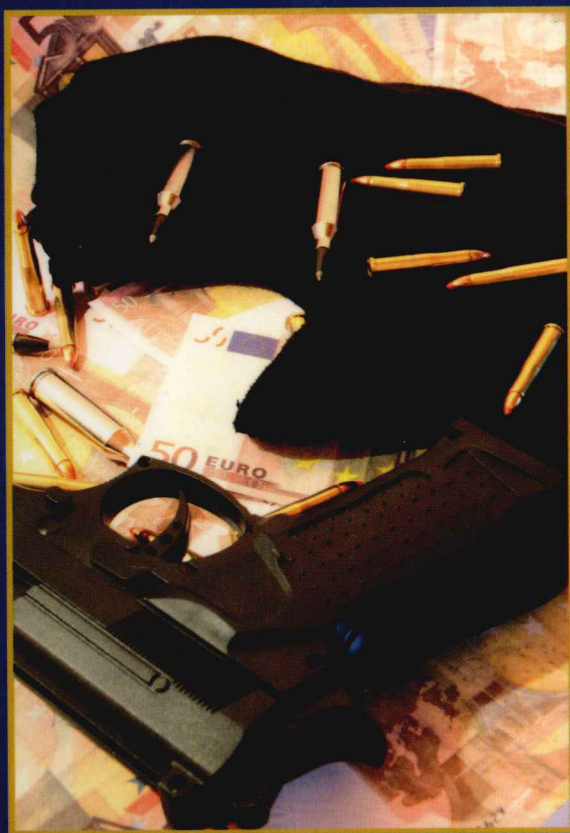


Advances in Police Theory and Practice Series

Policing Organized Crime

Intelligence Strategy Implementation



Petter Gottschalk



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Policing Organized Crime

Intelligence Strategy Implementation

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Series Preface

While the literature on police and allied subjects is growing exponentially, its impact upon day-to-day policing remains small. The two worlds of research and practice of policing remain disconnected even though cooperation between the two is growing. A major reason is that the two groups speak in different languages. The research work is published in hard-to-access journals and presented in a manner that is difficult to comprehend for a lay person. On the other hand the police practitioners tend not to mix with researchers and remain secretive about their work. Consequently, there is little dialogue between the two and almost no attempt to learn from one another. Dialog across the globe, amongst researchers and practitioners situated in different continents, are of course even more limited.

I attempted to address this problem by starting the IPES, www.ipes.info, where a common platform has brought the two together. IPES is now in its 15th year. The annual meetings which constitute most major annual event of the organization have been hosted in all parts of the world. Several publications have come out of these deliberations and a new collaborative community of scholars and police officers has been created whose membership runs into several hundreds.

Another attempt was to begin a new journal, aptly called *Police Practice and Research: An International Journal*, PPR, that has opened the gate to practitioners to share their work and experiences. The journal has attempted to focus upon issues that help bring the two on a single platform. PPR is completing its 10 years in 2009. It is certainly an evidence of growing collaboration between police research and practice that PPR which began with four issues a year, expanded into five issues in its fourth year and, now, it is issued six times a year.

Clearly, these attempts, despite their success, remain limited. Conferences and journal publications do help create a body of knowledge and an association of police activists but cannot address substantial issues in depth. The limitations of time and space preclude larger discussions and more authoritative expositions that can provide stronger and broader linkages between the two worlds.

It is this realization of the increasing dialogue between police research and practice that has encouraged many of us- my close colleagues and myself connected closely with IPES and PPR across the world- to conceive and

implement a new attempt in this direction. I am now embarking on a book series, *Advances in Police Theory and Practice*, that seeks to attract writers from all parts of the world. Further, the attempt is to find practitioner contributors. The objective is to make the series a serious contribution to our knowledge of the police as well as to improve police practices. The focus is not only in work that describes the best and successful police practices but also one that challenges current paradigms and breaks new ground to prepare a police for the twenty-first century. The series seeks for comparative analysis that highlights achievements in distant parts of the world as well as one that encourages an in-depth examination of specific problems confronting a particular police force.

