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A Comparative Study of
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Abstract

Although China, Japan, and Korea have shared a common cultural tradition of broadly defined Confucianism, which as whole is quite different from the Western tradition, their modern fate diverged after the East came to contact with the West around the middle of the 19th century and throughout the 20th century, the three countries followed different paths for modernization, national building and industrialization that also produced different results. However, in the last few decades, the paths of these countries begin to converge. With China shedding its communist ideology, and returning to a more market oriented economic development strategy that approximates the path that other East Asian countries followed, and increasingly drawing its inspiration from China's own tradition and resources rather than from exported ideologies, it has become more imperative to critically examine similarity and differences among these three countries. This paper attempt to analyze what is believed to have continuing bearing on the actual operation of contemporary business organization. As an initial part of a larger project on comparative study of institutional template in these countries, this paper exclusively focuses on the traditional family structures in China, Korea, and Japan., under the concept of "institutional template.

Institutional Templates

When viewed from a comparative perspective, one of the puzzles raised by the East Asian political economies is why the economic institutions in China, Japan, and Korea are organized and operate differently from each other, despite the fact that they

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share a similar cultural heritage, and the face similar challenge as late industrializing countries. Similarly, why do various organization and institutions performing different tasks within a given society demonstrate certain isomorphic relations, though economic institutions that perform similar tasks in different countries are organized differently?

Such a question generally leads to the acceptance of the institutional approach's main premises – namely that any economic organization – including a business firm — is "embedded" in the broader historical and cultural context of a given nation.¹ In other words, though business organizations might have been created for specific tasks that need to be performed regardless of nation, they are imbedded in and directly affected by networks of institutionalized relationships, which are in turn different in each society.

²Further elaborating the implications of this, some scholars argue that a certain degree of isomorphism between the economic institutions and non economic institutions of a given country is a prerequisite for any successful economic performance. “Asian economies have worked so well because they have created organizational arrangements and management practices that give them a competitive advantage. Japan, South Korea and Taiwan each pursue business strategies that suit their social arrangements -- their cultures, their traditional ways of organizing and managing affairs, and their governmental structure.”³ In other words, factors specific to each of the East Asian countries are accountable for its economic performance.

Because of this institutional isomorphism and imbeddedness, an institution will evolve in a path dependent way, shaping new institutions and organizations that are created for well defined objectives. What makes various institutions be isomorphic to each other in a given country is conceptualized as “template.” In other words, it is not the institution itself, but rather the institutional template that defines the range of choices an agent can select in creating a new type of institution, be it pertaining to the state or business or the relationship between the two. Such path dependency means that agents are allowed a certain amount of autonomy when shaping new institutions and organization, but only within the limits of the existing institutional template with which the agents are familiar. Such considerations also affects the choices one makes in creating a new organization, the choice that will certainly in turn modify the institutional template.

This way of conceptualizing institutional evolution allows us to avoid institutional determinism, while staying away from the false notion that individual agents are free to change the existing institutional templates. The influence of the past can be best understood in the concept of the institutional template, as the basic forms are malleable to different tasks, and to different environments, yet still manage to preserve a certain basic structure.

A point of departure for this paper is the premise that human interactions can be reduced to three basic elements -- exchange (as exemplified by the market), authority (as exemplified by hierarchy), and networks (personal relations). The idea of breaking down human interactions into the three basic elements is derived from various social scientist writings. For instance, Amitai Eztion assumes that all human relations evolve around power relations, and that power can be classified as normative, remunerative, or coercive.

⁴ Political scientist Charles Lindblom applied these three types of powers to develop three types of distinctive economic systems -- capitalist, planned, and preceptorial system.⁵ These classifications depend on which of the three principles predominates in the organization of the economy, while critically assessing the problems of relying exclusively on exchange relations in a capitalist economy, and on authority in a socialist planned economy.

