

Applying Organization Theory to Organized Crime

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Introduction

This discussion explores the applicability of organization structure theory for examining organized crime enterprises. It focuses strictly on the structural dimensions and their determinants without attending to theory of organizational behavior. We assert that the structure of organized crime enterprises is influenced by the same contingency determinants that shape the enterprises of legitimate businesses. Making this assertion, we accept an open-system (contingency) perspective of organizations (Thompson, 1967). The open-system views organizations as being affected by environmental change and having probabilistic organizational outcomes. We also accept the rational, closed-systems view as apt but limited in providing explanations of organizations.

All organizations, illicit or legal, seek to maximize profit-making opportunities within their environment according to the rational perspective (Ullrich and Wieland, 1980; Perrow, 1972; Thompson, 1967; Gouldner, 1959). Organized crime enterprises are a special case. These organizations exist for the explicit purpose of making a profit from market activity involving the distribution of illegal goods and services (Vold and Bernard, 1986; Block and Chambliss, 1981; Smith, 1978 & 1975; Albin, 1971). Only their respective places on what Dwight Smith, Jr. calls the "spectrum of legitimacy" differentiate criminal and legitimate enterprises (Smith, 1980). Criminal enterprises adapt their structures and functions to exploit the available opportunities for profit in their particular environmental niche.

Organization theory hypothesizes that a limited number of structural forms will be adapted to any given environmental niche (Mintzberg, 1979; Katz and Kahn, 1978; Perrow, 1972; Thompson, 1967). The organization forms which are more effective in a particular environment will survive the competition, prosper, and be imitated by others seeking to exploit that environmental niche. Other structural forms will not be viable or will be unable to adapt to environmental changes and will wither and eventually cease to exist. Therefore, the key is to identify the structural components which allow survival and continuity of criminal enterprise.

A goal of this article is to attempt to translate the general propositions of organization theory into a set of propositions relevant to the illicit market activities

of organized crime. In the process we hope to accomplish two things. First, we hope to contribute to the systematization of knowledge about criminal enterprises. Second, we hope to illuminate structural vulnerabilities that will assist law enforcement officials to control organized crime and its illicit activities.

Criminal Enterprise and Organized Crime

Our working definition of criminal enterprise and organized crime emphasizes those attributes centering on criminal entrepreneurship and illicit enterprise. We neither attempt to reconcile nor consider the many attributes scholars have used to define organized crime. This discussion of criminal enterprise is confined to those organizations which exhibit the following three characteristics:

(1) The production and/or distribution of goods and services for the purpose of making a profit in the illicit market (Reuter, 1983), for example, prostitution, loansharking, and gambling.

(2) A consumer population which provides a constant demand for the good or service in question. The 11% of the U.S. population which gambles illegally is one such example (Commission on the Review of the National Policy Toward Gambling, 1976).

(3) Some core aspect of the enterprise is illegal. This can be the product or service itself or its mode of distribution. It must be the major source of profit, and not just an illegal sideline for an otherwise legal enterprise.

These criteria delimit the types of enterprises considered here. By definition, they rule out gangs of thieves brought together for a particular crime or ephemeral organizations created for a one-time illegal activity.

The Concept and Dimensions of Structure

Organization structure stipulates the formal coordinating mechanisms and interaction patterns to be followed in the organization, how tasks are to be allocated, and who reports to whom (Robbins, 1987). The three generally accepted core dimensions of organization structure are centralization, complexity, formalization. The following sections present each of the core dimensions and examples of the ways they play out in criminal enterprise.

Centralization

Centralization is characterized by the extent of vertical and horizontal delegation of authority in the organization and the level of authority required for decision making on a particular issue (Mansfield, 1973; Hage and Aiken, 1970). The communication patterns and degree of discretionary decision making allowed in unusual circumstances in the organization are also integral to the concept of centralization. To identify the degree of centralization, one must examine the level of discretion and real power of lower level employees to effect change in the organization's manner of operating and to respond to unique circumstances.

