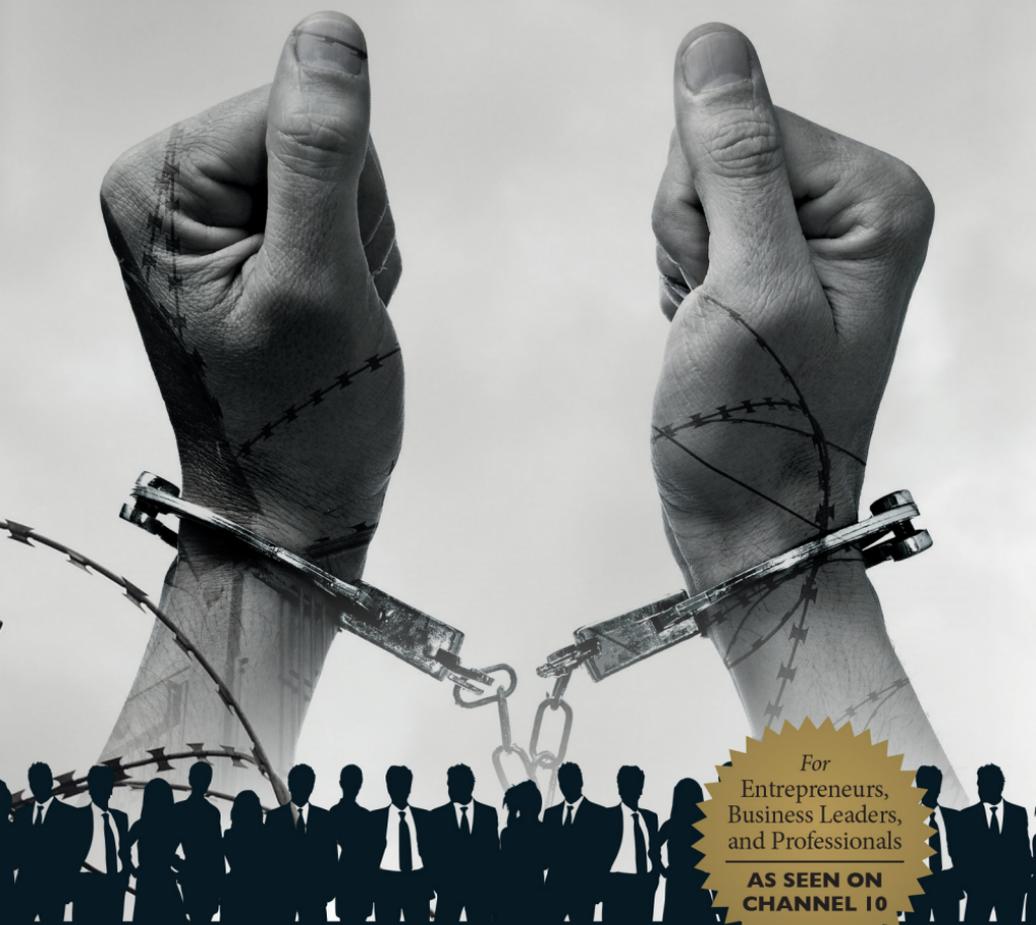


KINGPIN

LEGAL LESSONS FROM THE UNDERWORLD



For
Entrepreneurs,
Business Leaders,
and Professionals

**AS SEEN ON
CHANNEL 10**



SARAH BARTHOLOMEUSZ

KINGPIN

LEGAL LESSONS FROM THE UNDERWORLD

SARAH BARTHOLOMEUSZ

Steve Jobs (Apple), Sir Richard Branson (Virgin Group), Oprah Winfrey (Harpo Productions), Bill Gates (Microsoft) and Jeff Bezos (Amazon) consistently top the lists of today's most successful, innovative and inspirational business leaders. If we measured success purely by profit, these visionary leaders might in fact be usurped by nefarious Kingpins like Pablo Escobar, Joaquín ('El Chapo') Guzmán and Khun Sa. This riveting book abandons the boardroom for the dark underbelly of the illicit drug trade, where you will meet some of the world's most street smart, wealthiest and reckless Kingpins, and through their stories learn about practices to implement (and not to implement) to gain business advantage.

David Chuter, Chief Executive Officer, Innovation in Manufacturing CC Ltd

Educational and gripping. Not words normally associated with risk and compliance, but Ms Bartholomeusz exceeds on both accounts in this remarkably innovative and thoroughly researched book.

Jamie Tan, Founder & Psychosomatic Practitioner at The Spacious Nest

I urge you to pick up *Kingpin* and expose yourself to a whole new perspective on business risk and compliance – such a fascinating insight into a rarely explored 'industry', especially for business intelligence. You will not regret it.

Paul Smith, Chief Executive Officer, The Future Directors Institute

The best insights for disrupting the system often come from unexpected places. This book entertains while it informs; a peephole into an underworld of high stakes, where earning respect and loyalty requires confidence, adaptability, but also intimidation, violence, distrust, shifting alliances and excessive management of increasing risk. Competition lurks in every corner, waiting to exploit the smallest opportunity to advance in the power hierarchy. This intense business environment challenges its leaders to innovate to survive while gently poking us to consider the moral, legal and business lessons for success.