It is hoped that through this series it will be possible to accelerate the process of building knowledge about policing and help bridge the gap between the two worlds-the world of police research and police practice. This is an invitation to police scholars and practitioners across the world to come and join in this venture.

Dilip K. Das Ph.D.

*Founding President, International Police Executive Symposium
IPES, www.ipes.info*

*Founding Editor-in-Chief, Police Practice and Research:
An International Journal
PPR, www.tandf.co.uk/journals*

Introduction

Policing organized crime remains problematic. In the United Kingdom, Harfield (2008) argues that organized crime challenges long-held paradigms concerning policing infrastructure and operations. He argues that organized crime has developed to become an issue beyond the competence of conventional policing. In the United States and Canada, Beare and Martens (1998) pointed this out more than a decade ago. But Harfield (2008, 72) found that government “response will be based on trying to adapt a policing infrastructure intended for other policing functions rather than dealing with the problem of organized crime on its own.”

An important element of dealing with the problem of organized crime is the interface between organized crime groups and the legitimate environment in society, which is of vital importance to the existence of organized crime. Contacts, relationships, and exchanges between criminal organizations and legal organizations are a threat to the legitimate environment, but they also offer opportunities for organized crime prevention. In The Netherlands, Bunt and Schoot (2003) identified three kinds of interfaces between organized crime groups and the legitimate environment. Firstly, the demand from the licit environment for illegal products and services forms a breeding ground for organized crime groups. Secondly, persons with the knowledge or skill can enable organized crime groups to carry out their criminal activities. Thirdly, criminal groups make use of other opportunities or tools present in the licit environment.

Policing criminal business enterprises requires police intelligence and police investigations. Police intelligence has to be based on an implemented intelligence strategy, which is important because failure to carry out strategy can cause lost opportunities and leave police officers reluctant to do strategic planning. Lack of implementation creates problems in maintaining priorities and reaching organizational goals. The strategy execution task is commonly the most complicated and time-consuming part of strategic management. Yet, strategy implementation suffers from a general lack of both academic and practical attention. *Policing Organized Crime: Intelligence Strategy Implementation* is intended as a research model to study the extent of intelligence strategy implementation, which will add to the police strategy and implementation literature already available.

This book makes a contribution to the emerging academic discipline of police science. According to Jaschke et al. (2007, 23),

Police science is the scientific study of the police as an institution and of policing as a process. As an applied discipline, it combines methods and subjects of other neighboring disciplines within the field of policing. It includes all of what the police do and all aspects from outside that have an impact on policing and public order. Currently it is a working term to describe police studies on the way to an accepted and established discipline. Police science tries to explain facts and acquire knowledge about the reality of policing in order to generalize and to be able to predict possible scenarios.

The important topics of police science include strategies and styles of policing, police organizations and management, and policing specific crime types. This book gets to the core of police science by studying the serious types of organized crime in the context of intelligence strategy implementation.

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About the Author

Petter Gottschalk, DBA, is one of Norway's leading experts on information technology management, electronic business, Internet issues, knowledge management, business strategy, police science, and organized crime. He has conducted research in the systems and technology strategy area and has published extensively on knowledge management technology. In recent years, Professor Gottschalk has focused on knowledge management in policing. He is professor of Information Systems and Knowledge Management in the Department of Leadership and Organization at the Norwegian School of Management in Oslo. In addition, he lectures at the Norwegian Police University College (also in Oslo) on knowledge management, criminal entrepreneurship, and organized crime.

