

Private Intelligence Companies

How the Spooks Moved in on Big Business

by
Michael Smith

The growth in private intelligence companies over the last decade has been phenomenal. No doubt concerns over the war on terror have played their part but the key factor has been a recognition among senior players within industry of what the intelligence services and more astute politicians have known all along - the collection of relatively small but vitally important pieces of intelligence can play a major role in the decision-making process, turning potential failure into success. Government decisions based on good intelligence can save lives. Business decisions based on good intelligence can save millions of pounds and increase profits dramatically.

These companies apply methods successful in the intelligence community to big business, collecting intelligence on individual markets, on risks from a range of sources from crooked employees to terrorists, on which countries are safe to do business with and which are not, and yes, on the clients' competitors. The lucrative nature of the work, particularly when compared to government pay, has led to large numbers of highly experienced former intelligence operators from MI5, MI6, the FBI, the CIA and the military moving into the private sector adding significant expertise to an industry previously dominated by accountants.

The purpose of these pages is to chart the key players in the industry, from the grand old man Kroll, sadly now seemingly in near terminal decline, to the bright up and coming relatively new players like Hakluyt with its large contingent of former MI6 officers. Additional company profiles will be added over the coming months. These pages will also be updated as and when something relevant to a particular profiled company occurs in order to provide a candid, up-to-date picture of what is going on in the private intelligence industry.

Michael Smith is the author of a number of widely acclaimed books on intelligence issues including the UK Number One bestseller Station X - The Codebreakers of Bletchley Park, The Spying Game - The Secret History of British Espionage, and Killer Elite - The Inside Story of America's Most Secret Special Operations Team.



AEGIS

The creation of Aegis in 2002 created a large degree of controversy, not least because the man behind the company was Tim Spicer, a former British Army colonel. Spicer's previous company Sandline International caused a scandal for the UK government over its supply of weapons to the government Sierra Leone and got into trouble in Papua New Guinea, where Spicer was kidnapped by members of the military unhappy with their own government's attempts to end the insurgency.

But the greatest controversy arose from the Pentagon's 2004 decision to award Aegis the \$300m US government contract to supply intelligence and security for reconstruction in Iraq. Other companies beaten to the contract complained that Aegis did not have sufficient security personnel to fulfil the contract. Their chagrin was no doubt compounded by the fact that Aegis was to act as the interface between them and the US military.

The US inspector-general monitoring reconstruction in Iraq criticised the company in 2005 for failing to make sufficient security checks on its locally recruited Iraqi employees. More recently, US security company Blackwater and British competitor Erinys lodged protests with the Pentagon complaining that they have been unfairly excluded from competing for the contract when it was renewed for a second time in June 2007, although given the current situation in Iraq, changing horses in mid-stream would be a tricky business.

It is nevertheless unsurprising that there was so much jealousy over the renewal of the contract given that Aegis's turnover - just £500,000 in 2003 - had rocketed to £62m in 2005.

But Aegis is not just a security firm. A key part of its role in Iraq is to provide other private security companies with operational intelligence on what is going on in the country.



Tim Spicer

It has a Research and Intelligence division run by Dominic Armstrong which according to the company website offers "a range of geopolitical intelligence, threat assessment and investigative services tailored to the specific requirements of corporate, institutional and government clients". It runs its own terrorism database, which is updated daily, and with piracy an increasing threat, an internet-based maritime terrorism threat assessment service ATAS, which "provides instant, customer-specific risk assessments covering over 3,800 ports worldwide and all critical sea lanes".

But the main players in Aegis are ex-military rather than ex-intelligence services. Spicer himself was CO of the 1st battalion, the Scots Guards (and had an early involvement in controversy in Northern Ireland). His company's chairman is Lord Inge, the former UK Chief of Defence Staff, and the board includes General Sir Roger Wheeler, the former head of the British Army. This suggests the focus is firmly on Aegis's security operations rather than its ambitions as a specialist intelligence provider.

