

Chapter 3

Managing Organized Crime

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ABSTRACT

This chapter describes the way in which organised crime networks are structured and operate. Every general manager, no matter which kind of business he/she deals with, has to transform the daily chaos of events and decisions into an orderly way of sizing up the firm's position in its environment. At first, this chapter focuses on organised crime networks: how they are shaped and how they differ from others business. Secondly, how such a structure protects itself from exterior threats and how it moves and operates in a market among other legal and illegal firms and networks.

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INTRODUCTION

This paper describes the way in which organised crime networks are structured and operate. In particular, the analysis will be held from strategic management point of view, using an industrial organisation approach (Porter, 1980, 1981; Bain, 1968; Mason, 1939) applied to network management structure (Tikkanen and Halinen, 2003).

The idea is that every general manager, no matter which kind of business he/she is dealing with, “has to transform the daily chaos of events and decisions into an orderly way of sizing up the firm’s position in its environment” (Porter, 1981, p. 610). Whether managers will have to coordinate drug production and racket market or organise biotechnology drugs distribution, in the end of the day, both will have set strategies, pointed out choices and decisions that will affect the future of the firm.

This paper aims to focus on organised crime networks considering at first how they are shaped and how they differ from others business and, secondly, how such structure protects itself from exterior threats and how it moves and operates in a market among other legal and illegal firms and networks.

Prior to further analysis, it must be assumed that organised crime can be considered and, thus studied, as any other firm. This idea is not new nor original as it appeared at first on the Task Force Report on Organized Crime of the 1967 President’s Commission on Law Enforcement and Administration Of Justice where it stated: “the core of organised crime activity is the supplying of illegal good and services - gambling, loansharking, narcotics and other forms of vice - to countless numbers of citizen customers”. This definition clearly establishes a direct link between the core activities of organised crime and the management of illegal markets (Fiorentini and Peltzman, 1995). At first glance literature (among all: Schelling, 1971) was focused on activities held just as businesses and “although it is not denied that the criminal organisation can use violence in order to achieve economic results in its legal activities, this is typically not so when it is involved in its activities in illegal markets” (Fiorentini and Peltzman, 1995, p. 3).

Kerner (1973), at first, and Kerner and Mack (1975) gave the idea that criminal organisations work like a firm, where its business is to produce illegal goods and services for a broad variety of consumers. Eventually, also prosecutor’s thesis in Maxiprocesso against the heads of Sicilian mafia was based on the evidences about a cupola acting as the core of a centralized decision-maker for their more important economic activities and risks management.

Considering criminal organizations like any other firm, it brings the idea that they have similar issues concerning paths to take, set out strategies against rivals and bring towards strategic choices that can maximize their objective functions. In specific, each organization might decide to structure itself as a network for the

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