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The Intelligence Divide

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War has taken on a new meaning in this age. The weapons destroy slowly. The casualties die a less painful and prolonged death. Some do not even know they are already dead! However, just as in the old wars, there are many casualties and the effects on society are long-term.

Welcome to the age of cyberwars, where the tools are soft and the soldiers have no uniforms! A cyberwar is a relentless, protracted, never-ending war fought with the most powerful weapon man has conceived ever - intelligence. It is a war among the powers of today - the corporations. The casualties are corporations and the people whose livelihood depends on them. And as in a traditional war, there is a high ground - a position of natural advantage. Between this high ground and the inferior positions, there exists the intelligence divide.

FOUR STAGES

There are four stages in the evolution of an organization toward increasing intelligence. The first stage is the "stage of ignorance." This is the stage in which the organization and its management do not have a solid, verifiable, and scientific understanding and knowledge of its current position - its sales, profitability, correct product mix, costs, and customer and market response. True, there may be an automated transactional system in use by the organization. This may not necessarily even be a legacy system - there could even be a state-of-the art high-end application package in place on top of the latest server running with an advanced computing network. From this, there might be clues from the transactional reports. There might be "guesstimates" from rules of thumb. There might even be estimates from some seasoned executive's messianic spreadsheet. But there is no science, no verifiable fact, and figures will never be reconciled no matter how much the CEO blows his top!

The second stage of evolution is the "internal intelligence" stage. In this stage, the organization has managed to create enough information management muscle to generate a clear and true view of its internal operations. There is now accurate and comprehensive

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information on its key performance indicators (KPIs) such as sales, profitability, costs, and customer loyalty and turnover by customer or market segment, product or service, distribution channel, etc.. There is, therefore, a good (current) grip on the organization's own operating position.

When the organization starts flexing its information management muscle to the outside world, things get much more interesting! This is the third stage - the stage of "interactive intelligence." In this stage, the organization gets information on three things vital to competitiveness: information on its competitors' performance, information on its partners, and information on the market and the general business environment. One of the prime sources of such information is the Internet. The good thing about the Internet is that if you look hard enough, there is meaningful information on your competitors that you will find - through the competitor's Website, through industry portals, and through general business sites. On the other hand, partner (supplier, distributor, retailer, customer) business information can be actively extracted by putting up systems that link the supply and demand chains of the organization. If you link yourself to your suppliers, distributors, retailers and customers through e-commerce systems, you should easily acquire the capability to monitor the sales, cost and profit performance of everyone along the chain.

There is no magic here - you just need to carefully plan and implement the ability to monitor transaction volumes and values along each point in the total chain. The market and general business environment information, the last component, should be very easy to get from the Internet. All these new information gathered through active interaction with the outside world can then be translated into knowledge that will allow your organization to position itself better. And this is just the third stage!

When your organization reaches the fourth stage, the stage of "directed intelligence," you have made it! This is the stage where you use the intelligence gathered on your competitor's performance and run the data through standard business models. You run this simulation process and refine the model until the model fits as closely as it can to actual data.

The model that fits the intelligence data closely can then be used to explain the internal operations of your competitor. This is like getting inside the mind (the corporate mind, at least) of your competitor. This should help you plot your next move better (This is actually how the best chess players win over their opponents!).

Apart from this, the fourth stage requires that you confuse your competitors (like chess again) through counter-intelligence. You deliberately feed your competitors misleading information. You also introduce information to the market that will help shape it in your favor. Promotion and propaganda, positive or negative, assume a very subtle form in terms of innocent-looking news, industry studies, customer and partner (supplier, distributor, etc.) press releases. etc.. Of course, this is a collective undertaking with your trusted partners and customers.

ROUTE TO DEVELOPMENT

The importance of development up to the fourth stage cannot be underestimated. The first stage is when your organization is exposed - you are a sitting duck and it is open season on ducks. You

are blind even to how well or badly your own business is faring. It is critical to get out of this stage as fast as you can.

The second stage is better than the first. To get there from the first stage, you climb the "cliff" - the first part of the intelligence divide. This is a steep, hard climb susceptible to fatal falls. You need to shift your organization's way of thinking to collective accountability, precise performance measurement, transparency, and top-down tightly-linked objective-setting. This is the hard part. You also need to implement at the minimum a data warehouse at this stage. This technical component should not be difficult if transactional systems, legacy, or packaged applications, are in place.

To defend your information assets, you also need to implement security systems including virtual private networks (VPNs) since your internal corporate performance and position can be equally clear to competitors if your information assets can be spied upon. However, even this second stage is a purely defensive stage. It closes your walls but does not let you see much outside either. And like swimming in a river where there are currents, this stage is much like moving directly against the currents - leaving you in a static defensive position.

The move to the third stage is a long, scenic trek across a "slope." The "slope" is the second part of the intelligence divide. Having accepted the new thinking and having been exposed to the new technologies of business intelligence in the second stage, the third stage is where you build the information infrastructure in preparation for your attack. This stage is an offensive, preparatory stage as you open your organizational windows to take a look at the outside world using the tools of information technology and e-commerce. This is a scenic stage because this is where the organization begins to see the potential of electronic interactivity in enriching its knowledge base on its competitors and on the market. A downside to this stage is that as you open up, you will be inviting more electronic attacks from your competitors. Thus, you need to further strengthen your security through intrusion detection and analysis systems (like setting up a cyber-FBI). Building the infrastructure takes time and financial resources though. It also requires a willingness to partner with the right partners (You've got to trust somebody at some point somehow!).

Reaching the fourth stage from the third stage is the final conquest - analogous to "jumping the walls of the cities" of your competitors (the "walls" are the third part of the intelligence divide). You are setting up your own cyber-CIA. Using the preparatory information infrastructure of the third stage, you can now launch your own information attacks using your knowledge of your competitor's internal operations derived from simulations based on competitor information. You will use Webcasts (broadcasts on the Web), Internet channels, and intelligent software agents (tiny computer programs that you deploy into the Internet to either gather information or spread information for you - infobots, robots, crawlers, etc.) to shape your market, enrich your partners, and neutralize your competitors.

ROADMAP

What is the roadmap to the fourth stage? You need as a prerequisite robust transactional systems, whether legacy or packaged applications. If you don't have these, implement these first (you will not go anywhere without these in this age of high-tech, global

competition). Once you have done this for your day-to-day business operations, the path between stages consists of the following:

1) Up the cliff (Stage 1 to 2): implement your data warehouse and EIS to produce corporate KPIs implement your corporate knowledge intranet install firewalls, virus control, VPNs

2) Across the slope (Stage 2 to 3): implement data mining implement intelligent software agents to gather competitor and industry data set up supply chain intelligence systems implement your extranet join public portals to gather competitor and industry intelligence implement intrusion detection and analysis systems to detect attacks by competitors and cyber-terrorists

3) Jump the wall (Stage 3 to 4): implement simulators to understand competitor internal performance using publicly-available data (input business, output business, structure and standard operational models) own and manage portals to understand competitor and industry thinking use intelligent software agents to misinform competitors (counter-intelligence) and cyber-terrorists.

Crossing the intelligence divide is critical to organizational survival. Those in Stage 1 simply do not have a chance. Organizations in Stage 2 will have a better chance of surviving but will be in constant reactive/crisis mode. Those organizations that reach Stage 3 will be the norm in the global economy. The Stage 4 organizations will dominate.

What stage is your organization in?

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