Dr Kristin Alford, Futurist, innovator, science communicator and leader of UniSA's Sci■C■Ed studio

Does the absence of a moral code help or hinder criminal organisations, whose leaders rely on violence, extortion, bribery and duplicity to achieve underworld goals? *Kingpin: Legal Lessons from the Underworld* offers insight into the business operations of the drug trade, where innovation and risk management trump corporate governance and compliance.

Dr Catherine Ball, CEO and Founder, Remote Research Ranges Pty Ltd

Visionary business leaders chase higher aspirations, applying their capabilities to a broader range of challenges and loftier goals. Author Sarah Bartholomeusz convinces the reader to cast aside conventional ideas of business role models, enter the underground tunnel of international drug smuggling, and embrace the new curriculum of Kingpin 101.

Caroline Kennedy, CEO, Virtual Executive and author of *The Power of Wow! Why Thank You Makes Dollars & Sense*

American gangster Frank Lucas rose to power in the New York heroin trade by employing an arsenal of effective business practices. In an easy-to-read style, this book explains how Lucas ended the Italian Mafia's monopoly over the Harlem heroin supply by establishing a direct source to high-quality raw opium imported from the Golden Triangle. You will learn about Lucas's innovative smuggling methods, focus on customer service, and innate understanding of the importance of branding the superior grade product he called 'Blue Magic'.

Christine Moody, Brand Expert + Designer Advocate + Experienced Entrepreneur, author *Designer Law School: Legal lessons for design entrepreneurs*

This book proves there is truly something to learn from everyone. A compelling window into the Kingpins who risk everything, even though they have literally everything to lose – there are serious legal lessons here for the corporate world as well as true crime stories that will capture the rest of us. Both an innovative concept, and a well-written book!

Andrea Clarke, CEO at CareerCEO.com.au | Former Washington D.C. News Correspondent

This book engagingly relates the innovative activities of seven Kingpins back to risk management, team building and stakeholder management; these activities are all very relevant regardless of what business you immerse yourself in. By taking these usually dry topics and referencing them to real-life situations, it brings the lessons to life and shows the reader how important the art of storytelling really is.

Gail Creighton-Davies, Director, Rhapsodate Consulting

This book takes a simple idea – that the underworld can inform the corporate world – and provides concrete, accessible and incredibly powerful examples. Sarah writes in an engaging, enthusiastic and well-informed way.

Clarissa Raywald, The Happy Family Lawyer, author of *Splitsville: How to separate, stay out of court and stay friends*

A memorable and original take on the stories of infamous drug dealers; it takes courage to lead any business but when risk means losing your life it's a whole new perspective.

Howard Tinker, author and CEO of Restaurant Profits, specialist marketing company for the hospitality industry

Innovation keeps things interesting. Makes for a better world. Just ask Jobs, Tesla, Edison. But who would have thought it made for a better underworld?!

Tim Ried, Host of The Small Business Big Marketing Show and author of *The Boomerang Effect*

Until I read *Kingpin*, I did not appreciate the rate of innovation that occurs in the underworld; combining the seven Kingpins in the book with legal lessons for the corporate world made this both an entertaining and insightful read. Sarah has managed to make reading about the risk, compliance and the law actually entertaining! Highly recommended!

Michael Wilcynski, Director of Accodex Partners

Finally, a book that puts risk and compliance into perspective. *Kingpin* is an excellent (and surprisingly entertaining) resource for anyone undertaking a governance role and looking for context around policy development and application. Sarah's outside-the-square examination of this high-risk, high-reward, significant-consequences environment holds important lessons for legitimate businesses.

Paul Daniel, Director of Ag in Compliance

Organisations today often fail to clearly articulate their risk management framework because they do not take into account that it is a crucial part of their innovation process. Sarah reminds us that legal and compliance lessons can be learned from unexpected innovators that operate in the underworld. *Kingpin* provides a novel approach, offering a practical guide for developing a risk management framework from the most unlikely of teachers!

Lisa Cook, Founder & Managing Director, Get On Board

Sarah's new book highlights an industry and a criminal society where from the outside world rules appear not to exist, yet how do drug lords define any structure or business methodology to create hugely successful global enterprises? The genius of this book is that, whilst not condoning their behaviour, Sarah explores how some of the most notorious criminal CEOs in history have managed to develop incredibly sophisticated commercial operations, and then relates that back to what we can learn from their success and challenges.

Samuel Conway, CEO of Zegami Limited

The legal implications of selecting the illegal drug trade as your industry are obvious, however the parallels to those operations against a corporate setting are so very well described by Sarah in *Kingpin: Legal Lessons from the Underworld*. For those of us used to operating in the latter environment this book offers us a legitimate, albeit voyeuristic entry into this dark world. At times the book is entertaining in its narrative while surreptitiously delivering a lesson in risk management. Thoroughly enjoyed every page.

**Karen Ross, General Manager Business Innovation,
Elders Ltd**

Finally, a book that puts risk and compliance into perspective. You will feel confident and inspired to take your business to new and exciting heights after devouring this informative guide.

Eric Rundall, Chief Financial Officer, Futuris Automotive

For my toddlers Alexander and Nicola:
I'm with you till the end of the line.



THANK
YOU

To the brave souls who freely choose to walk behind, ahead of and beside me; who toil in the dark hours to keep me safe from harm on our journey to a world that is more gentle and just.