In addition to exchange and hierarchy, many organizational theorists regard networks as a separate mode of human operation that's located between exchange and authority. Network is "neither a market transaction nor a hierarchical governance structure, but a separate, different mode of exchange, one with its own logic." "In the network model of resource allocation, transactions occur neither through discrete exchange nor by administrative fiat, but through networks of individuals engaged in reciprocal, preferential, mutually supportive actions. Networks can be complex; they involve neither the explicit criteria of market, nor the familiar paternalism of the hierarchy. A basic assumption of network relationship is that one party is dependent upon a resource controlled by another, and that there are gains to be made by the pooling of resources. In essence, the parties to a network agree to forego the right to pursue their own interests at the expense of others."

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Meanwhile, neo institutional economists who are concerned primarily with transaction costs approach the issue of hierarchy and authority from a different perspective.⁶ To them, hierarchy is a derivative of exchange relations that have been designed to reduce transaction costs rather than being sui genre a basic element of human interactions. According to this view, the effectiveness of hierarchy in reducing transaction costs is the result of bounded rationality, imperfect information, and opportunism. In contrast, Charles Lindblom views authority and exchange as two distinctively different ways of organizing human activities.

What make the East Asian economies distinguishable from those of the West is the intensive and deeply rooted networks that operate not only in the market place, but also in the authority relations within hierarchies. In that part of the world, exchange takes place not among atomized and autonomous actors, be they individual or business firms, but among actors who are tied to each other through a complicated web of networks.⁷ Many Japan specialists attempt to explain the Japanese way of blending hierarchy and market with notions of "relational contracting", "planned coordination", "clan."⁸ Although the question of whether the ubiquitous and indispensable existence of networks in the marketplace in East Asia tends to facilitate or corrupt economic activities is still being debated, all scholars seem to agree that networks in the Japanese economy seem to play a positive role in enhancing efficiency. The reason for this is that they provide economic actors with better coordination mechanisms, better access to valuable technological information, and a better ability to evaluate the reliability of a transaction partner.

The importance of network varies from country to country, especially in the way that it is blended with exchange and authority varies from country to country. Moreover, the basis for the formation of networks also varies. The Chinese term *guanxi* refers to personal relationships, and carries different connotations from those implied by the Korean form of the word, which is largely defined in terms of blood, school and regional ties. In yet another variation, the Japanese notion of *guanxi*, is based more on the membership of formal organization.

How these three elements—authority, exchange and networks”—are mixed in each country determine institutional templates. These elements in turn influence both the structure and the actual operations of a given institution. Due to differing cultural and institutional traditions, China, Japan, and Korea have produced different “institutional templates,” each of which combines these elements of exchange, authority, and networks in a unique way. The differences between these institutional templates are thus responsible for the organizational isomorphism of institutions in the different functional areas of a given society, as well as for the reason why the same institutions in different countries produce different behavioral outcomes.

This concept of “template” is flexible enough to empirically detect continuity as well as changes across different historical periods and among the different countries. For instance the Korean institutional template that is manifested in traditional family and state institutions continues to have significant bearing on the actual operation of such modern institutions as the contemporary state, party politics, and specific business institutions.

Traditional family:⁹

Confucianism regards family—known as *jia* in Chinese—as the basic building block of all human relations and society, as implied in the famous Confucian idea that “only the person who has cultivated himself will be able to manage family affairs, and only then will he be able to rule the state, and thereafter proceed to pacify the entire world.” Among the five cardinal principles of Confucianism, three deal with human relations within a family setting. A conventional interpretation of Confucian teachings also assigns the highest value to filial piety, which defines the children’s relations with parents, and which frequently precedes loyalty to the sovereign.

Although China, Korea, and Japan share Confucian tradition, the actual family structures of these countries have changed through history, and there have also been regional variations within in each country. For instance, methods of passing on inheritance and the status of females in traditional Korean families underwent drastic changes in the 17th century due to the deeper penetration of Neo-Confucianism into

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Korean society and the increasing scarcity of inheritable land. In China, regional differences in family structure are well recognized.

Although the traditional structure of families in these three countries share some common characteristics, their differences are striking in terms of membership criteria, sense of corporate identity, authority structure, and their adaptability to changing environments and tasks.

