

DRUG CARTELS AND BUSINESS

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## Abstract

This research paper will describe what a Mexican drug cartel is and what strategies they emphasize. I will focus on three primary strategies that enable cartels to be so successful. Specifically, cartels engage in practices to maintain a favorable business environment, motivate organizational members, and effectively recruit new organizational members. They accomplish these overarching strategic imperatives through a variety of means, namely bribery, violence and fear, shared organizational identity, expressing outcomes for undesired behavior, monetary compensation, and recruitment of like-minded organizational members. Cisco Systems, a technology company, will serve as an example of a company that also emphasizes these three strategic imperatives. Cisco's business practices allow the company to achieve the three imperatives. Cisco demonstrates that companies do not need to rely on illegal practices in order to accomplish the three imperatives. Other legitimate companies can be successful by engaging in business practices that prioritize the three imperatives.

## Table of Contents

Introduction .....	1
Drug Cartels and Business .....	1
Overview of Drug Cartels .....	2
Overview of Strategic Imperatives .....	4
Strategic Imperative Business Practices .....	7
Maintaining Favorable Business Environment.....	7
Motivating Organizational Members .....	11
Effective Recruitment of Organizational Members .....	19
Methodology.....	24
Discussion.....	25
References .....	33

## Introduction

### Drug Cartels and Business

Drugs are popular for consumption and for selling, especially in the United States. But where do the drugs come from? They primarily come from drug cartels, mainly operating in Mexico. The word “cartel” is misleading, as the major drug cartels have intense competitive rivalry and do not cooperate with one another. Drug cartels have complex networks that allow them to move drugs from producer to end consumer. Drug cartels have also diversified their operations (Wood & Arnson, 2014). Many cartels use kidnapping and extortion as additional ways to earn revenue. The major drug cartel organizations earn millions and sometimes billions in the process.

The purpose of this research study is to evaluate the practices of successful drug cartels and how they can relate to operating a successful business within a legal context. Cisco Systems, a technology company, is used as a case study to demonstrate effective usage of certain business practices in a legal context in order to achieve the same overarching strategies as cartels. Drug cartels engage in certain strategic imperatives. Cartels engage in practices to manage their external environment, motivate organizational members, and effectively recruit organizational members. These areas of focus allow for cartels to maintain leverage over their suppliers and buyers, control large portions of the market, and distribute drugs effectively throughout their supply chain. While most of drug cartels’ organizational actions cannot be replicated within a legal business context, legitimate companies can still learn important lessons from the strategic imperatives of cartels. Cisco focuses on the same strategic imperatives as drug

cartels. Both drug cartels and Cisco are financially successful, and the practices each organization uses serve as examples that emphasis on certain strategic principles can lead to a successful organization. Other companies can learn from cartels and Cisco in terms what strategic imperatives are important to emphasize, and how to successfully achieve them.

### Overview of Drug Cartels

Mexican cartels are extremely powerful and large institutions. The cartels focused on in this thesis are referred to as drug cartels. According to the Department of Justice, “Drug cartels are large, highly sophisticated organizations composed of multiple DTOs [Drug Trafficking Organizations] and cells with specific assignments such as drug transportation, security/enforcement, or money laundering. Drug cartel command-and-control structures are based outside the United States; however, they produce, transport, and distribute illicit drugs domestically with the assistance of DTOs that are either a part of or in an alliance with the cartel” (U.S. Department of Justice, 2010). DTOs are defined as “complex organizations with highly defined command-and-control structures that produce, transport, and/or distribute large quantities of one or more illicit drugs” (U.S. Department of Justice, 2010). Cartels make tens of billions of dollars each year. The United States is a key stakeholder, being the primary market for cartels’ drug trade (Keefe, 2012). According to Morris (2013), DTOs also engage in the smuggling of people, both for illegal immigration purposes and sex trafficking purposes. They deal in counterfeit products (Morris, 2013), steal oil from pipelines around the world

(Stevenson, 2014), and also deal in kidnapping and extortion (Estevez, 2014). Moreover, many cartels have become vertically integrated, producing their own drugs. For example, 252 tons of methamphetamine manufactured by the Sinaloa cartel were seized in Pacific ports in December of 2011 (Keefe, 2012). By vertically integrating and exploiting huge demand for various drugs, cartels are able to reap huge profits. Thus, the financial performance of cartels is impressive and large in scope.

Cartels, while not legitimate organizations, are complex businesses. They are traditionally run by leaders, have specific departments, employ thousands of people, invest in new strategies and initiatives, have physical assets to assist in operations, and are consistently trying to find new strategies to increase revenue. There is a hierarchy to the cartels; however, many cartels have divisions within the company that are run by managers and other cartel leaders (Wood & Arnson, 2014). Although cartels are not recognized as legitimate organizations and are involved in illegal activities, they are well-run organizations by virtue of the money they generate and the inability of the Mexican government to thwart their illegal, non-regulated operations. Because cartels are so complex and multi-faceted, research on cartels focuses on many different topics. It is worth noting that research into cartels is somewhat limited due to the violent nature of cartels.