In criminal enterprise, first-line employees know in advance and have agreed to specific organizational expectations including the level of financial return to the organization. These first-line employees have considerable discretion in negotiating business arrangements which will allow them to meet the organization's expectations. However, they have very limited discretion in effecting a change in the initial agreement on the expected level of return. For example, in a gambling syndicate, a "writer" may decide who to take bets from and has the option to take action for more than one bank, but the writer has no power to change the point spread, the odds, or the method of moving his or her action to a central bank. In a prostitution ring, a call girl may negotiate the price of a particular service with each customer on an individual basis. She may negotiate the clothes she will wear, the time she will spend with the customer, the acts she will perform, and the demeanor she will adopt. Nevertheless, she usually may not negotiate regarding the amount of the initial referral fee she must pay the agency. Luncheonette owners have the prerogative, if they wish, to offer a free cup of coffee to individuals who bet with them, but this marketing cost cannot be passed along to the organization (Potter and Jenkins, 1985; Simon and Witte, 1982; James, 1977). Criminal enterprise clearly limits the discretionary decision ability of their first-line personnel and these limits are understood by everyone in the organization. The real power in the organization is centralized at the top.

Criminal enterprises also centralize information. Peter Reuter, in his study of gambling and loansharking in New York City (1983), argues that the single most precious asset of a criminal enterprise is information about its activities that can lead directly to the arrest of participants in the enterprise and seizure of enterprise assets. According to Reuter, criminal organizations do three things to protect themselves from information leakage, each is a form of centralization. First, they restrict the number of people with comprehensive knowledge about the organization's business and allow lower level employees to be given only that information which they need to do their jobs. Second, they obviate the problem by restricting the total number of employees in the organization. And, third, they restrict the geographic size of the enterprise's activities to make person-to-person communication easier and more efficient, avoiding written instructions and telephones as much as possible.

Criminal enterprise delegates authority vertically in extremely limited circumstances. Decisions which effect the organization's ability to protect itself and produce a profit are reserved to the top of the organization. In effect, the important decisions are made close to the top for security reasons. Line workers have discretion as to how to produce for the organization as long as they attend carefully to the organization's security.

Complexity

Complexity is characterized by the extent of the division of labor in an

organization and the attendant task specialization of organizational participants and subunits (Hage and Aiken, 1970). Specialized organizations are differentiated both horizontally by functional task units (i.e., production, marketing) and vertically by multiple levels of management and distinctions between line and staff operations.

Three variables determine the types and levels of positions in criminal enterprises: function, experience, and degree of risk. Tasks in criminal organizations are typically interchangeable and require little sophisticated skill or education. Specialization is usually unnecessary and counterproductive because it restricts the freedom of the enterprise to get work done on an efficient basis by using all available manpower in the process. Departmentalization makes little sense at all in illicit enterprise. The operations are simply not complex enough to either segregate production knowledge or to require a chain of command to oversee the quantity and quality of production. Departmentalization would create organizational subunits on the basis of ceremony, not necessity. Therefore, criminal enterprises have relatively simple structures.

To illustrate the use of vertical and horizontal differentiation, we present a case analysis of one of the most rudimentary forms of criminal organization, loansharking syndicates. In even the most complex of loansharking syndicates, vertical differentiation is determined by available capital. At the top is the "financier," who supplies money to the loansharks who "put it on the street." The expectation is that the loaned money will be returned with an appropriate profit at a specified time (Reuter, 1983). In the 1960s in Philadelphia, loanshark "financiers" supplied capital to the loanshark "bankers" and expected a 25% return on their investments in one year. These loanshark "bankers" then supplied money to smaller entrepreneurs on the streets who made loans to gamblers, businessmen, and others at usurious rates of interest (Potter and Jenkins, 1985; Pennsylvania Crime Commission, 1970). It was at the street-level, essentially the bottom of the organization pyramid, that the problems of contacts, collections, collateral, and negotiation occurred. The accrued profits simply flowed back up the money trail. Most loansharking operations are simpler than this arrangement. The point is that the supply of capital for financing dictates the structure and definition of positions in loansharking syndicates (Jenkins and Potter, 1986; Rubinstein and Reuter, 1978). Investment capital also plays a significant role in determining the complexity of call girl operations, drug distribution syndicates, and illegal gambling organizations.