You are my rock, my refuge and my shield.

Always know that every good that flows from my hand is the image of your love made manifest.

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CONTENTS

	Foreword <i>by Professor Roy Green</i>	1
	<i>Persuasive lessons to be learned from Kingpins</i>	
	Preface	5
1	Understanding the illegal drug trade	11
2	Frank Lucas	19
	<i>Harlem's American Gangster</i>	
3	Khun Sa	35
	<i>The Golden Triangle's Opium King</i>	
4	Griselda Blanco	49
	<i>Columbia's Godmother of Cocaine</i>	
5	Pablo Escobar	63
	<i>Notorious Head of Columbia's Medellín Cartel</i>	
6	Dawood Ibrahim	79
	<i>India's Most Dangerous Terrorist</i>	
7	Joaquín Archivaldo Guzmán Loeras	91
	<i>The Godfather of the Drug World & Mexico's Most Powerful Man</i>	
8	Christopher Coke	111
	<i>Jamaican Drug Lord & Leader of the Shower Posse</i>	
9	The top 7 reasons Kingpins succeed	125
	<i>Innovation by Design</i>	
	Conclusion	135
	About the author	139

FOREWORD

PROFESSOR ROY GREEN BA, LLB, PhD

Dean, UTS Business School, University of Technology Sydney

Innovation is not just an innate factor in human progress but is governed to a large extent by the environment motivating it. In a global economy characterised by ever-lengthening value chains, information overload and accelerated technological change, innovation is a key driver of competitiveness and productivity. How ironic then that criminals are among the first to exploit the vulnerabilities and opportunities that arise from this increasingly complex environment, and to put innovation at the service of their less than admirable deeds. Some years ago, American sociologist, Robert Merton, categorised innovation as a type of deviance and ‘a response due to the strain generated by our culture’s emphasis on wealth and the lack of opportunities to get rich, which causes people to become “innovators” by engaging in stealing and selling

drugs. Innovators accept society's goals, but reject socially acceptable means of achieving them (e.g. monetary success is gained through crime).'

In this very accessible book, Sarah Bartholomeusz takes you to the controversial but radically innovative underworld of the 'Kingpins'. You will be able to analyse the Kingpins' business decisions and extract valuable lessons that more conventional business leaders cannot teach. When we suspend moral judgement, we are presented with a unique opportunity to learn technical skills from innovators playing for high stakes in an extreme environment. The lessons are twofold. To begin with, Kingpins operate in an environment of high political volatility, where loyalties shift rapidly and policy positions are malleable. Moreover, Kingpins face far greater personal risks in their entrepreneurial ventures. When most of us take risks to innovate, we may lose an opportunity, a job or profits, but Kingpins are in danger of losing their freedom or even their lives.

After reading *Kingpin*, you will understand that despite the immoral, destructive and violent culture of the illicit drug trade, Kingpins are, first and foremost, entrepreneurs. The most successful Kingpins are single-minded leaders who innovate, adapt, focus on customer service, create a brand, outsource all but their specialised skills, control strategic aspects of distribution, manage risk, hire diverse

FOREWORD

employees and cultivate relationships to gain a business advantage. The Kingpins could not survive or succeed without implementing business strategies and policies which would be seen as ‘best practice’ by governments, corporations ... and the drug trade.

Operating in these conditions with such high stakes produces the most ruthlessly selective Darwinian business environment on the planet. By observing the behaviour of Kingpins we see that lessons from the underworld can be far more instructive and obvious than they are in everyday life. Kingpins adapt and change to survive, and in that sense, they are the most innovative of entrepreneurs. By suspending your judgement, at least momentarily, you open your mind to the unique value of the Kingpins’ ground-breaking approach – their skills, flaws, triumphs and downfalls being magnified by the volatile context shaping their enterprises. You can deny the Kingpins’ moral and social legitimacy, but it is much harder to deny the resilience of their business models and the persuasive lessons to be learned from them.

PREFACE

Who are the most innovative and creative business leaders of all time?

This book presents a novel approach to answering this question.

While names such as Thomas Edison, Steve Jobs, Nikola Tesla and Bill Gates are commonly bandied about, and examining the lives of these visionaries certainly provides a context for analysing success and failure, this book proposes that we consider the possibility that the most innovative and creative business leaders of all time do not operate within the usual confines of the business world.

What if they operate in the underworld?

This book will provide an examination of the lives and careers of seven highly notorious but nonetheless successful drug Kingpins.

These seven people have been chosen because they are all high achievers in their field. In terms of real-world impact, they have all made a difference (though certainly not in terms of positive social contribution). This makes them interesting for business leaders to study. While the Kingpins as leaders operate within a similar rule set to executives, they come from widely differing experience bases and they build their businesses in an environment of extreme volatility. Their responses to compliance situations are not curtailed by the law, best practice or – at times – even logic. This makes them some of the most innovative and creative business leaders in the world, for better and for worse, and they therefore provide us with lessons that are simply unavailable through the study of mainstream leaders.

Considering the lives, successes and failures of these Kingpins provides us with an innovation and creativity scope that is far broader than analysing Thomas Edison, Steve Jobs, Nikola Tesla and Bill Gates, and provides a lens to enable us to see successes and failures with far more clarity.