In addition to scholarly research articles, various web articles provide insight into more recent developments and research of cartels. Information about high-profile cartel members, public relations and labor issues (Wooldridge, 2012), generational differences and its implications for the future of cartels (McCoy, 2014), recent arrests of cartel

leaders (Meisner, 2014), the movement of cocaine to the U.S., and the Sinaloa cartels leaders, structure, and its presence in Chicago (McGahan, 2013) all provide insight into cartel operations, scale of business, management of employees, usage of social media as a public relations tool, and the future outlook of cartels. Understanding what a drug cartel is and how they earn their money helps to determine what strategies they prioritize.

### Overview of Strategic Imperatives

The three strategic imperatives that will be discussed are maintaining a favorable external environment, motivating organizational members, and effectively recruiting organizational members. Cisco will serve as a case study to demonstrate effective prioritization of these three strategic imperatives from the context of a legitimate, law-abiding company. The purpose of using Cisco as an example is to demonstrate legal practices that companies can utilize in order to effectively achieve the strategic imperatives, which will ultimately lead to increased company performance.

The first strategic imperative that cartels focus on is managing their external environment. Mexican drug cartels are associated with high levels of bribery and corruption (Keefe, 2012). The cartels use bribery to maintain a suitable environment to conduct their illegal operations. The cartels bribe people from the Mexican federal level to the citizens of Mexico, which enables them to more easily conduct their illegal operations (Flores Pérez, 2013). Legitimate businesses can learn from this principle by dedicating resources to maintain a business environment that is conducive to running

successful business operations. Businesses, such as Cisco, Google, and Walmart use lobbying as a way to exert political influence (Campos & Giovannoni, 2006).

The second strategic imperative that cartels focus on is motivating organizational members. Research on both affective commitment and continuance commitment highlights the importance of having an organizational culture that supports its employees (Meyer et al, 2002). Affective commitment is an employees' sense of shared values, involvement, or identification with the target. Moreover, affective commitment should increase by having selected employees identifying with the goals of the organization (Meyer & Allen, 1997). Continuance commitment is the perception that much will be lost if the employee-target relationship is severed (McElroy, 2001).

Mexican drug cartels engage in strategies to achieve both types of commitment. Cartels are associated with violence. Thousands have died at the hands of cartel members and groups affiliated with them (Taylor, 2012). Initiatives launched by the Mexican government have resulted in increased violence between rival cartels and resulted in large numbers of deaths (Bonner, 2012). They use violence as a means to running a successful organization, and also as a way to motivate members to perform their duties in a correct and satisfactory manner (Wood, 2014). The outcomes are clear for members, as poor performance and disloyalty are violently punished. In addition to using punitive measures to motivate employees, cartels pay members satisfactory wages. Providing comparatively high compensation can increase both affective commitment and continuance commitment. It allows the organization to attract a larger pool of applicants, makes employees feel valued, and directly links individual

performance to rewards (McElroy, 2001). The use of having a shared organizational identity as well as the use of violence, threats, and monetary compensation yield committed organizational members. Businesses can apply this focus on motivating employees in different ways to create committed employees. A combination of affective commitment, as well as an emphasis on continuance commitment may yield productive, committed employees. A case study on Cisco will be examined to highlight practices that other businesses can utilize to create motivated and committed employees.

The third strategic imperative cartels focus on is recruitment of organizational members. Selective recruitment of employees who identify as a good fit with an organization may increase organizational commitment. Additionally, being made to feel special when initially hired may also result in a moral sense of obligation to the organization (McElroy, 2001). Cartels enlist many uneducated people to operate at the bottom rungs of the organization, a key component of running a successful cartel (Beckhusen, 2013). Moreover, cartels take advantage of children, and use them to support their illegal activities. Children, many of whom lack family support, are easily manipulated by drugs, social pressure, and a sense of fearlessness (Fox, 2012). The current political and economic state of Mexico also enables cartels to effectively recruit members (Beckhusen, 2013). Cartels also recruit organization members from prisons in order to have violent members join their organization (Morris, 2013). Many cartels have familial ties and recruit blood relatives as a way to recruit loyal employees (Vinson, 2009). Cartels are able to recruit new members by using economic incentives, identity, and threats. These actions allow the cartels to have a large pool of labor and enables

them to conduct operations. Cisco's recruitment practices will be presented in order to demonstrate legally-acceptable practices that businesses can implement to effectively recruit committed employees.

The three strategic imperatives that cartels focus on are listed above. This research paper will discuss each of these imperatives in more detail. Details on specific cartel practices will be highlighted as well as practices by legitimate businesses, specifically Cisco. The research paper will include a discussion on the methodology used and will conclude with a discussion on the overall implications of using cartel strategies within a legal context. Other companies ought to focus on the three strategic imperatives in order to have a successful organization.

## Strategic Imperative Business Practices

### Maintaining Favorable Business Environment

Drug cartels primarily earn revenue through the smuggling of illegal drugs. In a country with rule of law, they need to engage in certain behaviors to mitigate the ongoing threat of being thwarted by law enforcement and other defense agencies. If cartels do not engage in actions to accomplish this, then they face a business environment that makes it difficult for them to transport drugs and ultimately make money. In order to have a favorable environment to smuggle drugs, cartels engage bribery and corruption.