He has extensive experience in technology management and executive management, including positions such as managing director of the Norwegian Computing Center and managing director of ABB Datacables. He has held numerous positions in public life, for example, as chairman of the Children's Ombudsman, where the Norwegian government appointed him to chair the ombudsman's position for four years. Professor Gottschalk provides regular expert advice on a broad range of technology, management, and policing issues to the media and has worked extensively with the Norwegian Broadcasting Corporation (NRK), newspapers, and journals. He received his MBA in Germany (Technische Universität Berlin), MSc in the United States (Dartmouth College and MIT), and DBA (Doctor of Business Administration) in the United Kingdom (Brunel University).

Table of Contents

Series Preface	ix
Introduction	xi
About the Author	xiii
1 Theories of Organized Crime	1
Criminology Theories	1
Management Theories	5
Alien Conspiracy Theory in the United States	11
Case: National Intelligence Strategy of the United States	16
References	18
2 Entrepreneurship in Organized Crime	21
Organized Crime	21
Illegal Business	24
Criminal Entrepreneurship	27
Entrepreneurial Capital	31
The Case of Terrence “Terry” Adams	33
The Case of Frank and Peter Lowy	35
References	36
3 Developing Intelligence Strategy	39
Strategic Planning Process	40
Intelligence Strategy Characteristics	43
Is Strategy Always Strategy?	44
Case: National Intelligence Model in the United Kingdom	47
Case: National Strategy for Intelligence and Analysis in Norway	49
Case: New York State Intelligence Strategy	50
References	52
4 Implementing Intelligence Strategy	55
Implementation Process	55
Y Model for Strategy Work	58
Implementation at the End of the Y Model	60

Plan Implementation	62
Implementation Factors	64
Resources Needed for the Implementation	65
User Involvement during the Implementation	65
Solutions to Potential Resistance during the Implementation	66
Responsibility for the Implementation	67
Management Support for the Implementation	67
Information Technology Needed for Implementation	68
Research Model to Explain Implementation Extent	70
Case: National Intelligence Model in the United Kingdom	71
Case: National Strategy for Intelligence and Analysis in Norway	72
Case: Police Intelligence Model in Sweden	73
References	73
5 Organizational Structure	75
Organizational Design	75
Organizational Configuration	79
Organizational Architecture	80
Organization Building	83
Structure as Determinant of Strategy Implementation	84
Case: An Empirical Study of Implementation and Structure	86
References	89
6 Organizational Culture	91
Police Personnel Cultures	91
Shared Occupational Values	94
Culture as Determinant of Strategy Implementation	95
Case: An Empirical Study of Implementation and Culture	103
Case: Advanced Empirical Study of Implementation Predictors	106
References	111
7 Intelligence Sources	113
Classification of Information Sources	114
Crime Intelligence Analysis	118
Market Intelligence Analysis	121
Intelligence Knowledge Work	130
Detective Knowledge Work	131
Case: Lawyers as Information Sources	134
References	135

8	Enforcing Law on Criminal Business	139
	Administrative Approach to Organized Crime	140
	Investigation Value Shop	141
	Senior Investigating Officer	143
	Organized Crime Economics	155
	Case: Hawala Bankers Transferring Criminal Proceeds	155
	References	156
9	Policing Motorcycle Club Organized Crime	159
	Hells Angels Motorcycle Club	160
	Criminal Motorcycle Clubs in Norway	164
	HAMC Norway President Leif Kristiansen	165
	Hells Angels Motorcycle Club World	170
	Bandidos and Outlaws	172
	Theories Applied to MC Crime	176
	Knowledge Matrix in Policing MC Crime	177
	Research Model for Policing MC Crime	181
	References	183
10	Applying Police Knowledge	185
	Police Knowledge Organization	186
	Police Knowledge Resources	191
	Police versus Criminal Knowledge	195
	Operational Knowledge Sectors	196
	Core Knowledge	196
	Advanced Knowledge	198
	Innovative Knowledge	199
	Knowledge Depth	199
	Sector 1: Random Policing	201
	Sector 2: Disadvantaged Policing	201
	Sector 3: Targeted Policing	202
	Sector 4: Competitive Policing	202
	Contingent Approach to Policing	203
	Case: Social Intelligence and Investigation Service	204
	Case: Criminal Intelligence Service Alberta	205
	References	207
11	Policing Criminal Enterprises	211
	Knowledge Support Systems	211
	Office-to-Technology Systems: Stage 1	213