Since the Chinese traditional family has been part of a complex lineage system, it is not an "organization with distinct boundaries," as is the case in the West, but rather exists as "an ambiguous [relationship], without exact boundaries, because the scope of who is included within any one family can be expanded or contracted according to the specific times and places."¹⁰ In other words, blood ties are not the defining characteristic of traditional Chinese families. Instead, they are relationships among members – what Fei Xiatong has described as “gradated personal networks.” This concept characterizes the Chinese agent as self-centered, egocentric, and utilitarian in employing varying degrees of personal networks according to what that individual wants to achieve. In a similar fashion, the Chinese family has been extremely adaptive to the functional requirements of political, economic, religious, and kinship matters. In China, family structure is not limited to the key members of the family, but can expand or shrink depending on needs. If a person finds that his own family is unable to perform a certain required task, he will seek to extend and strengthen his ties with other relatives and include them in his *jia*.

At first glance, the Korean traditional family looks so similar to the Chinese one that many observers have sometimes seen it as a minor variant of the Chinese model. But a careful examination reveals that the Korean family differs in many respects. The basic difference lies with the Korean emphasis on patrilineal, consanguine continuity, and on ancestor worship. In contrast to China, economic considerations played no role in the evolution of Korean family institutions. To a large extent, the patrilineal principle underlies the basic structure of authority in Korea. As a result, not much room is left for horizontal exchange relations within the traditional family.

In Japanese, the Chinese character *jia* is pronounced as *ie*, which implies “household” rather than family. What is most striking about the Japanese *ie* is the strong sense of an abstract corporate identity that all members of an *ie* share, as if the household possessed a legal personality. According to Murakami, the *uji* (clan) principle was the dominant mode of organization during the first millennium, but as the *uji* proved ineffective against many of the challenges arising from an agricultural economy and the military defense of Northeastern Japan, it had gradually expanded into the *ie* by the 12th century by incorporating functional elements into the organizing principle.¹¹

Functioning as units of “social relations or organization principles unique in Japan” that are almost like “templates,” rather than as family institutions, the Japanese *ie* has managed to not only survive modernization but also to facilitate that modernization by incorporating modern industry’s organizational requirements while helping to preserve Japanese traditions in modern Japan. It is for this reason that some Japanese scholars have elevated the *ie* to the level of Japanese civilization.¹²

Both Korea and China use the principle of bloodlines to define family members. However, Korea has adhered quite rigorously to this idea of the blood line, whereas the Chinese family allows for more flexibility, frequently undergoing modifications of this principle in order to recruit non-kinsmen into the family network. Japan has followed the model of “kintract”—implying kinship plus contract-- for its *ie* membership, thus emphasizing the effective management of new tasks, rather than the preservation of bloodline purity.¹³ The Japanese *ie* is therefore open to the recruitment of non-kinsmen on the basis of their ability to contribute to the *ie*’s collective goal. Therefore, even Japanese family names do not accurately reflect patrilineal lines. As a result, keeping track of genealogical lines is extremely difficult. Moreover, the distinction between kinsmen and non-kinsmen is less obvious in Japan than in China and Korea. It is well known that the terminology for Japanese kin terminology is even more limited than that of contemporary English. For instance, the Japanese use same nouns to refer to paternal and maternal kins, whereas in Korea and China the differences are obvious.¹⁴

Among the three countries, Japan has the weakest kinship ties, whereas Korea has the strongest. In both China and Korea, only consanguineous persons are regarded as

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family members, whereas in Japan, a non-consanguineous individual can be included in the family group, provided that that person proves valuable to the pursuit of the collective goal. According to Murakami, even the prototype *ie* was composed of three layers of people: a group of loosely related kinsmen occupying the top layer, professionals a middle layer, and foot soldiers, known as followers (*shoju*), the bottom layer.

Because of its strong tradition of cognates, Japan is not as strict as Korea and China in following patrilineal lines for marriage. Both patrilocal and uxorilocal marriages were common in pre-war Japan, although patrilocal marriages were statistically much more common, usually accounting for three quarters or so of the marriages in a village. Uxorilocal marriage in Japan was not stigmatized, as is the case in true patrilineal systems such as China or Korea. Furthermore, marriage among the same last names is not prohibited in Japan, and there are many cases of marriages taking place among cousins, even on father's side, not to mention among maternal cousins.