In drug distribution syndicates, the drug wholesaler purchases drugs from an importer. This requires that those at the top of the wholesale organization have sufficient liquid capital to make discount buys. The importer and the wholesaler usually represent different organizations requiring the creation of an additional position if the wholesaler, in an attempt to hold down costs, agrees to incur the risk of moving the contraband from the point of entry to the sales area. In such cases, "mules" are employed to physically move the drug to distribution points. These "mules" or "runners" are paid by the trip. Once the drugs have reached the distribution point, the wholesaler will again use mules to deliver drugs to the retailing

organizations. The retailers either pay cash up front or take the commodity on consignment, agreeing to pay after retail sales are completed. This later arrangement is not desirable because it is obviously far riskier and often requires mules to act as collection agents and to be appropriately compensated for the added responsibility (Wisotsky, 1987; Simon and Witte, 1982).

Loansharking and drug distribution organizations have relatively short, simple structures. The large loansharking organizations have only three levels of hierarchy: financier, banker, and entrepreneur, while small organizations have only two: financier and banker. The drug distribution syndicate is both horizontally and vertically differentiated to a limited degree. The drug distribution syndicate, in which the wholesaler and importer are separate organizations, has two levels of hierarchy: the wholesaler and the retailer. The mule holds a staff position, serving as a delivery agent and in the worst circumstances also serving as a collection agent. Both of these criminal enterprises have a simple division of labor. However, all members of the organization have a specialized task to perform, thus limiting the degree to which they have knowledge of the overall organizational operations. This feature serves to protect the organization from prosecution.

The heroin industry may be one of the most functionally differentiated of all the criminal enterprises. For the most part, separate organizations engage in production, importation, wholesaling and retailing, thereby separating the component phases of the industry entirely (Wisotsky, 1987). Each of these component organizations utilizes a highly sophisticated system of buffers and cutouts to make it difficult to trace an enterprise back to the operator or financier. The intense pressure from law enforcement and the dynamics of the market itself make this arrangement almost inevitable.

Formalization

The concept of formalization is characterized by the explicitness of operating rules and procedures in the organization (Pugh, et al., 1968). Procedures detail the actual steps that are followed to complete a task, specifying how things are to be done (Perrow, 1972; Blau, 1956). In organized crime, procedures involve issues such as: how to determine when the level of wagers placed on a particular football game or a certain horse has become high enough to layoff those bets to a layoff banker. Procedures for a drug enterprise might entail making determinations of the appropriate level of purity at which a kilo of cocaine can be cut once, twice, three times, etc.

Formalization also includes policies and programs. Policies define appropriate actions and reactions to specified conditions (Ansoff and Brandenburg, 1971). For criminal enterprises, policies may entail such things as the criteria bookmakers use in extending credit to gamblers or the criteria a call girl ring uses for acceptance of a new client. Programs are repetitive agendas organizations use to realize a stated purpose (Perrow, 1967). Training is often the purpose of such programs. In criminal

enterprises, training programs might include the experience a numbers runner gains prior to promotion as pickup man or the apprenticeship period for call girls.