Research indicates that corruption is a key success factor for cartels (Keefe, 2012; Flores Pérez, 2013 ; Nelson, 2014). The D.E.A. conducted an internal survey of its top 50 operatives and informants and asked them to name the most important factor to running a drug business. Those surveyed overwhelmingly said that corruption was the most important factor (Nelson, 2014). Genaro García Luna, Mexico's Secretary of Public Security from 2006-2102 speculated the cartels spend a combined \$1 billion on bribing municipal police (Keefe, 2012). Mayors, governors, prosecutors, all levels of Mexican police, senior Mexican officials, the Army, Navy, and even those who work at varying levels in the U.S. Border Patrol are known to accept bribes from cartels (Keefe, 2012). In February of 2015, Servando Gomez, the leader of the Knights Templar drug cartel was arrested. According to Mexican officials, the cartel has bought off top politicians and state officials. Gomez had released videos of him with prominent businessmen and politicians (Cordoba & Harrup, 2015). Moreover, the Sinaloa Cartel, the largest drug smuggling cartel in Mexico, is said to work with the federal, state, and local police. Often, when drugs are in transit, the Mexican police often serve as escorts and protect the cartel from rival gangs. Some Mexican citizens also claim that their relatives have disappeared, and they blame the police for not investigating the disappearances and even blame the police for conducting the abductions (Wood, 2014).

Moreover, since 2004, there have been 138 convictions or indictments in corruption investigations involving members of the United States Customs and Border Protection (Keefe, 2012). Thus, the scale of corruption is enormous and the cartels are able to exert great influence on key stakeholders. In addition, cartels have civilians on

their payroll as well. Known as “Falcons”, paid civilian lookouts keep watch for anything that could prove adverse to the cartels (Keefe, 2012). Michael Braun, formerly of the D.E.A, said “There are cities in Mexico where virtually every cabdriver is on the payroll” (Keefe, 2012, p. 1). By having many different types of people on their payroll, cartels are able to create favorable climates to conduct business. The corruption is so rampant that when the leader of the Sinaloa cartel, El Chapo, was sentenced to 20 years of jail in the Mexican prison of Puente Grande, he did not experience the life of an average prisoner. It has been widely reported that Chapo had most of the facility on his payroll and enjoyed perks such as ordering food off a menu, having access to prostitutes, and conducting business by cell phone (Keefe, 2012).

A culture of corruption found in cartels may actually have implications that could serve to damage the functioning of cartels. In 2009, a high ranking member of the Sinaloa cartel, Vincente Zambada-Niebla, was arrested by Mexican police (McGahan, 2014). Through the course of the investigation, reports surfaced that Zambada-Niebla had been working as an informant for the United States Drug Enforcement Administration (D.E.A.) (Keefe, 2014). Moreover, research suggests that the United States had given favorable status to the Sinaloa cartel, protecting its leaders and its operations in order for information on rival drug cartels (McGahan, 2014). Further, in 2014, it was reported that Zambada-Niebla had signed a plea agreement wherein he pled guilty and agreed to cooperate with the Justice Department in order to receive a shorter sentence (Keefe, 2014). In addition, two key wholesalers of drugs for the Sinaloa cartel, Margarito and Pedro Flores, who were indicted in 2005, have provided

information to the authorities about Zambada-Niebla and other members of the Sinaloa cartel (McGahan, 2013).

Corruption is an integral part of any well-performing cartel. Because cartels are engaging in illegal activity, they must compensate key stakeholders to allow them to break laws with minimal interference. Moving large quantities of drugs across multiple borders and through countries is a difficult and intensive task if citizens, police, municipal and state employees, and the Federal government provide resistance. Cartels would suffer if they did not have influence over those who control the environment in which they conduct business.

Recent trends of top cartel members giving information to security officials demonstrates a problem that some cartels are facing. By having former cartel members turn against them, cartels are experiencing more unfavorable environments. This makes it harder for them to operate successfully and demonstrates the importance of having an external business environment that supports their business operations.

Legitimate businesses also rely on a favorable business environment. The regulations they face must be conducive to running a successful business. Specifically, companies are often beholden to state, federal, and local government and policy. In order to create an ideal environment, in which policies and regulations allow for the continued operations of a business, companies must invest in measures to control the outcome of policy makers.

Lobbyists, strategic relationships with key personnel, and lawyers are all means to ensure a suitable environment. Lobbying is a way for companies to obtain help from the public sector in exchange for some type of favorable treatment (Campos & Giovannoni, 2006). In short, businesses can use lobbyists to influence politicians to help them create a more favorable business environment. The Center for Responsive Politics is a research group that tracks money and U.S. politics. According to the Center, \$3.23 billion was spent by U.S. companies on lobbying in 2014. In addition, there are roughly 11,781 unique, registered lobbyists. Google, who requires favorable legislation to conduct its operations, spent over \$16 million in 2014 on lobbying efforts. Walmart spent \$7 million in 2014, and Cisco spent \$2,350,000 (Lobbying Database, 2015). Research has demonstrated that lobbying is a substitute for corruption, and is a more effective way for companies to exert political influence than corruption. Moreover, lobbying is more likely to occur in stable political environments that have a parliamentary system (Campos & Giovannoni, 2006). Thus, within the United States, companies should invest in lobbying in order to achieve influence within the political realm, thereby effectively helping them achieve suitable conditions for successful business operations.