Kingpins will identify both business and legal lessons that can be learned from the highs and lows of these

PREFACE

people, and also discuss the benefit of implementing relevant business policies to satisfy the objectives of those lessons. The power of the analysis comes from the fact that these underworld executives and entrepreneurs operated parallel to the mainstream economy, but had to respond to similar market forces in far more creative ways. Each of them has experimented wildly, and this means that their victories were amplified, and their mistakes were at times quite literally fatal.

Some business industry experts have recognised that successful drug dealers and legitimate entrepreneurs share many similar traits. In a 2002 article published in the *Journal of Labour Economics* ('Drug Dealing and Legitimate Self-Employment'), economist Rob Fairlie contends the same characteristics compelling individuals to become drug dealers as teenagers also compel them to become entrepreneurs as adults. Common characteristics include low risk aversion, entrepreneurial ability and a preference for autonomy.

William Baumol is an influential American economist who has dedicated his career to expanding the role of the entrepreneur in mainstream economic theory. In an article entitled 'Entrepreneurship: productive, unproductive and destructive', Baumol argues that incentives or payoffs by society for different entrepreneurial activities is the key factor in deciding whether entrepreneurship will be

allocated in productive or unproductive directions. The allocation of productive entrepreneurship significantly affects the strength of the economy's productivity growth. Accordingly, policy makers have an interest in developing and implementing business policies that provide incentives or reward structures to individuals or companies involved in entrepreneurial activities.

The Kingpins' drug-trafficking enterprises would be considered 'creative destructive' entrepreneurs in society. The criminal entrepreneur's duty involves locating and exploiting 'opportunities', defined as situations where profit is to be made from criminal activity. Criminal or destructive entrepreneurship provides opportunities for other entrepreneurs. Opportunity discovery concerns the production of value, where the entrepreneur determines or influences the resource choices required to generate value. Opportunities for creating novel economic value exist as a result of the demand for goods and services in illegal markets. Entrepreneurs who join illegal markets assume there are competitive flaws reflecting changes in technology, demand or other factors that individuals or groups in an economy attempt to exploit.

Kingpin will explore the entrepreneurial qualities demonstrated by both the Kingpins and legitimate businesses, contrasting their respective roles as 'creative destructive' and 'productive' entrepreneurs. Valuable

PREFACE

lessons can be gleaned from the innovative, destructive business practices of the Kingpins. Their lessons serve as a reminder of the stark contrast between the Kingpins' volatile, violent, unpredictable underworld and the relatively controlled environment cultivated by legitimate business organisations. While the Kingpins operate in a constantly evolving state of lawlessness, companies benefit from developing and implementing diverse business policies such as: corporate governance, regulation and compliance; accounting; management; human resources; shareholder; and company and employee code of conduct policies.

The careers of Kingpins Frank Lucas, Khun Sa, Griselda Blanco, Pablo Escobar, Dawood Ibrahim, Joaquín Guzmán and Christopher Coke are considered in this book. These Kingpins achieved unprecedented success in the nefarious underworld they inhabited. To evaluate 'success' in the drug trade, the factors considered include the accumulation of wealth; the pace at which the Kingpins rose to power; innovation in production, logistic and marketing methodologies; sophistication of the supply chain; global market share; geographical reach of their organisation; political partnerships; community leadership; and longevity.

This book is written understanding that the consequences of illicit drug use in the community are

severe and widespread, causing permanent physical and emotional damage to users and negatively impacting their families, co-workers, and others with whom they have contact. The intent is not to glamorise or glorify the drug trade or Kingpins who profited and lost from it, but to emphasise there are valuable lessons to be learned from these Kingpins.

Some consider that success in the drug trade is more difficult to achieve than success in legitimate business. The consequences of risk-taking can be severe in the underworld: incarceration, injury or death. Competition with rival drug organisations can end in death, and this is considered a necessary cost of business. The distribution networks require great sophistication because traffickers must move both the product and the profits in secret, while constantly manoeuvring to avoid arrest or death.

The illicit nature and corresponding secrecy of the illegal drug trade and its key figures fosters legend. Conflicting stories have been a complicating factor in the researching of this book. It is not intended to be an academic work, so potential inaccuracies aside, the lessons derived from the folklores and urban legends shared about the Kingpins can be just as useful as a historically accurate narrative.



1 UNDERSTANDING THE ILLEGAL DRUG TRADE

Parallel to the development of the information revolution, there has been a separate, independent economic boom: the illegal drug trade is a global black market dedicated to the cultivation, manufacture, distribution and sale of substances that are subject to drug prohibition laws. Starting out it is interesting to consider what is known about the economic structure and business operations of illicit drug operations, because the same forces have operated on this market as on other markets, but it is unique because it operates within different constraints.

The constraints – primarily being that the participants operate a business that is against the law – mean that the

Kingpins necessarily bring a very high level of creativity to the way they operate. It is the innovation practices implemented that can provide lessons for the corporate world. This book is not sensationalising the illegal drug industry, but it is acknowledging that the creativity employed by these underworld activities can be of use to us.