Read more about Aegis here:

Vanity Fair - Iraq's Mercenary King

CorpWatch - Controversial commando wins Iraq Contract

Daily Telegraph - Iraq security contract won by Sandline Man

The Sunday Times - Making a Killing

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CONTROL RISKS GROUP

The first of the big name British private intelligence companies Control Risks was set up in 1975. Its early employees were predominantly former members of the SAS or SBS and it was the first company to specialize in so-called K&R [Kidnap and Ransom] insurance policies, which provided a range of services from hostage negotiation to rescue operations in return for large premiums.

It built the bulk of its business, and made its name, providing advice to businesses on the risks of operating abroad, providing risk assessments and then sending in teams of former special forces operators to rescue businessmen who got into trouble.

Risk analysis and crisis management remain its two great strengths but in 1994 it poached John Conyngham, Kroll's Head of Fraud Investigation, to set up a highly successful investigative division, and began aggressively expanding its offices abroad, particularly in the United States where it now has five of its 25 offices worldwide.

Its continuing leading role in risk assessment and crisis management is demonstrated by the presence of two separate offices in Iraq, at Baghdad and Erbil. It has a 24 hour crisis incident management centre, CR24, which assists clients caught up in crises in foreign countries, providing detailed advice and coordinating a safe response.

Conyngham's description of the company's work in evidence to a US congressional committee gives a

Control Risks' Global Director for Corporate Investigations John Conyngham. "We see our function to be that of finders of facts, gatherers of intelligence and evaluators of evidence."



good feel of the role of private intelligence companies. "We include lawyers but we are not a law firm, we include accountants but we are not an accountancy firm, we include former police officers but we are not law enforcement. Rather, as commercial investigators, we see our function to be that of finders of facts, gatherers of intelligence and evaluators of evidence."

This is much more like the model for an efficient private intelligence company. But in practice such firms are often too heavily weighted towards accountancy skills. Obtaining accurate intelligence is a difficult task. Simply trawling through on-line databases is not enough to provide the added value that merits the very large sums of money such companies demand. It requires setting up networks of contacts around the world who are both sufficiently motivated and capable of finding out information that is not available in the public domain. There are considerable doubts as to whether many companies provide that added value.

Control Risks

Read more about Control Risks Group here:

Financial Times - How to stay safe amid dangerous liaisons

Financial Times - City to get guide to combating suicide attacks

John Conyngham of Control Risks - Evidence to Congress

The Times - Diplomatic guards may quit in Baghdad pay row

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DILIGENCE

Diligence was set up in 2000 by former members of the CIA, Britain's MI5 and UK special forces, not just to provide commercial intelligence for private companies but also to provide a private intelligence service for "foreign governments".

It offers services across a wide spectrum which include not just providing intelligence on the market and on the intentions of competitors, but also due diligence of commercial transactions; preventing and countering physical threats to company personnel; countering threats to a company's reputation; countering and preventing fraud; and "partnering problems".

Despite being formed by former spooks, it soon added the inevitable lawyers and accountants, plus former police officers; bankers; diplomats and even investigative journalists in order to gather as much information as possible.

"Diligence, through research and analysis, strives to provide every client with the 'information edge' it requires to succeed in an era of unprecedented global competition and risk," the company's website claims. "Diligence is an intelligence gathering and risk management firm that helps its clients confront difficult business challenges. In this role, we provide companies with both the information and analysis to enable them to identify, manage, and mitigate risks stemming either from the normal flow of business or from unanticipated contingencies."

Diligence achieved a major publicity coup when it persuaded Michael Howard, the former leader of the British Conservative party to become the chairman of its European operations in June 2006. Lord Powell, Margaret Thatcher's foreign policy adviser when she was British prime minister, is also a member of the company's advisory board.



Michael Howard

But the good publicity was short-lived. It soon emerged through the US courts and in Congress that company founder and Chief Executive Officer Nick Day, a former officer in MI5 and before that the Special Boat Service, was accused of posing as a British intelligence officer.