### Motivating Organizational Members

Motivating employees and organizational members is another important component to running a successful business. Research has demonstrated that particular human resource practices will elicit various forms of commitment toward specific

targets, and that such commitment will have consequences for the organization and individual employee. Affective commitment is the most desirable type of commitment from the organization's point of view. In terms of continuance commitment, if employees' deem their skills to have limited transferability then their continuance commitment will increase (McElroy, 2001). Therefore, organizations have influence over how committed its members are. Cartels use a shared organizational identity, expressing outcomes for undesired behavior, violence, threats, manipulation and monetary compensation to ensure ongoing commitment and productivity from their employees.

Many cartels have unique infrastructures. For example, the Sinaloa cartel has been described as a "series of 'nodes' around which activity is organized". Many cartels have a similar type of decentralized structure of a central leadership with multiple functional areas in which members are able to participate in achieving organizational goals and engaging in decision making. Participation has been shown to be a good tool in increasing commitment to a course of action, for example in goal setting (Latham, Erez, & Locke, 1998). Moreover, participation has been shown to increase affective commitment, both in decision-making (Jermier & Berkes, 1979; Rhodes & Steers, 1981) and when viewed as a structural characteristic of the organization, such as a decentralized structure (Bateman & Strasser, 1984). Thus, the cartels' decentralized structure succeeds in allowing members to participate to achieve organizational goals, thereby increasing commitment to the organization.

Cartels are also interested in growing and are constantly trying to take advantage of new market opportunities both domestically and in new international regions (Wood & Arnson, 2014). For example, the Sinaloa cartel operates in more than a dozen countries (Keefe, 2012). As stated, cartels are involved in multiple countries, have different lines of business, and have different organizations that form under a central leadership. Thus, the need for employees are needed to sustain operations.

Cartels oftentimes pay higher wages than legitimate businesses in Mexico, especially for Mexican citizens who are uneducated. For example, some killers can make between \$390 and \$468 every two weeks, whereas a legitimate job may only pay \$298 a month (Beckhusen, 2013). Moreover, research into drug mules (those who transport drugs) shows that the market for drug mules is sufficiently elastic and sufficiently developed (Bjerk & Mason, 2014). Thus, members of cartels who smuggle drugs are compensated fairly according to the market, enabling cartels to enlist the services of mules. According to prevailing human resources research, tying compensation to organizational performance helps motivate and keep employees committed (McElroy, 2001).

Since the drug war launched in 2006 by former Mexican President Felipe Calderón, over 50,000 people have died (Taylor, 2012). Violence is a key component of cartels. Violence is directed at other cartels, law enforcement, Mexican citizens, and political figures (Bonner, 2012). Actions taken by cartels, such as ordering the kidnapping and execution of 43 college students (Cordoba & Harrup, 2015), are meant to intimidate people all across Mexico. The US Department of Public Safety reported

that drug cartels were a dangerous issue for Texas, as violence has spilled across the border (Ortiz, 2015). The report also included information about cartels violently kidnapping relatives of cartel members who are accused of either stealing from the cartel or not performing their function in delivering a drug load. Also, cartels use illegal aliens as bait (Ildefonso, 2015). Moreover, a Sinaloa cartel head of security for one of the branches of the cartel, states that “almost anyone can be a target”, including “a traitor, a whistleblower, a thief, someone who doesn’t pay the cartel” (Wood, 2014). He also mentions that most people do business with the cartel, as if one does not cooperate with the cartel, they will have no protection.

Further demonstrating the violent nature of cartels are the actions of cartels like Los Zetas. The Zetas are known for “mounting the severed heads of their rivals on poles or hanging their dismembered bodies from bridges or cities throughout Mexico” (Seper, 2013). Moreover, according to a Mexican drug gang specialist, the Zetas have the goal of becoming the most cruel, sadistic, and beastly organization that has ever existed (Seper, 2013). In 2009, the Zetas dismembered bodies in the town of Reynosa, Mexico, spelling out “See. Hear. Shut up, if you want to stay alive” with the blood of those killed (Seper, 2013). Moreover, a mass grave sight of 150 people was found in 2011. The victims were said to have refused to join the gang, and were subsequently murdered (Seper, 2013). Public acts of punishment, viewed by both internal organizational members and the outside public, can have positive effects on member motivation and performance. Research has shown that if a punishment is administered in a way that is impersonal and corrective, focuses on a specific act, and is relatively intense and quick, then it

should have informational value for both the person being punished and the people who observe the punishment (Bandura, 1969, 1977). Moreover, the punishment can serve to show others the expected performance levels required, which may result in an increase in group performance (O'Reilly & Weitz, 1980). Further, a research study conducted showed that punishment may have positive effects on performance without damaging job-related perceptions and attitudes (Schnake, 1986). Thus, research suggests that punishment that is viewed by organizational members can increase those members' performance. When viewed through the lens of extreme violence, one can reasonably assume that observers of violence will adjust their actions so as to comply with organizational expectations, thereby enabling cartels to have committed members who perform the desired organizational actions. Finally, while violent actions taken by cartels is illegal and barbaric, cartels clearly communicate what will happen if undesired member behavior occurs, which can instill a sense of "fairness" to the organization.