A numbers gambling syndicate is a good example of formalization at work in criminal enterprise. Common procedures are typically followed in numbers gambling enterprises. Numbers bets are written on the street, in bars, at newsstands, in tobacco shops, in luncheonettes, and the like. Customers come into the establishment, make their bets, pay their money, and have their transaction recorded. "Pickup men" come to collect the bets from the "writers" at specified times during the business day. The bets are taken to a central office or bank where they are totalled and recorded. After the winning number for the day is determined, the "office men" identify the winners and send their winnings back to the writers through the pickup men. This is the totality of the organization in a small numbers syndicate. A single banker oversees the whole organization, and exercises total authority, authority gained by virtue of the fact that it is his or her money in play. In larger numbers gambling syndicates there are many neighborhood "banks" which report their daily take to a central bank which provides financing for the whole operation. In very large numbers organizations there may be yet another level added involving the use of a "layoff bank." The layoff bank covers extraordinarily high betting action on a particular number, providing insurance against a large "hit," in return for an ongoing percentage of the numbers organization's profits (Pennsylvania Crime Commission, 1987; Simon and Witte, 1982; Rubinstein and Reuter, 1978; Fund for the City of New York, 1972). Even in highly complex, very large, high volume gambling operations, utilizing thousands of writers, the procedures for conducting business are the same as in any other gambling syndicate. The way business is conducted is exactly the same for small numbers banks handling only a few thousand dollars in action as it is for very large ones handling millions of dollars. A similar point can be made for narcotics wholesaling and call girl operations. With very minor alterations all heroin wholesalers use the same procedures (Wisotsky, 1987; Simon and Witte, 1982). The procedures utilized in call girl operations are invariable without regard to the size, scope, or complexity of the operation (Potter, 1986; Simon and Witte, 1982; James, 1977). Criminal enterprises are highly formalized, yet their formalization is not through manuals of standard operating procedures. The formalization occurs through careful socialization of new members of the organization. This socialization process is a vital program for these organizations, yet no documentation will be found on these programs as it would in legal enterprise.

The discussion to this point has been directed at the three dimensions of organization structure and how they operate in criminal enterprise. We have seen that criminal enterprises tend to be centralized and formalized but not complex. This holds true for each of the types of criminal enterprise examined by the authors. These organizations also are typically small and focus on a sole product. The next section examines the contingency factors which have been found to be determinants of organization structure. They are discussed in terms of their implications for

criminal enterprise.

Contingency Structural Determinants

Most contemporary research on organization structure has focused on the contingency factors associated with the use of certain structures. The contingency factors are conditions that tell us why the organization designs its structure as it does. The successful organization designs its structure to match its situation and its structural components are internally consistent (Mintzberg, 1979).

There are four contingency structural determinants: age and size of the organization, its power relationships, the technical systems it uses in its operating core, and its environment. According to Mintzberg (1979), the most important of these is the environment. Environmental conditions (complexity, diversity, stability, and hostility) have been found to dictate structure. Organizations which are high performers have attained the right fit of structure with environment. The environmental determinants often override those of age, size, power and technical systems (Mintzberg, 1979). For this reason, environmental determinants receive the most attention here. We begin with a brief discussion of the other three factors.

Age and Size

The older the organization, the more formalized its structure (Mintzberg, 1979). This is true for criminal enterprise and legitimate business. In criminal enterprise as in traditional business, new organizations tend to formalize by modeling effective practices of similar older enterprises. Entrepreneurial endeavors begin with little formalization and over time formalize the structural forms which work best.

The larger the organization, the more complex and formalized its structure (Mintzberg, 1979). This is true for legitimate business. Criminal enterprise, however, is just as formalized in small organizations as it is in larger ones; criminal enterprises tend to be simple and relatively small in size.

There is an advantage in criminal enterprise to maintain a small size that does not accrue for legitimate business. Small size contributes to the security of the criminal enterprise which must exist in a hostile environment. It is extremely difficult for illicit enterprise to monitor and effectively control workers' performance over large geographic areas or when there is a large number of employees. The answer, of course, is to stay small or keep street-level operatives segmented from the rest of the organization, thereby segregating numbers writers, pushers, and prostitutes who are paid on a commission basis, from the decision-making hierarchy.

Power Relationships

Mintzberg's (1979) examined the research literature regarding power relationships and structure and found that as the organization is subjected to greater external control the structure becomes more centralized and formalized. Public organizations were more centralized and formalized than private ones for this reason. Criminal enterprise, along this dimension, is more like a public enterprise than a private one because there is a constant threat by external forces, namely the law enforcement community, to control the organization through prosecution. The hostile environment plays a significant role in determining the power relationships for criminal enterprise.