In China, even the patrilineal principle is much more flexibly observed in favor of such practical considerations as the need for labor power or for male heirs, both issues that loom large in marriage and adoption patterns in China. Although most marriages are patrilocal, uxorilocal marriage was not rare, and could even make up about 20% of the marriages in a village, according to one study. In case of uxorilocal marriage, the rights and obligations of a husband would be detailed in written contract. Unlike in Korea, the husband's last name could be changed to the wife's in China. For instance, a son-in-law could adopt his wife's last name and become an heir of her family. On some occasions, when a married son died without leaving son, his family could make the second husband of their daughter-in-law their adopted son, so long as he changed his surname. Also marriage among kinsmen is less restricted in China than in Korea. For instance, while persons with the same last name and the same local origin are not allowed to marry in Korea, this rule has not been strictly observed in China, largely because local origins are not as clearly defined or remembered as in Korea. Moreover, marriage among cousins along the maternal sides took place frequently in China. Chinese married women would often add their husband's last names to their original last name. In contrast, Japanese

married women changed their last names to that of their husbands, whereas Korean women would keep their original last names, ever after marriage. ¹⁶

In Korean marriage practices, the patrilineal principle is so rigidly observed that marriage among persons with same last name with the same local origins is banned by social convention. Marriage among maternal cousins is generally forbidden. In many Korean historical records, women are identified simply by their last names, while their first names are seldom mentioned. Uxorilocal marriage is extremely rare: it takes place only when a family has no son, but even then, the husband will not change his last name to that of his wife's family.

Adoption is more widely practiced in China than in Korea, and there are less restrictions on who can be adopted. A son can be adopted from another family with a different surname—for example, a sister's son—largely because the objective of adoption in China is not exclusively to ensure ancestor worship, but rather to gain additional labor power.

Japanese traditional attitudes towards adoption are also quite different from those of Korea and China: it is very widely practiced. In China and Korea, adoptions of those with a different surname, or those belonging to a different generational order, are not permitted; however, such restrictions do not exist in Japan. Adoption can be arranged from outside¹⁷ the kinship category, and even maternal relatives are frequently adopted in Japan. It is a Japanese practice to adopt one's own brother as a son, and there is even a record of uncles being adopted as sons. ¹⁸

Adoption is less frequent and fewer in Korea than in China, and there are much more rigid rules regarding those who can be adopted. Since patrilineal biological continuity is stressed, adoption is usually made from the ranks of other clansmen, particularly those closer than fifth cousins who share the same *hangyul* (this refers to one of the two Chinese characters in a first name that each generation of same last name from same locality share) — with the generation they are being adopted to. This strict rule makes it easy for the adopted son to be listed as the offspring of the sonless parents in a genealogy. In contrast, an adopted son-in-law (who has different last name) can be

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accepted as a family member, but will never be accepted into the clan. In Japan and China, however, the adopted son-in-law could be included into the clan group.

The Chinese family, viewed as a “gradated personal network,” has been able to adjust to different functional requirements by allowing for the expansion or contraction of personal networks on the basis of need. In other words, the network aspect of the Chinese family is what enables the Chinese family to play such an important role in commerce and industry today. The Korean family has managed to remain a largely consanguine institution, thereby making it possible for the family to take family status and genealogical seniority as its primary concerns. Around the 12th century, the Japanese family made a major transition from uji (clan) to ie (household) in the process of adapting the functional necessities of managing an agricultural economy and organizing military defense. This shift entailed not only changes in the structure of the Japanese family unit, but also in the criteria for membership recruitment and authority relations, while at the same time strengthening the family’s sense of a collective goal.

In brief, the Chinese have maintained a flexible family structure that has enabled it to play an important role in different functional areas. Instead of adjusting its family structures to the task of modernization, Korea has managed to project the basic values associated with its notion of family onto modern organizations, decisively influencing the actual operations of contemporary institutions. The Japanese notion of ie has served very well as an organizational principle for all the organizations that Japan has created throughout its modernization and industrialization process.

Not surprisingly, the degree of “corporateness” in traditional families has similarly varied among the three countries. The Japanese ie, built as it is upon the reified corporate identity of the household, has the strongest sense of “corporateness.” This strong sense of corporate identity, which overshadows the individuality of a family’s members, combined with the primogeniture system, has enabled the Japanese family to continue to exist generation after generation.