Officer-to-Officer Systems: Stage 2	215
Office-to-Information Systems: Stage 3	216
Officer-to-Application Systems: Stage 4	219
Improving Knowledge Support	220
Decision Chart for Crime Investigation	221
Road Map for Law Enforcement	222
Knowledge Matrix with Categories and Levels	225
Knowledge-Based Systems	226
Case: Criminal Money Management	227
References	232
12 Performance Management in Policing	235
Performance Management Standards	235
Comparative Statistics in CompStat	236
Value Shop Performance	241
Detective Thinking Styles	243
References	246
13 Performance Measurement in Policing	247
Empirical Study of Police Investigations	247
Empirical Study of Intelligence Work	247
Characteristics of Effective Detectives	251
Other Performance Indicators	257
Performance Leadership	261
References	262
Index	265

Theories of Organized Crime

1

Organized crime has received increased attention in recent years. To understand the what, how, and why of organized crime, to stimulate “know what,” “know how,” and “know why,” there is a need for theory development. A theory might be a prediction or explanation, a set of interrelated constructs, definitions, and propositions that presents a systematic view of phenomena by specifying relations among variables with the purpose of explaining natural phenomena. The systematic view might be an argument, a discussion, or a rationale, and it helps to explain or predict phenomena that occur in the world.

In our context of organized crime, we search theoretical explanations in two streams of research, one of which we label *criminology theories* of organized crime where theories are developed explicitly to explain the phenomenon of organized crime. Another stream of research we label *management theories* of organized crime, where general management theories are applied to the phenomenon of organized crime (Gottschalk, 2008).

It is difficult to overstate the importance of theory to law enforcement’s understanding of organized crime and criminal organizations. Theory allows analysts to understand and predict outcomes on a probabilistic basis (Colquitt and Zapata-Phelan, 2007). Theory allows analysts to describe and explain a process or sequence of events. Theory prevents analysts from being confused by the complexity of the real world by providing a linguistic tool for organizing a coherent understanding of the real world. Theory acts as an educational device that creates insights into criminal phenomena.

Criminology Theories

Traditionally, a criminal organization is often thought of as a monopolistic firm, and the *theory of monopoly* is predominantly used to analyze organized crime. The monopolistic model implies that potential criminals have no other choice, but are forced to join the criminal organization if they decide to commit a crime. Chang et al. (2005) find this perspective to be less than exhaustive in terms of describing criminal behavior. They argue that the determination of the market structure for crime should be endogenous, which has notable implications for the optimal crime enforcement policies and crime itself.

To recover the conventionally neglected facts and provide a more complete picture of organized crime, Chang et al. (2005) developed a model in

terms of a criminal decision framework in which individual crime and organized crime are coexisting alternatives to a potential offender. The model makes the size of a criminal organization a variable and explores interactive relationships among sizes of the criminal organization, the crime rate, and the government's law enforcement strategies. Model runs showed that the method adopted to allocate the criminal organization's payoffs and the extra benefit provided by this organization play crucial roles in an individual's decision to commit a crime and the way in which that crime is committed.

Gross (1978) argued in his classical article on the *theory of organizational crime* that more than some areas of sociology, studies of crime and delinquency, usually have a strong theoretical base. He suggested two important theoretical relationships. First, the internal structure and setting of organizations is of such a nature as to raise the probability that the attainment of the goals of the organization will subject it to the risk of violating societal laws of organizational behavior. Secondly, persons who actually act for the organization in the commission of crimes will, by selective processes associated with upward mobility in organizations, be persons likely to be highly committed to the organization and be, for various reasons, willing and able to carry out the crime, should it seem to be required in order to enable the organization to attain its goals, to prosper, or, minimally, to survive.