Technical System

The technical system the organization uses in its operating core, operations technology, is made up of the instruments line personnel use to transform the inputs of the organization into outputs. There are two dimensions of the technical system: regulation and sophistication.

Regulation is the degree to which the technical system influences the work of the operators, that is, the extent to which the operators' work is controlled, or regulated, by their instruments. All technical systems are somewhat regulating. The surgeon's scalpel and the writer's pen are examples of technical systems with a low degree of regulation.

For criminal enterprise, the technical system does not serve to regulate the operator's work, but predominantly consists of providing a means for documenting the illegal transaction. Sports and horse bookmaking are among the criminal enterprises with the most extensive documentation. This documentation takes the form of records of betting action which must be held at least temporarily. In addition, bookmaking usually entails more equipment than other enterprises. A large number of telephones are typically required for a large book. In rare but increasing numbers of cases, personal computers have been used to store records and run programs calculating bets and payoffs. The wire services and the attendant equipment of days past have been replaced by televisions tuned to all sports cable channels.

Sophistication refers to the complexity or intricateness of the technical system, that is, how difficult it is to understand. Highly sophisticated technical systems require an elaborate support staff. For example, in a chemical company there are many nonoperating specialists whose sole function is to support the technical systems of the organization. The technical systems of criminal enterprise tend to be unsophisticated. The main exception is the highly risky production of methamphetamine and similar drugs in clandestine laboratories (Pennsylvania Crime Commission, 1980).

For criminal enterprise, the technical systems have little effect on structure

because the technologies are relatively simple, being low in regulation and sophistication. The equipment or technology used by criminal organizations to avoid surveillance is not considered here because such equipment is not used for production.

Environment

The environment comprises everything outside the organization which has some influence on it. The literature focuses on four characteristics of organizational environments: market diversity, complexity, stability, and hostility. Each of these are discussed as they relate to criminal enterprise with particular attention given to the issue of hostility.

Market diversity. The range on this dimension is from an integrated market to a diversified one. Diversification can be based on a broad range of clients, products, services, or geographic areas in which the organization markets its product(s). This variable effects structure through the diversity of the work to be done in the organization. The more diversified the organization's markets, the greater the likelihood the organization will divisionalize (create market-based units). In criminal enterprise the market is usually diverse on the basis of a broad range of clients, but it is otherwise integrated, having limited products, services, and geographic marketing area. Because criminal enterprise has little diversification, it tends not to divisionalize.

Complexity. An organization's environment can range from simple to complex. Complexity of the environment depends on the degree of sophisticated knowledge required to produce the organization's products. A vast amount of accumulated knowledge can make the environment simple. This variable effects structure through the comprehensibility of the work to be done. Centralized structures are appropriate for simple environments and decentralized ones for complex environments (Mintzberg, 1979). Criminal enterprise typically has a simple environment because little or no sophisticated knowledge is required to generate its products. Therefore, the tendency of criminal enterprise to be centralized is appropriate.

Stability. This environmental dimension ranges from stable to dynamic. An environment can be considered dynamic for a variety of reasons. The environment may be constantly changing or unpredictable, clients may demand creativity, there may be rapid change in the knowledge base or technology to do the work, an unstable government, unpredictable shifts in the economy, or an unexpected change in customer demand or competitor supply. A dynamic environment makes the organization's work uncertain or unpredictable. This variable effects structure through the predictability of the work to be done (Mintzberg, 1979). In a stable environment an organization can standardize its procedures from top to bottom (Duncan, 1973) having a bureaucratic structure to the extent the other contingency factors also demand it (Mintzberg, 1979). In contrast, an organization which operates in a dynamic environment will have an organic structure regardless of the

other contingency forces. For simple environments, such as that of criminal enterprise, the organic structure provides standardization through direct supervision instead of formalization.