In an operation colourfully codenamed Project Yucca, Day allegedly persuaded a British accountant to spy on a Bermuda-based company "for his country".

There was added spice to the affair, as well as a certain irony, in that at its heart was a tussle between two Russian-owned companies for control of the Russian telecom company Megafon. When a powerful congressional committee became involved, Day denied any wrongdoing and said Diligence would welcome the opportunity to tell its side of the story.

Diligence has offices in Washington, New York, Miami, London, Brussels, Moscow, Berlin and Hong Kong. Its UK managing director is another former SBS officer Russell Corn.

Read more about Diligence here:

Business Week - Spies, Lies and KPMG

Financial Times - Cheney joins the Cheney critics

Financial Times - Agency 'engaged in corporate espionage'

Daily Mail - Howard 'spy' firm pays £1m to settle MI6 duping case

Daily Telegraph - Diligence is Howard's new way

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GPW

GPW short for Grayson, Pender and Wordsworth, was set up in the summer of 2004 by three former Kroll employees, two of whom had only left shortly beforehand, apparently disgruntled over the Marsh and McLennan takeover. It remains a very small operation albeit one that has proved astute at media management.

Patrick Grayson, a former Irish Guards officer who ran Kroll's London office, was joined by Peter Pender-Cudlip, Kroll's deputy head of business intelligence and investigations, and Andrew Wordsworth, a senior director at Kroll who specialised in business intelligence. That they persuaded Richard Blaksley, a former head of both Kroll Europe and Kroll Asia, to defect is another indicator of the unhappiness at Kroll.

They also brought in Andrew Fulton, a former head of the large MI6 station in Washington, as chairman to add a touch of well-publicised street cred. Fulton began his career in Saigon in the late 1960s, the height of the Vietnam War and was a highly experienced intelligence officer although he is not a hands-on executive at GPW.

Despite a string of newspaper articles extolling the company's virtues, and the undeniable experience of the main players, GPW remains a small operation. Grayson typically has used the word "boutique" to portray this as an advantage but as discussed elsewhere, the only way to do business intelligence properly is to have people out on the ground recruiting the sources who can provide real intelligence.

This is acknowledged in the company's website which insists that "geography is never a limiting factor.



Patrick Grayson

Many assignments are international so the need to be flexible in responding to clients is of paramount importance," it says. There is "a well established international network in the busiest and remotest corners of the world" and "at any one time, GPW has operatives active across the world gathering information on behalf of clients."

But insiders cast doubt on quite how extensive this network can be and while GPW no doubt has the ability to send "firefighters" anywhere in the world to gather intelligence or assist clients on the ground, small operations are inevitably limited as to what they can do, leaving them often over-dependent on internet databases and search engines.

Nevertheless, GPW does have a number of highly experienced directors - augmented by newly recruited executives including former members of the intelligence services - and the fact that it concentrates solely on business intelligence and corporate investigations is a distinct advantage.

Read more about GPW here:

The Times - Kroll trio launch rival City intelligence firm

Scotland on Sunday - The spy who eluded me

The Times - Ex-MI6 man spies opening as head of GPW

Guardian - Corporate fraud loses UK business £72bn each year

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HAKLUYT

Hakluyt was founded in 1995 by former MI6 spooks Christopher James and Mike Reynolds, swiftly cornering the upper end of the market by concentrating solely on producing high-class commercial intelligence and advice unavailable elsewhere. "The idea was to do for industry what we had done for the government," James said.

The company is based in London's expensive Mayfair district and has a prestigious "international advisory board" which includes Lord Renwick, once UK ambassador to the United States, ex-British Airways boss Sir Rod Eddington and Senator Bill Bradley, a former Democratic Party presidential nominee.

Hakluyt seeks out the most knowledgeable experts in the areas in which its international clients' interests lie to act as "associates", providing the raw intelligence with which its "advisers" work.