One of the most widely held theories of organized crime today in the United States is known as the *alien conspiracy theory*. This theory blames outsiders and outside influences for the prevalence of organized crime in American society. Over the years, unsavory images, such as well-dressed men of foreign descent standing in shadows with machine guns and living by codes of silence, have become associated with this theory. The alien conspiracy theory posits that organized crime (the Mafia) gained prominence during the 1860s in Sicily and that Sicilian immigrants are responsible for the foundations of U.S. organized crime, which is made up of twenty-five or so Italian-dominated crime families (Lyman and Potter, 2007).

Lombardo (2002) has challenged the alien conspiracy theory as an explanation for the origin of organized crime in America, as he reviewed the history of Black Hand (an organized crime group) activity in Chicago in the early twentieth century, arguing that the development of Black Hand extortion was not related to the emergence of the Sicilian Mafia, but rather to the social structure of American society.

The *rational choice theory* suggests that people who commit crimes do so after considering the risks of detection and punishment for the crimes as well as the rewards of completing these acts successfully. Examples of this theory include a man who discovers that his wife is having an affair and chooses to kill her, her lover, or both; the bank teller who is experiencing personal financial difficulty and decides to embezzle funds from the bank to substantially

increase his/her earnings; and an inner-city youth who decides that social opportunities are minimal and that it would be easier to make money by dealing crack cocaine (Lyman and Potter, 2007).

Shvarts (2001) suggests that the rational choice theory can explain the growth of the Russian Mafia. Because of low income and financial difficulties at the individual level, combined with a corrupt police force, it seems rational to move into organized crime to improve the standard of living for members joining the criminal organization.

Some theorists believe that crime can be reduced through the use of deterrents. The goal of a deterrent (crime prevention) is based on the assumption that criminals or potential criminals will think carefully before committing a crime if the likelihood of getting caught and/or the fear of swift and severe punishment are present. Based on such a belief, *general deterrence theory* holds that crime can be thwarted by the threat of punishment, while the *special deterrence theory* suggests that penalties for criminal acts should be sufficiently severe that convicted criminals will never repeat these acts (Lyman and Potter, 2007).

Furthermore, *learning theories* have been used to explain the onset of criminal activity. The body of research on learning theory stresses the attitudes, ability, values, and behaviors needed to maintain a criminal career (Lyman and Potter, 2007).

Next, *cultural deviance theories* assume that slum dwellers violate the law because they belong to a unique subculture that exists in lower-class areas. The subculture's values and norms conflict with those of the upper class on which criminal law is based (Lyman and Potter, 2007).

Social control theory is yet another criminology theory where social control refers to those processes by which the community influences its members toward conformance with established norms of behavior. Abadinsky (2007, 22) remarked:

Social control theorists argue that the relevant question is not, why do persons become involved in crime, organized or otherwise? But, rather, why do most persons conform to societal norms? If, as control theorists generally assume, most persons are sufficiently motivated by the potential rewards to commit criminal acts, why do only a few make crime a career? According to control theorists, delinquent acts result when an individual's bond to society is weak or broken. The strength of this bond is determined by internal and external restraints. In other words, internal and external restraints determine whether we move in the direction of crime or of law-abiding behavior.

Bruinsma and Bernasco (2004) used *social network theory* to describe and tentatively explain differences in social organization between criminal groups that perform three types of transnational illegal activities: smuggling and large-

scale heroin trading, trafficking in women, and trading in stolen cars. Groups that operate in the large-scale heroin market tend to be close-knit, cohesive, and ethnically homogeneous. Groups active in the trafficking of women have a chain structure, while three clusters of offenders in a chain characterize those that operate in the market for stolen cars. Both groups are less cohesive than are criminal groups in the large-scale heroin market. The differences in social organization between the three types of illegal activities appear to be related to the legal and financial risks associated with the crimes in question and, thereby, to the required level of trust between collaborating criminals.

