

# Triads in legitimate business in hong kong business essay

[Business](#)



Triads in Legitimate Business in Hong Kong from Protection to

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## **Introduction**

It is believed that triads have an influential power all over Hong Kong (Chu, 2000). They engage in both legitimate and illegal business. According to Gambetta (1993), "...mafia is a specific economic enterprise, an industry which produces, promotes, and sells private protection". This implies that the main service that provides by triads is "private protection." Some may say that in the past few decades, the judiciary system of Hong Kong has well-developed a lot (Hodson, 2002). Thus, businessmen in Hong Kong do not need to seek for private protection from the triads. However, it seems that this is not the case. In reality, there are still many businessmen will ask for help from triads and let them involve in the management of the business. However, the reason for the legal businessmen to cooperate with the triads is not mainly ask for private protection anymore. This essay will argue that it is true that in the past, the main purpose for the legitimate business to cooperate with triads is because of private protection, but now, it seems that the purpose has changed. With the co-operation with the triads, the highest efficiency can be achieved and hence build up good reputation in the related business field so to boost up the sales volume. Efficiency seems to become the new main purpose for the businessmen to collaborate with the triads. In order to examine the above argument, two case studies, the bus routes 970 and 970x (from So Uk Estate in Cheung Sha Wan to Cyberport or Aberdeen)

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and the minibus services, especially the red minibus service (from Mong Kok to Western District) will be used as a comparison. The speed of response to complaints or needs will be specifically discussed. The reason for choosing the two routes is because the two routes both pass by the University of Hong Kong and also the destinations of the two routes also have large number of residents. There are large numbers of customers. Thus, tense competition is created. By comparing the two routes, the power of the triads can be examined. Before considering the comparison between these two cases, the need for private protection from the triads in legitimate business will be examined first, with reference to the theory of private protection by Gambetta (1993).

### **Need for Private Protection in Legitimate Business**

With reference to Gambetta's theory of private protection (1993) (as cited in Chu, 2000)," Protection, he argues, is a key resource in transactions in which there is a high risk of cheating and in which state protection is either unavailable or inefficient. Private and essentially illegal agencies, such as the Sicilian mafia, may emerge to provide protection to entrepreneurs operating in these markets." This means that if a certain market is not being protected by officials or authoritative agencies - the State or the local government because of the poor-developed judiciary system, private protection is needed. Thus, chances are given to the triads to penetrate into that market. One example is the Russian Mafia - the Solntsevo successfully penetrated into the oil business in Hungary in 1990s (Varese, 2004). This was because at that time, Hungary was undergoing societal structural change, from state-owned economy to free market. The oil business was originally state-owned

business but had to change to open market business accordingly.

Unfortunately, the judicial system of Hungary (i. e. the law) was not able to catch up with the changing pace, which means the State could not respond to the changes effectively and could not provide enough protection to the oil sector (Varese, 2004). As a result, the Russia Mafia - the Solntsevo, penetrated into Hungary successfully through engaging in the oil business there and providing private protection for the newly joined businessmen in the sector (Varese, 2004). In this situation, triads may not only be needed to provide protection, but also management and organization of the market (i. e. mafia transplantation) (Varese, 2004). However, this essay will remain its focus on the aspect of private protection. Though because of the state failure in protecting the market, people in the market may find other forms of protection and one of them is the private protection service provided by the triads. However, the triads also need to show their power to the people so to convince them to buy their protection service. Thus, reputation is very important for the triads. The way that the triads used to build up their reputation is " violence". One of the characteristics of the triads is the frequent and rational use of violence (Albanese, 2011). With reference to Gambetta (1993, as cited in Chu, 2000), it is essential for the triads to use violence to provide protection. Good deployment can make the strategy of protection more efficient (Gambetta, 1993, as cited in Chu, 2000). Gambetta (1993, as cited in Chu, 2000) also asserts that the triads can establish their reputation as a dependable and powerful protector by showing the efficient use of violence. This cannot only build up their reputation, but also shows their ability and trustful image to the potential customers that they can be

well protected. Thus, the efficient use of violence can affirm the desire of the businessmen who are in need of private protection. After the examination in some of the reasons for the need of private protection, two case studies – the bus service and the red minibus service in Hong Kong, will be discussed in the following. The two case studies help investigating whether now the reason for the legitimate business to cooperate with the triads is still because of the need of private protection only or with other economic reasons, for instance, to have a higher speed of response to needs and complaints from the public so to boost up the sales volume.