MARKET SIZE

The obscurity of the global illicit drug market makes it impossible to accurately estimate its size. This is not because the drug market does not behave like most others in terms of supply and demand, but rather because the most basic inputs that are needed for such an estimation – data on production, prices, and quantities exported, imported and consumed – are themselves often estimates and frequently based on insufficient data.

The value of the global illicit drug market for the year 2003 was estimated at US\$13 billion at the production level, US\$94 billion at the wholesale level, and US\$322 billion based on retail prices.¹ (These are the most reliable recent figures available.)

1 United Nations Office on Drugs and Crime, *World Drug Report 2005*, United Nations publication, Sales No. E.05.XI.10.

DRUG PRICES

Prices are high because illegal drugs are scarce, but not in the way that diamonds are scarce. Illegal drugs can easily be cultivated in many different regions of the world. They are scarce because they are legally prohibited. Scarcity alone, however, does not cause high prices; high demand also contributes to the high cost. Where suppliers are relatively scarcer than buyers, suppliers have the ‘upper hand’ (bargaining power) in negotiations over price.

The path any product takes from manufacture to consumption is called the supply chain. As with all products, the price of illegal drugs increases the closer they get to the end consumer.

SIZE AND STRUCTURE OF DRUG ENTERPRISES

The majority of research on the drug trade has focused on retail dealers selling directly to users, presumably because these individuals are easier to engage in research projects. The evidence suggests that dealers at this level make little, if any, profit from their activities because they often are supplying drugs to sustain their own drug habits, not to earn money.

Drug suppliers are diverse, but two types of individuals are identified as being involved in the trade: ‘criminal’ drug traffickers, with extensive criminal involvement, and

‘businessmen’ drug traffickers, who – other than their involvement in drug dealing – are relatively law-abiding.

Drug trade businesses include both large-scale criminal syndicates, such as the Mafia or drug cartels, and fluid organisations that connect small groups of independent entrepreneurs able to trust one another through kinship or friendship ties. Common sense suggests that drug dealing enterprises are likely to be smaller than legitimate businesses because of the need to stay hidden from law enforcement agencies. However, as in legitimate business environments, there are advantages to being bigger. Drug dealing enterprises that remain small (but are larger than their competitors) potentially enjoy higher productivity and earnings, and they are not necessarily at greater risk of arrest.

Drug dealing enterprises vary in their degree of permanence. Successful enterprises do not necessarily endure over time but have more flexible structures. Despite large diversity in business operations, enterprises can also be classified by the sophistication of the ‘technologies’ used to transport drugs. (This will be fleshed out in more detail later in the book.)

INCREASING PROFITABILITY

All businesses can increase profit by increasing sales (growth), increasing the income generated per sale (increasing price), or reducing their outgoing costs. While

legal businesses tend to focus on maximising their profit, it has been argued that drug enterprises focus on minimising their risks – which makes it a perfect economic microcosm to analyse for the purposes of this book.

MONETARY AND NON-MONETARY COSTS

The financial investment required to set up and operate a drug enterprise is minimal. The cost of the drugs from source countries is only a small proportion of its retail price. The main monetary costs for drug dealers involve transport of the drug over policed borders, retailers earning above what they could expect in legitimate employment, and product and asset seizures by law enforcement agencies, competitors, customers or employees.

The non-monetary costs of drug dealing are more substantial. They include the risk to the future of the business operation if apprehended by law enforcement, imprisonment and asset seizure, and the risks that come with interacting with other criminals, such as theft and violence.

RISK MANAGEMENT

There is evidence that high-level drug dealers – Kingpins – take active steps to reduce non-monetary costs. Studies show some Kingpins acknowledge violence is bad for

business and take steps to avoid it, and that it is possible to operate as a high-level dealer without using violence. The following table sets out some risk management strategies employed by dealers, to give some context to the risk framework they work in.²

Some researchers have suggested that many dealers think the risks of operating in the drug market are low, and others have identified that individual dealers have different risk tolerance levels. For example, some dealers go to significant lengths to ensure they are not in contact with the drugs at any point in a deal by employing staff to take on this role, despite the inefficiencies this generates. Others may enjoy the excitement of personally completing drug deals and so involve themselves more closely in operations.

Examples of risk management strategies used by dealers

Type of risk	Risk identified	Interviewee identified risk management strategies
Market risk	Low demand	<ul style="list-style-type: none"> • No need for strategy because demand was found to be high and stable
Market risk	Low supply	<ul style="list-style-type: none"> • Find reliable supplier • Identify more than one supplier
Business risk	Financial loss through confiscation	<ul style="list-style-type: none"> • Separation of cash and drugs • Set up legitimate business

² A product of The Beckley Foundation Policy Programme, founded and directed by Amanda Feilding. Used with permission.

