

*What is the Secretary of Labor trying to tell us that the Director of Central Intelligence needs to help his staff to understand?*

**CORPORATE ROLE IN NATIONAL COMPETITIVENESS:  
SMART PEOPLE + GOOD TOOLS + INFORMATION = PROFIT**

**by Robert David Steele-Vivas**

Vice-President Al Gore, totally loyal to President Bill Clinton and discreetly avoiding the limelight, is never-the-less the "core" performer in the Clinton Administration. Our national competitiveness--and the profits of many corporations managed and owned by U.S. citizens--depend heavily on the outcome of Al Gore's efforts to "reinvent government", and to create a National Information Infrastructure (NII). Both of these efforts depend in turn on many players, both in and out of government, but two of the players could have an especially substantive impact on how America does business as we enter the era of information warfare: the Secretary of Labor, and the Director of Central Intelligence (DCI).

Secretary of Labor Robert Reich, whose thoughts on this matter are presented in his recent book, The Work of Nations (Vintage, 1991) has it right: the only way to increase our competitiveness is to invest in our *people*, providing them with continuing education, the

best information handling tools money can buy, ready connectivity to other experts, and virtually unlimited access to *information*. Product, market sector, the nationality of the individual employee, even the activities of "Friendly Spies", are distractors.

Alvin Toffler, Peter Drucker, and others have clearly established that in the age of information warfare, information is not only the ultimate source of power, but is also, as Toffler illustrates so well in PowerShift (Bantam, 1992), a substitute for time, space, labor, and capital. Information, or better stated, information tailored to a corporation's specific requirements,

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i.e. *intelligence*, is both the core input and the core output of the successful and hence sustainable corporation .

The Director of Central Intelligence, James Woolsey, is under pressure to find ways to increase direct support to the U.S. business community by national intelligence agencies.

He is however being led down the wrong trail by his staff, focusing on how to provide industrial espionage services overseas and on how to disseminate classified information on foreign threats to our businesses. Instead, he should be focusing on what national intelligence can do to radically increase--in full partnership with the private sector--the robustness of our "information commons".

There are those who believe that no less than one billion dollars a year should be realigned from within the intelligence community budget, in order to fund this critical element of the NII.

### **Avoid the Cold War Mistakes of the Intelligence Community**

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**Mistake #1: Ignore the Rest of the World ((Little People, Other Industries, Pollution, Etcetera)**

One of the reasons the U.S. Intelligence Community finds itself in such turmoil, unable to satisfy many demands for its services, is because it was formed in 1947, and added to its capabilities in increments in the 40 years since then, with just one serious target: the Soviet Union. From satellites optimized for repetitive looks at Soviet missile silos, to a clandestine service and an analysis community geared largely to chasing Soviets and writing about Soviets, the existing U.S. intelligence community is simply not trained, equipped, or organized to deal with the kaleidoscope of fleeting threats and opportunities, many in the Third World, some in Europe, which can no longer be ignored.

Many corporations are in a similar situation, structured and staffed to build a specific product, for a specific market, relying on a specific natural resource. Most of these corporations do not treat information as a corporate asset, do not have a Chief Information Officer (CIO), do not have a long-range strategic intelligence plan, and have committed themselves to "no win" situations, trying to keep short-term costs down and short-term returns up, against foreign competitors who are fleetier of foot when it comes to substituting labor or capital from one country for

another's.

Where the intelligence community has failed--as has the private sector --is in laying down a global unclassified information collection, processing, and dissemination grid which can be used to produce economic intelligence that is timely, easily disseminable, and actionable.

*The practical outcome of this failure is that senior U.S. government policy-makers--and their corporate counter-parts--are making decisions based on less than 2% of the available information.*

A simple illustration will lend credence to this statement. Imagine Country "X" as having a typical Embassy or corporate office. That office, for bureaucratic, resource, and other reasons, is unlikely to collect more than 10% of the available information which might be of interest to a wide variety of consumers with distinct interests throughout the entire government or the corporation. Worse, of that 10%, roughly 80% is "spilled" enroute to corporate headquarters, either by being classified, by being sent to only one recipient with no capabilities for central filing, or by being put into a medium (e.g. hard-copy with many attachments) which does not lend itself to electronic broadcast.