### **Case Study 1 – Bus Route No. 970 and 970x from So Uk Estate in Cheung Sha Wan to Cyberport or Aberdeen**

The two bus routes chosen for this case study both run by Citybus Limited & New World First Bus Services Limited. Both routes will pass by the University of Hong Kong (HKU). This is the reason for choosing these two routes to compare with the minibus route in the next case study. It needs around 45 to 60 minutes to arrive to HKU. The price is \$11. In the academic year of 2012 to 2013, two huge groups of students – one group taking the Hong Kong Advanced Level Examination and another group taking the Hong Kong Diploma of Secondary Education, enter the universities together as newly year 1 freshmen. This implies that the demand for bus service has been increased rapidly all in a sudden. In the first day of school, there were long queues in every stop of the bus routes. When the bus arrived at the station in Mong Kok, the bus was full already. The bus could not even take all the people in the queue at that Mong Kok bus station. However, there are still 7

more stops to go before passing through the West Harbor Tunnel. Therefore, at that day, many students had waited for nearly one to one and a half hours in order to get on the bus back school. In the next day, there were no apparent changes in the number of runs of scheduled buses. The queues were still being so long and people in later bus stops like in Yau Ma Tei and Jordon still could not get on the buses since they were mostly already full in the previous stops. After a few days, the length of the queues was shortened. However, this is not because of the increase in the number of runs of scheduled bus (as there were still no apparent changes in it), but because people changed their ways back to school, for example, taking the minibus which will be mentioned in the next section. From here, it is obvious that the speed of response of the bus company is rather slow. This is because of the complicated hierarchy nature of a business company. Making decision, like increasing the number of runs of scheduled buses, should pass through several levels of approval. This is a very time consuming process which makes the arrangements to be made slowly. Thus, the bus company always cannot react to the need of the public promptly. Moreover, the bus company cannot gather the opinions and complaints from customers immediately and directly. Opinions and complaints are mostly made through sending emails or calling the customer service hotline. This will also slow down the speed of response. As a result, this worsens the problems of having long waiting time for the customers and may even lose customers and thus, affects the profit of the company.

## **Case Study 2 – Red Minibus from Mong Kok to Western District**

The triads are popular with their involvement in the minibus service in Hong Kong." Police are investigating a triad gang that is believed to have controlled three red minibus routes and pocketed at least HK\$14 million a year as protection fees from drivers. The investigation came as an alleged former dragonhead of Wo Shing Wo triad society, who stepped down last month, was arrested along with two others on Sunday for laundering more than HK\$4 million in protection fees from about 30 minibus drivers." (" Bus drivers milked for millions by triad, police say", South Chiina Morning Post, 31st March 2012)The involvement of triads is more significant for the red minibus service. This is because the red minibus service does not have a fixed route because minibus service is not a " franchised public transport concern" (Chu, 2000). Due to the flexibility on setting routes, the profit made fluctuates from route to route. Those drivers who are in the popular route, like the one used as case study in this paper, will hope for protection so to prevent too many people joining the route and share the profit (Chu, 2000). With the emergence of the triads, the drivers in the route can monopolize the route with the fixed quota of drivers joined. At a pinch, the leader of the minibus terminal, who most likely is member of the triads, may command to use violence in order to keep the order of the route. The chosen route runs from Mong Kok in Kowloon to Western District on Hong Kong Island. This route is popular because it just takes 15 to 20 minutes for the students of the University of Hong Kong to arrive school. This is so " economically-friendly" in the sense that they can save a lot time. Though the price for this route is quite expensive (\$18), there are still many students who choose this