UNDERSTANDING THE ILLEGAL DRUG TRADE

Type of risk	Risk identified	Interviewee identified risk management strategies
Credit risk	Other dealers stealing drugs/ money	<ul style="list-style-type: none"> • Threaten violence • Actual violence
Operational risk	Getting caught with drugs/money	<ul style="list-style-type: none"> • Only buying drugs when a customer is lined up • Limited stockpiling of drugs • Payments to customs officials • 'Sacrifice' of mules • Many mules on one flight carrying small amounts • Employment of staff, e.g. managers, transporters, storers
Operational risk	Attracting attention of police	<ul style="list-style-type: none"> • Limiting the number of customers • Spending money on rental goods, e.g. rented houses, cars
Operational risk	Police monitoring of operations, including use of informants	<ul style="list-style-type: none"> • Only work with and sell to known individuals • Using face-to-face communication or calling from a pay phone • Regularly changing phones
Risk to reputation	Inability to enforce contacts	<ul style="list-style-type: none"> • Threaten violence • Actual violence

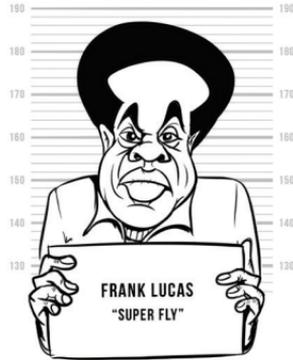
EXPANSION

Like all businesses faced with expansion, Kingpins need to consider their supply side and their demand side. A critical challenge in expanding an illegal drugs business is access to a reliable supplier or network of suppliers. Suppliers are a scarce resource at wholesale and importation levels. Having access to multiple suppliers improves dealers' opportunities to maintain and expand their supply.

Some Kingpins have been able to expand simply by operating in the drug dealing environment, by managing their suppliers. Like managers that work in legitimate businesses, they meet other dealers with similar interests and values and ideas for making more money.

Ethnic ties have proved helpful for some dealers in expanding their networks into other cities or countries. Contacts working in legitimate businesses, in particular transport and logistics, have also facilitated expansion of drug enterprises.

Drug traffickers pursue many of the same principles as any legitimate commodity business, and necessarily they are particularly focused on risk. It follows, then, that analysing the careers of seven of history's most successful Kingpins will provide lessons in the implementation of beneficial business strategies and policies.



2 FRANK LUCAS

ORIGIN AND NOTORIETY

Born in North Carolina on 9 September 1930, Frank Lucas is an African-American former drug dealer who controlled the Harlem heroin market during the late 1960s and early 1970s. Lucas moved to New York in 1946, and – until he met his mentor Ellsworth ‘Bumpy’ Johnson – he earned his living hustling pool and committing petty crimes.

Lucas liked to call himself ‘Superfly’, a reference to the title of a 1972 blaxploitation movie directed by Gordon Parks. Youngblood Priest, the main character in *Superfly*, is an African-American cocaine dealer who devises a plan

to leave the drug world by selling 30 kilos of cocaine and using the profits to sustain his lifestyle while searching for a legitimate job. Along the way Priest has several confrontations with corrupt law enforcement.

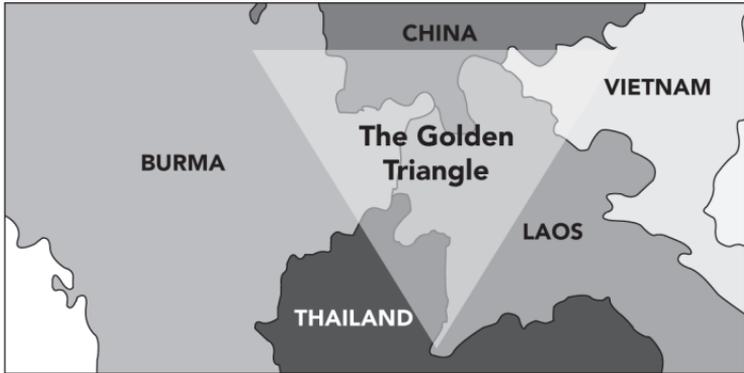
Lucas claims he learned the drug trade from Ellsworth ‘Bumpy’ Johnson, an African-American crime boss operating in Harlem. From 1940 to 1968, Bumpy acted as a middleman between the Italian Mafia, who imported drugs from overseas, and gangsters dealing drugs out of Harlem. Whether Lucas was Bumpy’s right-hand man or merely a low-ranking employee has been the subject of much conjecture. When Bumpy died in 1968, Lucas positioned himself to take over Bumpy’s heroin distribution operation. To acquire control of it, Lucas would have to bypass the Italian Mafia.

Lucas hustled the streets of Harlem with confidence and an upbeat demeanour, and he entered the perilous global drug market with the same self-assurance. With little knowledge of the country or language, Lucas travelled alone to Bangkok, where he met up with United States Army sergeant Leslie ‘Ike’ Atkinson – nicknamed ‘Sergeant Smack’ by the Drug Enforcement Administration (DEA) – who was then based in Thailand. Atkinson owned a bar in Bangkok and was well-connected with US Army soldiers stationed in Southeast Asia, to whom he supplied heroin processed from poppies grown in the Golden

FRANK LUCAS

Triangle. Lucas wanted to see the heroin manufacturing process first-hand, and he and Atkinson trekked through the jungles of the Golden Triangle to meet with Atkinson's source. Lucas established his own high-quality wholesale heroin connections in Southeast Asia, masterminded the task of transporting the heroin into the United States and, accordingly, successfully removed the need for the Italian Mafia in his operation.





Lucas relied on introspection for innovation. He planned out every detail of his heroin operation, a technique he called 'back tracking'. He would isolate himself in an empty room for weeks at a time to reflect on the various phases of his business. Lucas would mentally perform each step of his operation to look for potential problems. He analysed his past transactions and used his experiences to modify and improve his strategies.