The environment of criminal enterprise is stable for some operations and dynamic for others. Gamblers have a mathematically guaranteed, although modest, return on their investment, usually calculated at between 5% and 10% (Reuter, 1983; Commission on the Review of the National Policy Toward Gambling, 1976). Drug traffickers on the other hand are in a high risk business where returns can be hundreds of times greater than investments, but the chances of disaster, actual loss of the investment, are also very high (Wisotsky, 1987). Gambling operations work the same way year after year; drug operations change weekly in terms of product, suppliers, price and distributors. Gambling operations have simple, stable environments; they have responded with standardized work processes. Drug trafficking operations have simple, dynamic environments; they have responded with flexibility and more direct supervision of their operatives.

Hostility. This dimension of environment could be subsumed under the stability dimension, because hostile environments are typically dynamic ones. It is distinguished because extreme hostility has a special effect on structure. Hostility is the most important environmental determinant for the structure of criminal enterprise.

The hostility dimension ranges from munificent to hostile. A hostile environment is influenced by competition, relationships with government and other organizations, and availability of resources. Hostile environments are unpredictable and when extremely hostile they demand fast reactions by the organization. This variable affects structure through a demand for quick response. Extreme hostility in the environment will drive any organization to centralize its structure temporarily. If the organization operates in a complex environment it will be able to survive through a crisis, but lengthy centralization in a complex environment is usually fatal to the organization. The nature of the hostility also effects the point at which centralization occurs in the organization. Universal hostility, hostility toward the entire organization, causes centralization to occur at the top while local hostility results in centralization farther down the organization (Mintzberg, 1979).

All criminal enterprise exists in a relatively hostile environment, although differences of degree are evident depending on the goods and services provided. For example, the environment of a neighborhood numbers bank is decidedly less hostile than that of a retail heroin sales syndicate. While bookmaking exists in a hostile environment, it is considerably less hostile than that of a crack house. There is widespread public tolerance of bookmaking, especially in the areas of the country where it flourishes. This is combined with a general feeling among police that gambling laws are not sufficiently important to enforce with any real vigor. As a result, bookies can take greater chances in their businesses than other criminal entrepreneurs because they are unlikely to be the target of public moral outrage or proactive police campaigns (Simon and Witte, 1982; Department of Justice, 1977;

Light, 1977; Commission on the Review of the National Police Toward Gambling, 1976; Fund for the City of New York, 1972).

Cocaine, crack, and heroin wholesalers, on the other hand, face a great deal of hostility and must go to great lengths to conceal their criminal activity. These organizations must provide a buffer between those wholesaling large quantities of drugs and the highly visible street dealers. No evidentiary trail can be tolerated which will link the pusher and the supplier. There can be no payroll checks or inventories (Wisotsky, 1987; Mastrofski and Potter, 1986; Simon and Witte, 1982). The most careful organizations allow no telephone or address books to be kept.

Organized crime gauges the degree of hostility toward their enterprises and responds in a variety of ways. Gamblers and other purveyors of vice often choose not to operate in communities where there is little public tolerance for their business (Chambliss, 1971; Hills, 1971; Gardiner, 1970 & 1967). Criminal entrepreneurs recognize that some part of their business must occur out in the open because they are selling goods and services to customers. Compromising political, law enforcement, and community leaders is often a high priority and necessary operating expense of criminal enterprise. Gamblers provide investment opportunities for politicians, campaign funds, and direct payoffs. It was revealed in the 1970s and 1980s that Philadelphia massage parlor owners, escort service operators, after-hours club proprietors, and gamblers regularly paid off the vice squad in the central police district in order to both avoid arrest and to guarantee prior warnings of impending crackdowns (Potter and Jenkins, 1985; Pennsylvania Crime Commission, 1983, 1980, & 1974).