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transport instead of bus because of its efficiency. As mentioned in the Case Study 1, there are two large groups of students enter universities at the same time in the academic year 2012 to 2013. Similar to Case Study 1, the demand for minibus service has been increased greatly. The situation happened in the first day of school was nearly identical. There was a super long queue for taking the minibus in Mong Kok. One of the minibus drivers asked the passengers, " What time do you go to school normally?" One of the passengers replied, " Most likely 10: 30 in the morning." " Okay, got it!" the driver replied. In the next day, the number of minibuses, which were ready in the terminal for passengers, has increased from three to approximately eight. There should be even more minibuses stand-by in another street. This fast response to the need of the market amazes the passengers and also shows the power of the triads in the business. When compare to the case of the bus route, apart from the long travelling time, the speed of response to the sudden changes in the demand for the business is much slower than the response of minibus. Thus, it is obvious that more people, especially the students of HKU will choose to take the minibus instead of the 979 and 970x buses because of time. It is worthy to spend only \$7 dollars more to save the extra 20 to even 40 minutes travelling for sleeping or doing other things. This is what meant to be " economically-friendly". Even on the first day of school as mentioned above, though there was a long queue waiting for the minibus, the leader, who stations in the terminal, immediately called for more minibuses to come, which definitely cannot be achieved by the bus company, because of the complicated and rigid structure of big companies as mentioned in the previous section. Thus,



this highly flexible and fast-respond service guarantees the high profit of the route and relatively in an advantageous position when compare to the bus routes 970 and 970x. The need for the involvement of triads in the minibus service seems to be more profit driven than protection needed nowadays.

## **Present Need for Triads in Legitimate Business**

Though just according to the above two case studies on transport cannot conclude the whole scene of triads' involvement in legitimate business in Hong Kong, this is also useful to know that there is a change in the need of triads to be engaged in the legitimate business. It is certain that the " private protection" function of the triad still exists (as mentioned in the quoted news from South China Morning Post). There may be even extortion to the minibus drivers so to keep themselves in the route (Chu, 2000). However, since triads are profit-oriented organization (Albanese, 2011), the request of customers is more important since customers are the source of profit. Therefore, customers' opinions and complaints become the main concerns of the business and so in order to maximize the profit, cooperation with triads would be one of the good choices, at least better than setting up a company oneself. All the complicated structure of a big company can be avoided by working with triads. More efficient and faster responses can be made so to fulfill the demand of the customers. Therefore, efficiency has become one of the selling points of the triads, but not just " private protection" anymore.

## **Conclusion**

" The suppression of competition is a near-universal dream of established entrepreneurs. The mafia is one of the few non-governmental institutions

that can help accomplish this goal. ...once the mafia has entered, its success in meeting the needs of its customers, as well as its unique reputational assets (i. e. violence), makes the reduction of competition extremely difficult." (Gambetta and Reuter, 1995)The above quoting states the real feeling of the minibus service providers used as the case study in this paper. On one hand, with the cooperation with the Hong Kong triads, efficiency on providing proper services to the customers can be achieved. On the other hand, the dream - " the suppression of competition" (Gambetta and Reuter, 1995) can also be accomplished. In the two case studies mentioned above, it is obvious that because of the instant response of the minibus service to solve the problem of inadequate minibuses, the competitiveness of the minibus service has been increased. The minibus service seems to earn a huge proportion of profit when compare to that of the bus company. Though private protection is still a function of the triads in legitimate business in Hong Kong, it cannot deny that this has declined throughout decades because of the well-developed judicial system. Thus, there should be other reasons that triads can still survive and involve in legitimate business and that is because of their efficiency and flexibility on responding and handling the needs of and the complaints from the customers, and so to maximize the profit and take the market share over the other competitors. Though this essay may not be comprehensive enough to conclude the main reason for triads to be involved in legitimate business has changed (in the view of legitimate businessmen), this essay can inspire further studies on other legitimate businesses, for instance, street hawking, wholesale market and so on, to examine whether the same situation happens in them. If the situations

are all the same, it may conclude that the triads in Hong Kong are changing to be more "business" in the sense of mainly market-focused and even more profit-oriented. Other further studies may be the reason why the triads in Hong Kong participate so actively in legitimate business. As well-known that triads in Hong Kong do engage in illegal business, such as drugs selling and prostitution, etc. (Chu, 2000). In order to change those "black money" earned in illegal business to useable "white money" (i. e. money laundering), running legitimate business should be one good choice. Thus, further study regarding to the mentioned situation may be investigating other purposes, apart from earning "white money" directly in involving legitimate business, for the triads to involve in legitimate business (e. g. money laundering).