Lucas is known for his innovative smuggling methods. He hid heroin in the pallets underneath American servicemen's coffins, which were loaded onto American military planes and transported from Southeast Asia to the United States. Lucas is also believed to have smuggled heroin in furniture.

Lucas entrusted the sales aspect of his heroin business to a close group of relatives and close friends from North Carolina known as the Country Boys. He believed men recruited from small town origins were less likely to steal from him and would remain loyal.

During the height of his power, Lucas claimed he earned a million dollars a day. There wasn't enough space to hide his cash, so he would personally launder the money, driving large bags of small bills to a bank in the Bronx, where the bankers would sort, count and exchange it for larger bills.

Lucas frequented Harlem's music clubs, where he socialised with famous actors and actresses, musicians, politicians and leaders of the business and crime worlds. Joe Louis, the famous boxer, was one of his best friends.

In 1975, a taskforce comprising New York Police Department detectives and United States DEA agents raided Lucas's home in New Jersey. Although there was no evidence of drugs or guns, paper bags full of uncounted \$1 to \$20 bills were scattered throughout the house. These small bills, coupled with the fact that Lucas did not work, strengthened the allegation that Lucas was involved in a criminal conspiracy to sell drugs. Lucas was later sentenced to 70 years in prison.

Once convicted, Lucas assisted the authorities and provided evidence which led to 100 additional drug-related

convictions. After serving five years in custody, Lucas's sentence was reduced to time served plus lifetime parole. In 1981, he was released from prison and entered a witness protection program. In 1984, Lucas was arrested and convicted of attempting to exchange heroin and money for cocaine. He served a further seven-year prison sentence, and was released in 1991.

Following his final prison release, Lucas returned to Harlem and witnessed the poverty and addiction resulting, in part, from his career pushing drugs. Lucas, who is now wheelchair-bound after a car accident, has spent much of the last decade attempting to repair the damage caused by his drug business. Lucas currently works for his daughter's non-profit organisation Yellow Brick Roads, which provides shelter and resources for children of incarcerated parents.

CAREER HIGHLIGHTS AND LEGAL LESSONS

In the early stages of his career, Lucas demonstrated attributes that would facilitate his rise to power in the heroin industry: attitude and acumen.

Lucas attracted and cultivated diverse relationships

Lucas's primary survival skills were confidence and an upbeat demeanour. He related well to others, attracted a diverse group of friends and business associates, and was

considered both a ‘man of the people’ and a member of an elite network of entertainers, politicians, businessmen and leaders of crime organisations.

Inaction is often the by-product of a fear of the future. Lucas avoided stagnancy by never over-thinking the consequences of his actions. When Lucas identified a business objective, he pursued it with reckless abandon. He believed he could control the lucrative Harlem heroin trade, and his increased expectations drove greater performance.

Despite his inexperience, Lucas confidently navigated the dangers of the international illegal drug trade. He travelled to Southeast Asia to observe the heroin processing and manufacturing process first-hand. In Thailand, he met the drug lord who would become his direct source of raw opium, a man Lucas described as ‘an English speaking, Rolls Royce driving Chinese gentleman’, living with a paramilitary network of insurgents in the jungles of the Golden Triangle. This atypical but advantageous business relationship is the by-product of innovation bred by diversity.

Lucas’s relationships with elite entertainers, athletes and politicians provided a break from the intense demands of his business, and he acquired a respectability not found in the heroin trade. Lucas was well-liked by the members of this powerful social network. They supported his legitimate businesses and invited him to attend charitable

events, opportunities that improved his reputation in the community.

Lucas gained peace of mind by entrusting his massive heroin sales operation to the Country Boys. Unlike the majority of his business associates, the Country Boys were a humble, protective, loyal group who focused on customer service and protected Lucas's empire. Lucas's trust in the Country Boys allowed him to focus on other aspects of the business which required his attention.

Lucas's confidence and fearlessness enabled him to attract and cultivate diverse relationships which contributed to his rise to power. Not all leaders or employees have the natural confidence Lucas exhibited, and to ensure that a workplace is dynamic and attractive to people with different skills and experiences, a company can benefit from implementing a **Diversity Policy** that requires the company to encourage and embrace diversity. Evidence has shown that workplaces that are dedicated to ensuring an inclusive environment that encourages and embraces gender, age, ethnic and cultural diversity perform better financially.

Generally, the objectives of a Diversity Policy are to ensure that a company:

- encourages a corporate culture that recognises and values diversity

- provides equal access and opportunities to all its employees
- promotes a fair and balanced approach, ensuring the appointment and advancement of employees is based on skill, performance and capability.

To this end, to ensure these objectives are achieved, discrimination, harassment and victimisation will not be tolerated within the company.

A company that implements a Diversity Policy will recognise the benefits of maintaining diversity among people in a company at all levels in relation to gender, race, ethnicity, disability, age, sexual orientation, gender identity, marital or family status, and religious or cultural background, among others.

Further, a company that implements a Diversity Policy should find that a commitment to diversity in its workforce will contribute to achieving corporate objectives through innovative decision making from people with diverse backgrounds with varying skill sets and perspectives, just as Lucas's team was committed to doing.