Governments and corporations which do not optimize their field collection, and digitize their field reporting, are violating the first principal of Paul Strassmann's "Corporate Information Management" (CIM) concept: one-time data entry, corporate-wide accessibility. Where the U.S. Intelligence Community can make a contribution, in partnership with the private sector and, indeed, with the intelligence services of other countries, is by helping establish a "National Information Management" (NIM) approach to unclassified multi-media (imagery and signals as well as print) multi-lingual information.

In brief, U.S. government and the U.S. private sector should cooperate to the maximum extent possible in securing for our national "information commons" the maximum possible amount of unclassified multi-media multi-lingual information. This means avoiding redundant collection and processing, and it means much improved electronic connectivity between unclassified government databases and non-proprietary corporate databases. It probably means a totally new approach to data structure and data security by all organizations in government and in the private sector.

## **Mistake #2: Assume Your Chosen Consumers Are Happy**

There is another mistake made by the intelligence community which may also be found in those corporations that do make an investment in "competitor intelligence". That is, to assume, without any basis, that the "pearls" of intelligence will be recognized and appreciated by the managers whom intelligence has chosen to smile upon.

The reality is that classified or competitor intelligence is less than ten percent--some would say less than one percent--of the daily information intake of a senior government or corporate executive. What does this mean? *It means that fully 90% of the information reaching a senior executive is both unclassified and unanalyzed.*

The intelligence community, preoccupied with producing "secrets", has over the years abdicated its originally envisioned role, that of "informing policy". As "open sources" (what most people call public information) have exploded in richness and accessibility, the intelligence community has been left behind, locked in its vaults, smug in a "virtual unreality" of its own making. Competitor intelligence in

the private sector, in part because of the weakness of many corporations in the strategic planning arenas, appears to reflect a similar myopia, and does not make as strong a contribution to strategic vision and corporate reengineering as it might.

## **Mistake #3: Assume the President's Happiness is the Only Measure of Success**

Finally, in addition to assuming that its "hand-picked" consumers would pay attention to its intelligence products, the intelligence community has failed over the years to recognize new consumers or new priorities between consumers. This has in part been caused by, and validated by, a continuing emphasis on the President as the ultimate consumer of the multi-billion dollar U.S. Intelligence Community.

The President, however, does not implement policy, and more often than not the President does not even realize a policy opportunity has come and gone. It is the individual action officers in the scattered departments of government (or, in industry, the individual customer representatives and product engineers) who are on the firing line day in and day out. They have no "standing" with the U.S.

Intelligence Community, and one suspects that their "gold collar" knowledge counterparts in industry don't get much day to day support from such competitor intelligence operations as might exist.

"Intelligence", whether national or corporate, must support decision-making throughout the organization, at every level and at every location, not only at the top.

### **Why National Intelligence Should NOT Provide Industrial Espionage Services**

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Some of the brightest minds in the U.S. Intelligence Community met at Harvard on 14 December 1991, in the context of an Intelligence Policy Seminar, to discuss "National Intelligence and the American Enterprise: Exploring the Possibilities". Although a general consensus could not be established, here are four observations from one participant:

- 1) There is no such thing as an "American" enterprise, and therefore classified information cannot be conveyed to private sector enterprises with any justice or consistency;
- 2) The most important use of classified information is to

illuminate the playing field for policy-makers, keeping them appraised of the economic warfare practices of other nations and non-government groups including conglomerates;

- 3) A routine provision of intelligence information from the government to the private sector would in all likelihood lead to a reduction of private sector investment in research & development, and a consequently unhealthy dependence on the government for "leads" from other nations' efforts--nations which have historically not been as effective as ours at creative thinking (and often much better than ours at implementation and exploitation); and

- 4) The best thing we could do for "national" competitiveness, irrespective of the nationality of owners, managers, or workers in specific enterprises, is to have a national knowledge strategy, one which creates a government-private sector partnership that radically increases the availability of open source information to every citizen, entrepreneur, and indeed, every foreigner fortunate enough to have access to the American data "supermarket". Bottom line: government needs to focus on providing *information* not services.