The most blatant case of operating in the public view is, of course, call girl services, many of whom advertise openly in adult publications, the yellow pages of the telephone book, and the newspaper. Such a public display of illicit business indicates that there is little hostility in this environment. Such a munificent environment results either from an ongoing understanding with the law enforcement community (Mastrofski and Potter, 1986; Potter, 1986; Jenkins and Potter, 1986), a law enforcement community that is so obviously inept that no care is taken by illicit enterprise to conceal their activity, or a population so accepting of the illicit activity that enforcement would not be politically wise.

Criminal enterprises are highly formalized, but not in a traditional, written manner due to the hostile nature of their environment. Organizations which face hostility due to their criminal activity do not document their rules and procedures, lines of authority, channels of communication, or their agreements with customers. If such documentation were kept it would provide the necessary and sufficient proof of guilt to place the entire criminal enterprise and its capital at risk of successful prosecution. The formalization in criminal enterprise is informal and undocumented as has been discussed earlier.

The hostile environment is also a driving force for centralization in criminal enterprise. Decentralization is not feasible when the environment is hostile. Decentralization relies heavily on written formalization, on established rules and

procedures documenting the type of actions that can be taken without the approval of supervisors, and on the existence of extensive performance documentation. The problematic nature of such documentation for organized crime has been discussed. Yet, centralization may also be problematic in a hostile environment. Frequent communication with a central figure of the organization places that individual at risk of detection and consequently is to be avoided in criminal enterprise. Large, decentralized organizations seem insupportable in hostile environments due to the lack of written formalization; large, centralized organizations seem insupportable in hostile environments due to the consequent risk involved. This conflict is resolved by criminal enterprises creating small organizations with centralization based on mutual understandings and agreements on a relatively few operating procedures. Therefore, these organizations appear on the surface to be decentralized but in reality are centralized through the socialization of their members, establishing a common culture from which to operate.

For this reason almost all criminal enterprises, with the possible exception of some drug syndicates, depend on the recruitment of people who are known to each other, who have had experience, both socially and in business, with each other, and who have a large number of mutual contacts in the community they are serving (Block, 1979a; Ianni, 1974 & 1972; Albin, 1971; Chambliss, 1971; Gardiner, 1970). This overlapping set of criminal and social associations gives the appearance of a much larger organization operating under the control of a handful of leaders with many criminal associates. However, this is a fundamentally misleading point of view. Empirical studies of organized criminal enterprises in Seattle (Chambliss, 1971), Detroit (Albin, 1971), Philadelphia (Jenkins and Potter, 1987), Reading (Gardiner, 1970), New York (Reuter, 1983; Reuter, Rubinstein, and Wynn, 1983; Block, 1979a & 1979b; Rubinstein and Reuter, 1978; Ianni, 1974 & 1972), and Chicago (Haller, 1971; Landesco, 1968) have found that organized crime consists of a large number of actors coming together in an organization, leaving that organization, forming and re-forming new organizations, and entering into a series of partnerships. All of this occurs in a constantly shifting panorama of criminal activity and organizational configurations. There is no single criminal organization. There are overlapping roles and relationships in a continually changing census of crime enterprises.

The degree of hostility in the environment also depends on the amount of competition between organizations and the availability of resources. Considering criminal enterprise, there are two important points to be made here. First, the "crime tariff," an economic effect of boosting prices through non-market restrictions of supply, acts to ensure a high level of environmental abundance (Hills, 1971) and thereby reduces the effect of competition. Because the crime tariff financially rewards criminal enterprise for the "risks" it incurs, profits are highly inflated compared to actual production costs. The enterprise can make a good return on its investment without increasing the supply of goods or services in the market. Therefore, demand is never satisfied. Second, enforcement efforts, ineffective

though they may be in controlling the overall trade, do cull out a certain number of organizations, most particularly the smallest and least established. Efficiency has little to do with determining which enterprises survive and which are culled as contingency theorists would expect. The basic assumption of contingency theory is that market organizations compete on the basis of the effectiveness and efficiency of their operations, and that effectiveness and efficiency in part results from appropriate structural adaptation. As competition increases the shakeout begins and only the better adapted should survive. But in illicit markets, economic efficiency and effectiveness may never become a determining factor in survival. If this is the case, the applicability of the efficiency driven hypotheses established from research on legal businesses is questionable for studies of criminal enterprise.