Direct sourcing

Lucas demonstrated astute business acumen and the ability to think laterally and clearly, exercise good judgement and make smart decisions for his enterprise. Lucas understood he could not adopt the business model developed by Bumpy,

which gave the Italian Mafia a monopoly on supplying heroin. Instead he travelled to Southeast Asia, established his own connections, and procured pure heroin directly from the manufacturer. By purchasing wholesale, Lucas obtained his product at a reduced price and shortened his sales cycle. In cutting out the middleman, Lucas acquired a competitive advantage. Lucas controlled the whole supply chain, from the source to the sale to the end consumer, something none of the other Kingpins achieved.

A company can gain a competitive advantage by implementing a **Wholesale Procurement Policy** which requires the company to source high-quality products and services at a cost that represents the best possible value. The purpose of a policy like this is to provide guidance to company personnel in the purchase of goods and services, and to define the role and responsibilities of each function in the procurement process.

While Lucas may not have focused on the following, a company may also wish to implement this policy to commit to maintaining its high ethical standards, and also take into account its social and environmental responsibilities.

A Wholesale Procurement Policy establishes guidelines for purchasing goods and services and promotes the role of procurement in assisting in acquiring needed goods and services at the best possible value, while also ensuring fairness and openness with all interested suppliers.

A Wholesale Procurement Policy will apply to all company personnel, suppliers and stakeholders, and will focus on:

- purchasing
- risk assessment
- avoiding conflicts
- maintaining confidentiality.

It is widely understood that implementing a Wholesale Procurement Policy and thereby a framework for goods and services procurement reflects best practice principles and arrangements for any business.

Financial failings

Lucas failed to hire appropriate experts to assist with the duties of sorting, counting and laundering the profits from his illegal business. Ironically, as his profit increased, so did his carelessness. Lucas would personally store bags of 'street money' (bills in small denominations received from customers) at his home because he lacked a system to account for and launder cash payments. This negligent practice ultimately contributed to Lucas's demise, as his conviction for drug trafficking relied on evidence that included paper bags full of uncounted cash that were found during a raid of his home.

The preparation of a proper Delegation of Authority can bring efficiency to a business operation. A company can protect its financial health by properly delegating duties to appropriately trained staff. A written **Delegation of Authority Policy** can ensure that leaders of the company are comfortable in delegating tasks to team members. Establishing a clear set of approval limits and strict instructions on the levels of authority that may be delegated, and identifying personnel and employees within a company authorised to engage in activities and make decisions that bind the company, means the leaders can focus on adding as much value as they can.

Additional policies often sit underneath a Delegation of Authority Policy – these can include:

- Travel Expenses Policy
- Corporate Credit Card Policy
- Entertainment & Hospitality Expense Policy & Guidelines
- Purchasing and Procurement Policy
- Sponsorship Policy.

The consequences for Lucas not having a Delegation Policy were severe. Consequences for non-compliance are usually recognised in a Delegation of Authority Policy; for example, not complying can result in the termination of employment.

Planning to win

Lucas used a method that he called 'back tracking' to analyse his strategies and correct the weaknesses within his business operations. He frequently evaluated his illegal drug smuggling strategies and understood the need for constant innovation in this aspect of his operation. While there was significant potential for innovation to boost economic growth, Lucas was also mindful of the risks of innovation.

Organisation, oversight and innovation are important aspects of any business plan. Without innovation, companies risk becoming obsolete. Companies that implement a **Risk Management Policy** adopt a structured and consistent approach to risk management. A Risk Management Policy assists in the alignment of strategy, procedures, people, behaviour and technology for the purpose of evaluating and managing the risks the company faces in creating and protecting shareholder value.

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Branding

As mentioned earlier, Lucas controlled the whole supply chain, from the source to the sale to the end consumer. He understood two very important business lessons:

1. How to sell and the importance of customer service.
2. The success of business is all about the product.

In the early 1970s the concept of ‘branding’ was not yet mainstream, but Lucas understood the importance of protecting the reputation of the high-quality heroin he had named ‘Blue Magic’.

Customers identified Blue Magic as a very pure, superior product. Lucas was unhappy to learn other drug dealers were purchasing Blue Magic, cutting it with diluting substances, and then reselling it as Blue Magic.

A company can protect its brand (or brands) by implementing a **Customer Service & Complaints Policy** that governs the expectations regarding a product. Such a policy would provide a framework for defining issues such as service delivery standards, the rights of customers, and how complaints from customers will be handled.

Lucas was very customer-focused, and if a company is always focused on its customers and committed to the timely, efficient and consistent delivery of a range of quality services it should flourish. A policy like this will usually include a commitment to ensuring that all customer

contact is fair, friendly, informative and efficient. It could also include a commitment to continuous improvement in service delivery to meet the changing needs of a company's customers and the community.

In relation to complaints, this policy could include a commitment to striving to provide a level of service that does not attract complaints, however in the instances where customers are dissatisfied, it would set out a procedure whereby the company would take all possible steps to achieve a resolution.

SUMMARY

Lucas made his mark in the Harlem heroin market. He was a pioneer, and he boldly sought, established and protected a wholesale source for his product, managed risks with organisation and oversight, and implemented innovative smuggling strategies for the continued success of his operation. One flaw in his operation concerned his failure to delegate the financial aspects of the business, an error that ultimately contributed to the end of his reign in Harlem.