**Information Continuum: "From School House to White House"**  
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The information continuum of the Nation, every element of which should be in the constant service of national competitiveness, runs "from school house to White House". Our national information continuum includes K-12; the universities; the libraries (public and private); businesses large and small; the media; the "rest of government", including not only the departments of the federal government long ignored by the national intelligence community, but also state and local governments, many of which have representatives in foreign countries; and of course the national security community as traditionally defined, including the Department of State, the Department of State, the National Security Council, and the President of the United States.

Secretary Reich, in The Work of Nations, dismembers existing fiscal and monetary policy myths, and with them many of the myths of corporate competitiveness. He focuses instead on the importance of transitioning from high-volume low-cost mass production, to high-value tailored production. The following quotations are instructive:

"The new barrier to entry is not volume or price; it is skill at finding the right fit between particular technologies and particular markets. Core corporations no longer focus on products as such; their business strategies increasingly center upon specialized knowledge."

"In the high-value enterprise, profits derive not from scale and volume, but from continuous discovery of new linkages between solutions and needs." (Emphasis added).

When Secretary Reich talks about the new web of enterprise, and the web of knowledge, he is really talking about *corporate and national intelligence--intelligence as art and process, rather than intelligence as I.Q.*

This is what Secretary Reich is trying to tell us that the Director of Central Intelligence is having difficulty understanding: in the age of information warfare, it is the organization with the widest web for gathering information, with the most skilled and knowledgeable employees, with the best means of communicating, and with the most efficient capacity for acting on information and taking advantage of new information, that will be competitive--and by being

competitive, raise the competitiveness of the Nation.

Nowhere is it written that *intelligence* must be classified. In fact, what we have learned from 40 years of secrecy is that the classification of information is fraught with danger, for it protects ignorance, misleads policy, and often costs far more money than anyone had every anticipated. Openness, by contrast, is profitable. The coffee houses in Silicon Valley, where competing engineers meet unencumbered by their lawyers, are living proof of the power of openness in creating win-win corporate advances in information technology, and commensurate profits.

Where we have failed as a Nation is in establishing a national knowledge strategy. Alvin Toffler addresses this in his forthcoming book, War and Anti-War, which includes a special chapter on this specific topic. Vice-President Gore's efforts with the NII are a good beginning, but they are, at least at this time, nothing more than a telecommunications architecture. What we put over those lines, how we collect it, and how we manage it (e.g. changing copyright and patent law, using security software to ensure compensation to intellectual property owners)--these

are policy matters that are not yet on the "official" NII table.

They are, however, of vital interest to U.S. corporations, and urgently require a joint government-private sector campaign plan. The plan should include our schools.

An essential premise of any NIM plan must be that all individuals in this Nation produce as well as consume information, and that many of them are capable of producing *intelligence*, not just data or information.

One can define *data* as the raw elements of information, isolated pieces of information. *Information* one can define as collated data, of generic value. *Intelligence*, in contrast to information, is tailored to the needs of the specific consumer for whom the data was collected and the information collated. Intelligence, in contrast to information, is immediately actionable because it has been tailored to the interests, objectives, and actual resources or capabilities of the consumer.

If the information continuum is our lever, then national competitiveness appears to turn on two fulcrum points, one internal, one external.

Internally, we appear to require a national connectivity plan and a national information exchange system which enables every person having access to that system both to consume information, and to produce and disseminate information. Corporations must be able to tap in easily to the diverse talents contained in our universities, and indeed in some of our high schools. There is a *quid pro quo* here: the universities can collect some information and process some information (e.g. graduate student translations of selected competitor nation technical publications), but our corporations must also contribute collected and processed information to the "information commons".

Externally, the U.S. Intelligence Community, and all elements of the federal government represented overseas, have an obligation to enter into the "information commons" all unclassified information which has been collected at taxpayers expense.

*The failure to introduce this information into the commons, which by definition is electronic--digital--may force the issue of whether or not a substantial portion of the U.S. intelligence community should be privatized.*

Again, the corporate world has a responsibility here as well. If we understand and accept the NIM concept, then foreign multi-media multi-lingual information collected and processed (e.g. translated) by U.S. corporations and citizens must also be entered into the commons. One can only speculate as to the enormous redundancy between corporations, and between the private sector and the government, with respect to what the U.S. Intelligence Community calls "encyclopedic intelligence", i.e. basic information about foreign countries, companies, personalities, systems, and conditions.

