreds of thousands of people you employ could reasonably be considered close to the center of activity. So many of your employees work in their own rooms, located in large buildings. Why I could not even open the glass windows in many of these buildings. They are truly closed off from the outside.

"This is not what I mean when I stated, 'staying close to the center of activity.' I sense an isolation of knowledge from the outside world. I say this despite the fact that many of you have television screens in your hallways, and business news streaming (I believe that is the phrase) on similar screens located at every desk.

"How do you or anyone else know that the news you receive is accurate? I can recall many inaccurate news reports of my family reported in the *Allgemeine Zeitung*. The news was also very old. By the time the newspaper had reported

an event – whether or not we Rothschild’s won or lost in the reported transaction – we had moved on to our next business arrangement. The newspapers were very much out of date.

“I have seen your BBC, Bloomberg, CNN, or CNBC news services. I find all the information they feed you as a constant repetition – with little that is new or substantive. I used to make business decisions with a deep and rich understanding of the characteristics of each of the decision-makers. I knew what interested them, and what left them sleepless at night. None of this do I find in your fast-moving news reports on television or through your internet.

“But most important, the news agencies tell everyone the same thing. Where is the advantage in hearing what everyone already knows? How can you ever hope to claim victory, when both sides see the entire battlefield? If you are going to win with intelligence you need to know something someone else does not.

“Centrality. It is all about centrality, my friends. You must have your most trusted and experienced employees stay close to where competitive activity is at its peak. These intelligence watchers need to visit trade congresses, shipping docks, and special clubs where all the scientists, experts, and corporate directors meet. Do not rely on someone else’s news reports. They may not contain information you can use, and they very well may be entirely inaccurate.

Speed Information To Your Decision-Makers

“Speed is another problem. Your world is very much one of fast motion, but not always of fast thinking. It amazes me how you take for granted the competitive advantage this technology gives you. You think that because it is instant, it is always accurate. Worse, if you see it as fast, you can rest — the information has arrived.

“As I walked through offices, I saw many people spending time creating long missives. Many were indirect. I read at least a dozen of them. I saw no decision being advocated or where I did, I did not see the reason for making the

decision. Why would a decision-maker even take such notes seriously?

“Then I watch as each of your employees think themselves a Leonardo da Vinci, painting word pictures with something called Powerpoint®. The images were very attractive, but they do not argue for you. You cannot convince someone with a pretty picture. They do not force decisions.

“All the arguments I had ever won were the result of vigorous discussion. We may not have had telephones, radio, or satellites. What we did have were couriers. I saw a courier as a messenger, not as a decision-maker. Nor should you see your e-mails, or Powerpoint slides as decision producing. They only communicate; they do not argue.

The speed I am therefore talking about is not the speed in which you write an e-mail or create an image, but rather the speed at which you need to form and communicate a decision. At times, speed may mean you are trying different approaches to ensure you get to the decision-maker in a timely manner.

For example, my father, Amschel, was concerned that we succeed in our arbitrage business. My brothers and I knew that we must keep each other informed on the latest news that could affect exchange rates — an outbreak of some fighting between nations, or a decision on a government subsidy, or a peace treaty signed. All this could dramatically change the exchange rates, turning profit into loss or the other way around. So my father requested that I send the latest news from London, using more than one route and more than one courier. We would even use different color envelopes so that our contacts at the post office would instantly know if the exchange rate had risen or fallen. This was the fastest way we knew to gain a competitive advantage over our other banking competitors.

Apply Knowledge For Competitive Advantage

“Application of the information. You call it analysis. I see a lack of application of critical information in the modern corporation. You assemble reports to your superiors that you call Competitive

Profiles. Too many of these Profiles are just a collection of information. I see no conclusions, no recommendations. I certainly see many charts and graphs.

“Few words. The shorter the missive the more people will listen, the more they will be forced to contact you and the faster, the more decisive the action.

Application requires knowledge — analyze that which you know. During my later years in business, the British railway system had just begun. Investors were flocking to spend their money in these railway ventures. Some made profit; many lost a great deal in this speculation. This railway fever reminds me of your internet age when your dot-coms took a hold of everyone’s wallets and purses.

Like your modern-day Warren Buffett, I believed in staying close to the markets I understood. I wrote a note to a friend’s son on this subject when he, too, considered investing in the rails: If I were to listen to all the projects proposed to me, I should ruin myself very soon. Stick to one business, young man. . .stick to your brewery, and you may be the great brewer, and a banker and a merchant, and a manufacturer, and you will soon be in the Gazette.” (*The House of Rothschild*, Naill Ferguson, Viking, 1998, Volume I, page 408.)

“If you do not have the expertise, find the expert to assist in the analysis. Remember that analysis has an end purpose: to help you make a decision that in turn will bring profit. Without profit, the analysis serves no purpose.

“Thank you for allowing me this brief time to visit with you. You indeed have an interesting world today, although one not that different from my own. Remember, intelligence is a powerful competitive weapon in any marketplace in any age. Good-bye.”

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