By paying members "fair" market wages, and sometimes "above market wages", and threatening them and their loved ones, cartels are able to exert control on its members and have committed employees who likely have both affective and continuance commitment. Cartels are also able to influence members to join cartels and believe in their unique set of values. Research has demonstrated that having members identify with the goals of the organization, which cartels are able to do, will increase affective commitment (Meyer & Allen, 1997). More importantly, however, is the violence that is used to increase continuance commitment. In relation to the research that limited skill transferability increases continuance commitment, cartels do not focus

on skill transferability, but rather use violence and threats to increase continuance commitment.

Legitimate business can learn from cartel strategies. The following case analysis of Cisco is from the Harvard Business School Press book *Hidden Value* (O'Reilly III & Pfeffer, 2000). Cisco is a company that heavily focuses on motivating and keeping its employees satisfied and happy. They have implemented strategies to achieve high levels of affective and continuance commitment. While Cisco does not utilize cartel-style methods, namely violence and intimidation, they are in alignment with cartels in their focus on motivating organizational members.

Cisco is a successful and profitable company located in Silicon Valley. Cisco emphasizes trust and clear communication as key components to their organizational culture. Cisco CEO John Chambers wants every employee to have a shared vision of the company. Every employee goes through a company culture process. This includes being assigned a Cisco "buddy", taking a "Cisco Business Essentials" class, and having managers constantly checking in on the new hire. This process leads to employees either being socialized or ejected, as employees are fired if they are not team players, not recruiting and developing the right talent, and if they are not achieving business results. Thus, if an employee is not performing or integrating with Cisco culture, they are either punished or removed from the company. Research has shown that employee punishment that is contingent upon undesired behavior is positively related to the employee's sense of procedural justice evaluations. Moreover, when employees feel as though they are punished appropriately, they will evaluate that punishment as more

distributively just (Ball, Sims, & Trevino, 1992). Thus, clearly expressing company expectations to employees and punishing them accordingly enables Cisco to instill a sense of fairness to its workers.

Like drug cartels, Cisco has a decentralized structure, with many departments and units having autonomy and freedom to be creative. Employees are empowered by the company, and one employee has said that he has a “Cisco-centric view of the world”. Moreover, Cisco has impressively high retention rates, demonstrating that Cisco has achieved both affective and continuance commitment. Employees are paid well, with the average starting salary being \$70,000. Employees also receive stock options. This ensures that they are productive, as any rise in the stock price means money for the employee. Individual recognition is heavily emphasized, with managers having a reward budget for their employees. Spontaneous bonuses are approved within 24 hours, and an employee could receive a free meal or a check for thousands of dollars. Cisco also has company parties and has numerous amenities on sight for employees to take advantage of. These practices by Cisco result in motivated, productive, and happy employees who work hard to ensure company success and profitability (O’Reilly III & Pfeffer, 2000).

Cisco acquires many companies and their employees. Once again, Cisco does due diligence to determine if the company in question shares the same values as Cisco. Cisco also determines if both companies will be successful in the short and long term and if they have cultural chemistry and compatibility. If they do not see a fit, they do not acquire the company. Moreover, Cisco values the new employees that will integrate into Cisco once the deal is done. They oftentimes have the top executives of the acquired

company sign non-compete agreements and vest their stock options so that the executives do not cash out and leave the company. These two actions are meant to increase continuance commitment and make sure that top talent does not leave their organization. The result of Cisco's emphasis on retaining top talent is seen by their 70% retention rate for senior managers of acquired firms. Employees are paid well, given benefits and stock options, vacation days, tuition reimbursement, career opportunities, an empowering and motivational work culture, internal support and development, and individual recognition (O'Reilly III & Pfeffer, 2000). These factors all make Cisco employees' motivated employees with high levels of affective and continuance commitment.

While cartels do not engage in the same workplace practices as Cisco, they still focus on motivating employees by having high levels of affective and continuance commitment. Cartels use a sense of shared identity and identification with organizational goals, clearly expressing outcomes of undesired behavior, violence, intimidation, and money. Cisco uses empowering organization practices, has culture of shared identity and values, clearly expresses outcomes of undesired behavior, compensates employees fairly, and has practices and policies to support employees. Moreover, both cartels and Cisco are profitable, and a key component of their success is the way that manage and motivate their organizational members. Cisco serves as an example of effective company focus on motivating organizational members, and other companies can learn from their practices in order to achieve this strategic imperative.

## Effective Recruitment of Organizational Members

Organizations need people in order to function. Therefore, companies and organizations have to recruit and hire members to fulfill the activities and goals of the organization. Hiring the right people is a key concern for all organizations and companies, and attracting top talent and applicants constitutes an important way to build competitive advantage (Barney, 1986; Yu & Cable, 2012). Thus, both cartels and legitimate companies have a need for recruiting good organizational members in order to build a successful organization.