#### On the Matter of Openness

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There have been many articles, and many speeches, equating business with warfare, competition with combat, sales personnel with "front line troops". There has also been a natural tendency in the business community to adopt the traditional military-industrial perspective on secrecy, on maintaining high barriers to entry, and so on.

Where Alvin Toffler really distinguishes himself from other pundits of the day is in focusing on knowledge as an inexhaustible resource; a resource easily shared,

re-usable many times over; a resource able to support "win-win" approaches to competition.

What is happening here is that "world is becoming mind", and the principles of cybernetics are replacing the principles of physics as the governing "rules of the game". In cybernetics, a closed system is subject to entropy. In cybernetics, success, and particularly success in adaptation and survival, comes from having a shorter faster feedback loop than your competitor, and from having as many sensors as possible. Those corporations that spend 80% of their information capital on keeping the barn door closed are going to lose to those corporations that spend 80% of their information capital on bringing as many people through the door as possible.

In the age of information warfare, "security" comes from being so good at dealing with information that you have formulated your strategy and set implementation in motion before your competitor realizes the opportunity for innovation even exists. And you must do this many times over, day after day, product after product, without ever missing a beat.

## On the Empowerment of People

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It has always been fashionable to give lip-service to the claim that "people are our most important asset". More often than not, this has been an out and out lie, belied by abysmal working conditions, non-existent tools, and oppressive management oversight levied on our "best & our brightest".

Robert Carkhuff, in The Exemplar (Human Resources Development Press, 1984), invented the term "gold collar" worker, or "knowledge worker", and set forth the basic principles for managing smart people in the age of information warfare.

These are not new ideas, although some of the hot properties on the lecture circuit would pretend they were. Before Carkhuff there was Harold Wilensky, with his Organizational Policy: Knowledge and Policy in Government and Industry (Basic, 1967), and before Wilensky there was Chester I. Barnard, with The Functions of the Executive (Harvard, 1938). And others. The difference between their times and ours is that now we must mind them, or lose our place in the world.

## Corporate Intelligence Strategy

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Of all the books available in the fields of intelligence, information, strategy, marketing, and management, the best, the one that captures how a corporate intelligence strategy can leverage good people into a protected and profitable productive capability, is Carkhuff's. His principles are simple:

- 1) Emphasize data availability to the employee (this includes, in today's terms, digitalization of hard copy and automated routing/flagging of data);
- 2) Emphasize global unrestricted data flow (i.e. provide online connectivity between employees and everyone else, in and out of the corporation);
- 3) Emphasize decentralized data exploitation (applies to both collection and production);
- 4) Emphasize data-based policy (includes automation of historical memory and insistence of fresh "reviews of the bidding" prior to each major milestone in any given program);
- 5) Emphasize increased data products and direct access by the

consumer to organized data (don't collect what you won't process, don't process what you won't disseminate, organize data to serve the end-user executive, not the intermediary librarian or analyst);

- 6) Emphasize top-level focus on optimization of employee productivity through insistence on best tools, best training, best data, and elimination of middle-management obstacles to direct communication between your "gold collars".

## The Bottom Line: We Have Seen the Enemy and He is Us

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What does this all mean? It is fairly straight forward, and in total contradiction to everything they ever taught us in business school.

- 1) Invest in your best employees, even if you don't like the way they dress, talk, or act. Smart people can only get smarter and more profitable, if you give them the training and tools and connectivity to information that they require.
- 2) What you make or sell is not as important as how good you make it, how fast you sell it, and how quickly you can change over to making something completely different.

3) The private sector is now recognized as comprising the bulk of the national intelligence community; YOU are part of the national information continuum; and YOU are a major player in establishing your national competitiveness.

4) Education and *intelligence* are two sides of the same coin. To be competitive, a corporation must be thoroughly integrated into our educational establishments on the one hand, and fully supportive of a national intelligence effort on the other.

5) National intelligence is not going to be helpful to U.S. enterprises unless the private sector focuses on and accept the need for a government-private sector partnership, and the private sector takes the lead in discussing these issues and opportunities with Members of Congress..

6) We have a national intelligence community spending approximately \$28 billion a year, and a national "virtual" intelligence community spending approximately \$500 billion a year, and both are in disarray. Reform must start in the private sector.

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