It is often argued that criminal organizations have a network structure. For example, similar to other forms of organized criminality (including weapons trafficking, immigrant smuggling, and prostitution), drug trafficking in Colombia occurs in fluid social systems where flexible exchange networks expand and retract according to market opportunities and regulatory constraints. This durable, elastic structure did not emerge overnight, but developed over many years as entrepreneurs built their enterprises through personal contacts and repeated exchanges and resources they accumulated gradually, while drawing on social traditions, such as contraband smuggling, that extend far back into Colombia's colonial past (Kenney, 2007).

Entrepreneurs and entrepreneurship are often found in organized crime. Casson (2008) defines an entrepreneur as someone who specializes in making judgmental decisions about the coordination of scarce resources. Coordination may be defined as a beneficial reallocation of resources. Thus, coordination is a dynamic concept, as opposed to allocation, which is a static concept. The concept of coordination captures the fact that the entrepreneur is an agent of change. He is not concerned merely with the perpetuation of the existing allocation of resources, but with improving upon it.

Krebs et al. (2003) applied noncooperative *game theory* to examine drug smuggling. The study tried to determine if fluctuations in key public policy variables have the potential to diminish the expected utility of smuggling drugs, thus encouraging lawful behavior. The study simulation indicated that decreasing the expected utility of smuggling drugs to a level where lawful behavior is likely to be chosen is an infeasible mission from a policy perspective. Additionally, a recent drug smuggling innovation, known as black powder, is likely to only increase the expected benefit of drug smuggling. Black powder is a simple industrial cloaking method that renders many surveillance strategies and chemical tests all but futile. The consequences of black powder and the exchange between drug control agents and drug smugglers are important in the simulation.

Based on the utility theory, game theory involves the mathematical representation of the decision-making process in situations where the interests of two or more players are interconnected and interdependent. A player may

be either an individual or a group that operates as a single decision-making entity. Players in situations of uncertainty choose from a set of available actions called strategies, each of which offers a probability of producing a possible outcome. The choice a player makes is determined by the anticipated utility, viewed as an indication of the individual's beliefs and preferences, that each alternative behavioral strategy is expected to produce (Krebs et al., 2003).

It has been argued that some ethnic backgrounds are less qualified for organized crime. For example, law enforcement in the United States is somewhat reluctant to accept the existence of African American criminal organizations, based primarily on the opinion that such ethnic groups are incapable of structuring syndicates of any consequence, such as the Cosa Nostra. Such an opinion is based on the *theory of race*. Contrary to this opinion, Walsh (2004) found powerful black organized crime groups in the United States. For example, African Americans established connections with Asian drug dealers during the Vietnam War. Some of the heroin on the streets of American cities during this period had been smuggled from Vietnam inside the bodies of dead servicemen.

Profit-driven crime by criminal business enterprises should be understood mainly in economic terms rather than sociological or criminological terms. In an attempt to formulate a general *theory of profit-driven crime*, Naylor (2003) proposed a typology that shifts the focus from actors to actions by distinguishing between market crime, predatory crime, and commercial crime.

Management Theories

Agency theory has broadened the risk-sharing literature to include the agency problem that occurs when cooperating parties have different goals and division of labor. The cooperating parties are engaged in an agency relationship defined as a contract under which one or more persons (the principals) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent (Jensen and Meckling, 1976). Agency theory describes the relationship between the two parties using the metaphor of a contract.

According to Eisenhardt (1985), agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when the desires or goals of the principal and the agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing. The second is the problem of risk-sharing that arises when the principal and agent have different risk preferences. The first agency problem appears when the two parties do not share productivity gains. The risk-sharing problem might be the result of different attitudes toward the use of new technologies. Because the unit of analysis is the contract governing the relationship between the two parties, the focus of the theory