The current social and political state of Mexico contributes to the recruitment of citizens to join cartels. Juan Pablo Garcia, a social worker in Monterrey, Mexico said that many schools are closed and there is no opportunity to find work. The neglect by family and the government in Mexico leads youths to join cartels (Beckhusen, 2013). This leads to many children and adults turning to cartels for work. Cartels enlist many uneducated people to operate at the bottom rungs of the organization, a key component of running a successful cartel (Beckhusen, 2013). Moreover, the International Crisis Group reported that the cartels “have recruited thousands of street gang members, high-school dropouts and unskilled workers” (Beckhusen, 2013). A Sinaloa cartel member who joined at age 14 said he joined because his friend was in the cartel, he was not good at school, and he liked the weapons. He killed someone for the first time at age 15 (Wood, 2014). Another child named Edgar Jimenez was arrested and charged in 2010 with beheading four people. He said that he did not join the cartel; rather, he was pulled into

the gang, used marijuana and claimed that he “didn’t know what [he] was doing” (Fox, 2012). By manipulating malleable children, cartels are able to influence them with affective commitment and continuance commitment. The children believe in the organization, and realize that noncompliance will likely result in death.

Some cartels also recruit employees through prisons. Prisons in both Mexico and the United States have proved fertile ground for recruitment and training (Morris, 2013). Some gangs have even formed within prison systems, including the Barrio Azteca gang, who serves as an enforcement arm of the Juárez cartel (Morris, 2013). Recruiting criminals allows cartels to bring like-minded people into their organization.

Due to the complexity and size of cartels and the need to have members to fulfill organizational processes as well as fight against rival cartels, cartels need to recruit many employees. In conjunction with research into the fracturing of cartel operations is the large amount of gangs that are affiliated with cartels. Similar to an acquisition of a company, cartels acquire and outsource business operations to gangs and other criminal organizations. According to Mexico’s Attorney General’s Office, “there are nine major criminal cartels working with some 43 gangs in the country, further indication of just how much Mexican organized crime has fractured, as well as the degree to which the cartels are leaning on smaller gangs to act as muscle” (Pachico p. 1, 2014). For example, the Zeta cartel uses gangs to act as subcontracted labor (Pachico, 2014). Integrating violent gangs is another way that cartels align their violent business practices with violent organizational members. Recruiting criminals ensures organizational fit and shared values.

Research into the Sinaloa cartel has demonstrated that many top leaders, including Zambada-Nielbla and the Flores twins, come from families involved in the drug trade of cartels (Fainaru & Booth, 2009 ; Keefe, 2014). This recruitment strategy of cartels to retain family members as agents of the cartel is part of the culture of these organizations. For example, the Herrera cartel, formed in the 1950s, which has since split up into multiple cartels that operate today, had an organizational advantage with its human resources management. Specifically, through intermarriage the Herrera cartel consisted of roughly 2,000 blood relatives and 3,000 associative relations (Vinson, 2009). The Herrera cartel had family members controlling the entire drug production chain, leading to a “shared sense of purpose and extreme loyalty” (Vinson, 2009). This type of commitment can be related to affective commitment, in which the organizational members share a set of values and are loyal to the organization (Meyer et al, 2002). Further, these bonds made it difficult for law enforcement to penetrate the organization (Vinson, 2009). Friends and family serve as a way to refer new recruits to the organization, once again demonstrating the ability of cartels to recruit the right type of member.

As mentioned, a key component of recruiting organizational members is ensuring that the organization is recruiting and hiring members who fit into the organization. Establishing a person-organization fit has been identified as a powerful tactic to attract high quality members for organizations (Collins & Han, 2004). Drug cartels are violent organizations, and they recruit violent people. Recruitment through prisons, acquiring and partnering with violent gangs, manipulating children, and

referring friends and family into the cartel ensure that drug cartels have members who identify with the organization and will fulfill the duties needed for organizational success. Using Cisco as a case study once again, we see the value of effective organizational recruiting and its effects on employee commitment and company performance.

Cisco has a comprehensive recruitment process designed to attract and hire people who will fit into the culture of the company. Cisco first identifies the type of people it wants to hire into its organization, and then holds focus groups with its ideal candidates as a way to get to know them and make sure they are the right fit for the company. They have a long interview process, with a minimum of five interviews for a potential new hire. This allows them to vet each candidate to ensure cultural compatibility and that they will be able to perform at the company. This process enables Cisco recruiters to communicate to recruits what the Cisco workplace is like and communicate the expectations the company has for new employees. Job seekers will form expectations about organizational and job characteristics when evaluating future employers (Irving & Meyer, 1994). Thus, recruiters try to create positive expectations about future workplaces through their recruitment practices and communication (Cable, Aiman-Smith, Mulvey, & Edwards, 2000). Cisco, through their extensive interview process, is therefore able to effectively form positive expectations for the type recruits that will fit into the organization.

Cisco also has a referral program, allowing current Cisco employees to earn bonuses for referrals who get hired. Cisco has twice the referral rate of other companies

in their industry as a result. At the time of this case study, 60% of new hires knew someone in the company before being hired. Cisco also develops technology to allow people to secretly apply for a job at Cisco, making it fun and easy to align one's interest and values with specific job openings. Once a person is hired, they undergo immediate programs and processes to acclimate them to the culture of the company. They are also explicitly told what is expected of them, and the outcomes of not meeting performance or company culture requirements.