Conclusion

Our analysis of the organization structure of criminal enterprise suggests two basic themes:

1. All criminal enterprises exist in relatively hostile environments primarily as a function of their illegality. As a result complex technology is avoided; organizations are small in size; there is little organizational complexity; and formalization exists only in a non-traditional, unwritten manner based on mutual understandings and a relatively discrete and concise set of operating procedures.

2. All criminal enterprise exists in relatively dynamic environments, both as a function of the illicit market and the uncertain and changing nature of law enforcement policies and public attitudes. As a result, the danger of structural elaboration increases as the degree of uncertainty increases for criminal enterprises.

These conclusions differ markedly from the popular image of organized crime and from the model of criminal enterprise used by law enforcement officials. The law enforcement model suggests that criminal enterprise is controlled by a single criminal group (Cosa Nostra) or by a body of large criminal conspiracies (Yakuza, the Triads, the Colombian Cartels, the Cuban Mafia, etc.), which tightly controls the efficient production of goods and services by organizational members. The law enforcement model assumes that (1) such a conspiracy exists, maintains a criminal monopoly in the marketplace, and follows a fixed, detailed operating strategy and (2) these criminal conspiracies are controlled by "bosses" at the very top of their hierarchies, with a chain of command that passes orders related to specific criminal tasks down to workers.

It is understandable that this illusion has continued as the prevalent conception of organized crime. Mark Moore (1986) argues that viewed from a distance, criminal enterprises might give the impression of producing a very high volume of illicit activity, which because of its prevalence seems highly organized, and which because of the distance of the observers appears to be a single organization or several very large organizations. But, he suggests, the same structure viewed from the inside would look like a series of partnerships organized around specific criminal

projects.

Both the empirical evidence on organized crime and the logic of organization theory dispute the conspiracy model and support Moore's assertions. The empirical evidence suggests that criminal enterprises are small, centralized organizations with short hierarchies, little specialization, and unwritten formalization based on socialization. The logic of the situation based on organization structure theory demonstrates how unlikely it is that a very large tightly controlled and organized criminal conspiracy could function in operational reality. A monopolistic syndicate by definition would have an extremely large number of employees and numerous functional specialties such as drugs, prostitution, gambling, and loansharking. To achieve its goals, the syndicate would have to provide constant instruction and information to street-level vice purveyors. It would have to monitor employee performance, keep careful records, and engage in considerable discussion about specific plans. These behaviors would imperil the very existence of the organization. If such a conspiracy existed, removing its leadership would cripple the enterprise. Experience demonstrates that this has not happened despite extensive successful prosecutions of prominent organized crime figures.

We are left with a model of small criminal enterprises which are not departmentalized but are centralized and formalized in nontraditional manners. They utilize a common culture and socialization to assure that the organization members follow standard work processes. Such a view has profound implications for both scholarship and law enforcement. It suggests that scholars interested in unraveling the mysteries of the persistence and prevalence of organized crime should look to market forces at work in criminal entrepreneurship and away from notorious individuals. It also suggests that law enforcement policy should be aimed at disrupting the organizational environment of the enterprise rather than at jailing mythical corporate masterminds believed to be manipulating a criminal syndicate.

The model suggested here is based on a simple truth. Criminal enterprises come into existence, profit, and flourish because there is a strong public demand for the goods and services these enterprises offer. There is a market dynamic at work which is independent of the criminality of any specific individual or group. It is inevitable that criminal enterprises will rise up to meet these demands and reap the profits. The impetus behind organized crime is not a criminal conspiracy, but simple market opportunity. Only when the market opportunity is addressed can organized crime's structure, form, and social perniciousness be constrained. Thus, the market and its environment is the most appropriate point of intervention to control criminal enterprise. No single, universal enforcement strategy can be effective in intervening against organized crime. Different environments will pose different opportunities and limitations for law enforcement intervention.

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