It is named after the 16th century geographer and clergyman Richard Hakluyt, who was sent by Francis Walsingham, Elizabeth 1's spymaster to Paris as chaplain to the British ambassador with orders to collect intelligence on the French and the Spanish. An apparently perfect spy, it was said of Hakluyt that: "He is the silent man, seated in the dark corner, who is content to listen and remember."

True to that tradition, Hakluyt assiduously avoids publicity - as evidenced by an extraordinarily enigmatic website (although it has not always escaped media attention).

James retired in mid-2006, stepping up to the advisory board, and was replaced as managing

director by another MI6 "old boy", Keith Craig who is developing the company's advisory capacity.

Hakluyt has made good use of the large number of former MI6 officers who have resigned in recent years to make more money, stepping up its number of "associates" around the world to create an astonishingly large international human intelligence network.

The company has allegedly extended its reach into areas previously deemed too difficult for private intelligence companies to access. It insists however that this information is collected only for its private clients and that it is not linked in any way to MI6.



*Richard Hakluyt,
the Elizabethan
geographer, cleric
and spy whose
name the company
adopted*



Read more about Hakluyt here:

The Scotsman - Intelligence firm with an air of mystery

Financial Times - Change of guard at Hakluyt

Financial Times - Hakluyt boosts both boards

The Independent - Hammond's security links queried

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KROLL

Kroll was the first of the big high-profile private intelligence companies.

Set up in 1972 by Jules Kroll, a former Manhattan assistant district US attorney turned private investigator, the company set the industry standard, recruiting former police officers, prosecutors, intelligence officials, academics; accountants and journalists to harness their various research and investigation skills to provide business organizations with the best information available on a range of issues: obtaining information on rival companies and potential acquisitions; detection and prevention of fraud; advising on how to deal with crises such as the kidnapping of employees or other threats.

It was not shy of publicity, making a name for itself in the tracking down of the hidden foreign financial assets of some of world's most infamous political leaders, including Ferdinand Marcos of the Philippines; Haiti's "Baby Doc" Duvalier and Saddam Hussein. Based in New York, it has offices in more than 25 countries worldwide.

It attracted unwelcome publicity in October 2004 when it was accused on spying on a key adviser to Brazilian president Luiz Inácio Lula da Silva during an investigation on behalf of Brazilian telecom company Brasil Telecom Participacoes SA.

Kroll is run by a Brit, Simon Freakley, an insolvency expert who learned his trade with the accountancy firm Arthur Andersen.



*Simon Freakley,
the British Chief Executive Officer
and President of Kroll*



Jules Kroll, founder of Kroll Inc

But while it is strong on asset tracking it is not so adept at strategic intelligence. The feeling of a company run by accountants for accountants permeates the top structure with the most interesting of its senior management team being James Buckham, Head of Risk Management, a former FBI officer who headed up the Manhattan US attorney's office narcotics section and went on to serve as a key adviser to then FBI Director Louis Freeh.

The company is owned by US company Marsh and McLennan, whose main business is in insurance brokerage.

A few months before buying Kroll, Marsh and McLennan had been torn apart by allegations from the New York District Attorney of cheating customers "in an elaborate charade of price fixing and bid rigging". It conducted a thorough clean-out but the acquisition of Kroll always looked like an awkward fit.

In late 2006. Kroll pulled all of its security personnel out of Iraq and Afghanistan and sold off its security division Kroll Security International amid repeated rumours, denied by Jules Kroll, that he was unhappy with the way things were going and was trying to buy back the company he started.

Read more about Kroll here:

Sydney Morning Herald - The Brazilian connection

Financial Times - Kroll to sell Iraq and Afghan security unit

Sydney Morning Herald - Welcome to the murky world of Kroll inc - the private CIA

The Independent - Simon Freakley: 'Blimey, he's a limey': the Brit running the gumshoes and troubleshooters at Kroll

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