These policies have resulted in Cisco being a leader in their industry. Their competitors have the same access to talent as Cisco; yet, Cisco is able to more effectively recruit employees who have good organizational fit. Cartels also emphasize organizational fit, albeit in a different way. Cartels have their own type of referral system, as many people join cartels because they know someone in it. A study on employee referrals has demonstrated that referrals are more likely to be hired and that referred employees have longer tenures within the organization (Brown, Setren, & Topa, 2012). This research suggests that there are advantages to internal referrals, thus bolstering the ability of cartels to effectively recruit productive organizational members. Cartels recruit through different avenues to ensure that they hire people who share the same values as them. Performance requirements are expressed to members by the threat of death to them or their loved ones. While the practices are once again different between Cisco and drug cartels, both have an emphasis on recruiting members with organizational fit, which will ultimately lead to successful company performance.

## Methodology

The methods used to compile the information for this research paper is based on a case study analysis design. There is a large amount of information related to cartels; however, much of the research only covers surface-level information. Because cartels are associated with violence and corruption, it is difficult, if not impossible, to effectively engage in primary research. Additionally, much of the information that contains deeper insights and information is classified, as this information is used by law enforcement agencies to combat the drug cartels.

I chose Cisco as a comparison company because they exemplify the three strategic imperatives. They engage in efforts to lobby, and they emphasize motivation and effective recruiting in order to have committed and productive employees. Cisco's strategies can be applied to other businesses in order to increase company performance and achieve the three strategic imperatives.

Throughout my research, I was able to determine key practices that cartels engage in in order to be successful. Instead of focusing on the day-to-day operations and ground-level analysis of cartel operations, I focused on larger principles and strategies. By shifting my focus on higher-level concepts, I was able to determine three strategic imperatives that cartels emphasize. Moreover, these imperatives are conceptual in nature. Thus, this research can be applied to legitimate businesses in that the strategic imperatives are concepts that companies can choose to focus on, and implement by using legal actions and practices.

I also used information derived from legally-operating companies in the United States in order to demonstrate examples and principles that legitimate companies utilize. The strategies I mentioned are meant to showcase legal examples of how to fulfill the strategic imperatives of drug cartels in Mexico.

## Discussion

The research that has been presented in the paper has detailed the operations and strategic imperatives that cartels focus on. Specifically, cartels focus on managing their external business environment, motivating organizational members, and effectively recruiting organizational members. I provided information regarding how these principals can be applied to legitimate businesses and gave examples of legal actions companies can take to achieve them, primarily by highlighting Cisco as a case study. Cisco has demonstrated that legitimate companies can engage in legal practices in order to achieve the imperatives. By focusing on the three imperatives, other companies can improve company performance.

In order to better visualize the specific practices of cartels and Cisco, a table is included below. Key take aways for companies are also included.

Strategic	Drug Cartels	Cisco Systems	• Take Aways
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Imperative			
Maintaining Favorable Business Environment	<ul style="list-style-type: none"> <li>• Bribing all levels of Mexican society, from top politicians and business people, to Mexican police and prosecutors, to Mexican citizens, to US border and Customs Patrol</li> </ul>	<ul style="list-style-type: none"> <li>• Cisco spent \$2,350,000 on lobbying in 2014 in order to influence key stakeholders to grant them favorable legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Lobbying and Strategic Relationships are critical for companies to successfully maintain a favorable business environment in which to conduct successfully business operations</li> </ul>
Motivating Organizational Members	<ul style="list-style-type: none"> <li>• Shared organizational identity and goals</li> <li>• Clearly expressing expectations and outcomes of undesired member performance</li> <li>• Violence and threats</li> <li>• Public punishment</li> <li>• Monetary Compensation</li> <li>• Decentralized organizational structure</li> <li>• Participation and member empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Shared organizational identity and goals</li> <li>• Clearly expressing expectations and outcomes of undesired employee performance</li> <li>• Acclimation of employees into Cisco culture</li> <li>• Decentralized organizational structure</li> <li>• Participation and employee empowerment</li> <li>• Monetary and stock compensation</li> <li>• Individual recognition</li> <li>• Vested stock</li> </ul>	<ul style="list-style-type: none"> <li>• Creating a culture of employees having a shared organizational identity, as well as having company practices and an organizational structure that supports employee empowerment and decision-making will result in highly committed and productive employees. Compensating employees fairly and</li> </ul>

		options and non-compete agreements	adequately will also result in high commitment. High commitment can result in successful company performance
Effective Recruitment of Organizational Members	<ul style="list-style-type: none"> <li>• Focus on recruiting like-minded members who identify with the cartel</li> <li>• Recruitment from prisons</li> <li>• Recruitment of children</li> <li>• Recruitment of family</li> <li>• Referring new members</li> <li>• Outcomes expressed to recruits</li> <li>• Acquisition and partnerships with criminal gangs and organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on recruiting like-minded members who identify with Cisco</li> <li>• Extensive interview process to ensure company fit</li> <li>• Employee referral program</li> <li>• Outcomes expressed to potential new employees</li> <li>• Acquisition of culturally-compatible companies</li> </ul>	<ul style="list-style-type: none"> <li>• A focus on recruitment of employees who identify with the culture of the organization will result in committed, productive employees. A Referral program will enable companies to easily attract good workers. An emphasis of finding these people who will fit into the culture of the company will result in committed employees and may result in successful company performance</li> </ul>

Many cartels have been incredibly successful so far, earning large amounts of money and having long-term continuity of their operations. This is why I wanted to research if cartels can provide insights for how to run legitimate businesses more effectively. I have concluded that the principles listed above are important factors to consider when running a business; however, the unique structure, environment, and specific practices that cartels engage in are extremely challenging to replicate in a legal context. The strategic imperatives, however, are achievable through company strategy and practices and will result in successful company performance.

The current state of Mexico has made it easy for cartels to form and be successful. A large portion of the economy relies on the illegal drug trade. The Council on Foreign Relations estimates that the drug trade makes up 3 to 4 percent of Mexico's GDP, totaling as much as \$30 billion. Moreover, the drug trade is said to employ over half a million people (Lee, 2014). Legitimate jobs are hard to find and the educational system is not effective. This leads to many citizens of Mexico, including minors, joining cartels. They join for shared values, a chance to earn money, because their acquaintances, friends, or families are involved with a cartel, or because they are threatened into compliance. The rule of law is weak in Mexico, with cartel members having powerful weapons and using them often. Also, much of the police force in Mexico has been bribed and cooperates with the major cartels. Mexico scores a 34 on the freedom from corruption scale, which is 7.9 points below the global average. Compared with the United States, Mexico is 39 points below. (Index of Economic Freedom, 2015). This score demonstrates the difference between the US and Mexico,

and highlights the corrupt nature of Mexico. The government cannot do much to stop this corruption, as many government officials are bribed themselves, or afraid to speak out or take action against cartels due to the fear of death to them or their families. All of these factors allow cartels to recruit enough members, keep them loyal and motivated, and conduct their illegal operations in a suitable fashion.

The US has much lower levels of corruption, a better educational system, and a better economy. The US has an overall economic freedom score of 76.2, compared to a score of 66.4 for Mexico (Index of Economic Freedom, 2015). This makes it harder for legitimate companies in the United States to exert as much control over its stakeholders as cartels. Moreover, cartels are extremely effective due to their ability to bribe and influence key officials and stakeholders. It is much harder, and extremely illegal, to do this in the United States, as evidenced by the freedom from corruption scores. The United States has a much more robust legal system and does not experience the same level of corruption. Thus, United States companies cannot engage in large-scale bribery to accomplish a better external environment. Companies can, however, utilize political lobbying as an effective substitute for bribery in order to create a favorable business environment. This will result in the ability to streamline business operations and increase company performance.

Cartels also use shared identity, violence and money to motivate employees. This works well for cartels, as they are able to control their employees by threatening them or their loved ones with death or torture. This is not easily accomplished in the United States. Once again, this type of behavior would be shut down almost

immediately by law enforcement or regulatory agencies. Thus, companies have to find different ways to motivate employees. The Cisco case study demonstrated the importance that companies must place on human resources and managing committed workers. Cisco emphasizes its cultural values and organizational fit, supports and encourages creativity and empowerment, decentralizes its organizational design, supports internal relationships and networking, makes employee expectations clear and will remove noncompliant employee from organization, offers comparatively high salaries for many employees, grants stock options to employees, and also compensates them with other benefits. This focus on the employee results in high levels of affective and continuance commitment, which leads to successful business outcomes. Thus, while the actions taken to achieve motivating workers are different, both drug cartels and Cisco rely on a shared identity for its organizational members, as well as engaging in other practices to ensure motivated and committed members. Other businesses should implement processes to increase affective and continuance commitment, which will also lead to increased company performance.

In line with motivating internal organizational members, effective recruiting is also an emphasis of drug cartels. In order recruit members who fit into the organizations, cartels recruit violent people who share their values. For example, cartels recruit from prisons, partner with violent gangs, manipulate children into joining, and get referrals from current organizational members. Once the new recruit joins, they are then stuck in the organization, as if they leave, they or their family will likely die. Cisco also spends lots of time and energy recruiting the right people. The importance of

individual and organizational values to attracting future talent highlights the need for companies to carefully manage and communicate values as part of their recruitment strategy (Cable & Turban, 2001; Yu & Cable, 2013). Cisco has an extensive interview process and makes sure that the values of the potential new hire are the same as the company. They also have a referral program, and have twice the rate of referrals as their industry average. When acquiring companies, they once again only acquire companies whose leaders and employees have shared values and cultural chemistry. Once the new hire joins, they go through a training and cultural program in order to keep them happy, motivated, and clear about the outcomes of not achieving results. This further helps to retain and motivate employees. Once again, drug cartels use different strategies to achieve effective recruitment. Nonetheless, both Cisco and drug cartels recruit based on shared organizational values for both new members as well as the acquisition of strategic partners and groups. Both have strategies for new hires to keep them in the organization once they join. Businesses should have a focus on recruiting people and other strategic partners who fit into the organization as a way to have committed, productive employees.

In summary, both cartels and Cisco are successful and profitable organizations. Both of them focus on the three strategic imperatives: maintaining a favorable business environment, motivating organizational members, and effectively recruiting organizational members. While the specific practices used to accomplish the imperatives differ, they have some conceptual similarities. Further, the practices that Cisco engages in demonstrate legitimate ways that other businesses can accomplish the

imperatives. Companies should learn from the overarching strategic imperatives and implement company practices to achieve them, as it will result in increased company performance.

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