The development of any corporate identity requires the separation of a person from the position he or she occupies. In Japan, a conscious effort was made from early on

to separate the person who is the head of the family from the corporate household itself, and the personal property and interests of the household head from those of the household. This, in turn directed the loyalty of a household's members to its corporate entity rather than to individuals. The Basic Rule stipulated in 1987 by the Mitsui Business states that "the family property of the Mitsui-gumi (group) belongs to the Mitsui -gumi and is not the personal property of the Mitsui family. It is crucial that this distinction is made clear and that the enterprise is not personalized. Both master and servant must bear this in mind and work hard so that they can reap the profit." ¹⁹ Understandably, such a distinction between an individual person and the corporate identity becomes even more obvious in the case of a merchant house. "The merchant house as a business organization was never regarded as the private possession of the head as an individual." All the members of the house were expected to be dedicated to the collective goals of the house, and in return were entitled to a share in the benefits from the collective. This communitarian value continues to manifest in contemporary business organizations of Japan.

The corporate identity of the Chinese family is weakest, as its authority structure is much looser than that of the other two countries. The Chinese tend to view the family as existing in layers of networks that can be mobilized depending on one's needs. Furthermore, all male descendants are entitled to equal shares of the family's property. The head of the family's right to dispose of family property is quite limited, and setting up a new segment or lineage is largely dependent on that person's own economic resources. It therefore seems that sons in Chinese families tend to have much more cordial and informal relations with their fathers than Korean sons, who are expected to be obedient to the patriarch. The comparative equality among Chinese siblings tends to encourage their cooperation as independent rational actors pursuing individual gains.

Moreover, unlike in Korea, hierarchy in the Chinese family is not exclusively based on biological seniority, but rather on the actual resources that each family member can mobilize. The result is a pragmatic system that realistically allows those with actual power and economic means to enjoy more authority and respect than those with only genealogical seniority. For instance, lineage segmentation in China is mainly determined on the basis of wealth.. Even ancestor worship in China is selective, and the relationship

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between an ancestor and his descendant is flexible and contractual. There are even cases in which a descendant destroys the tablet of an ancestor as way of killing the ancestor for failing to reward his descendants with good fortune and protection. In brief, the Chinese approach to family reveals a more individualistic orientation than that of the other two Asian countries.

In this sense, the Chinese family resembles a shareholding cooperative that allows only its members to hold shares – a system that the Chinese government tried to develop as socialist institutions in early 1990s. Consequently, establishing the continuity of a family as a corporate entity has proven more difficult in China than in Japan or Korea. In fact, no extended family has survived several generations as a corporate entity since the Tang dynasty, largely because of absence of a primogeniture system. Also responsible is the Chinese practice of equal inheritance and *fenjia*—i.e. dividing a family and setting up new family lineages and building up their own estates, which would then be divided amongst their sons after their death. In the case of *fenjia*, ad hoc provisions were made for the care of parents, with a portion of the estate being reserved for their subsistence. In other cases, arrangements were made by which parents would rotate their meals at the *jia* of their various sons. Because of the comparative equality among brothers, it is an acceptable custom in China for brothers to pool their assets and cooperate in mutual business activities.

Jia is normally headed by the eldest male member, known as the *jiazhang*, who represents the family to the outside. But the *jiazhang*'s authority is rather limited, since the biological relationship prevails over the *jiazhang*'s authority. For instance, when the eldest of several male siblings becomes the head of family, his relationship with other siblings does not become one of hierarchical relations between the family head and family members, as is the case according to Japanese practice, but rather one of brotherhood based equality.²⁰ There are thus democratic elements in the relationship between the head of family and his other brothers. In more complex families, however, another male or female member who is talented in economic matters might, as *dangjia*, manage family financial affairs.

Most important, the authority of the Chinese family head over family property is quite limited: he has the right to manage the property, but not the right to dispose of it. Taking equal inheritance as an undoubted right, the sons would not obey their father if he attempted to divide property in an arbitrary manner. In some parts of China, if the family head disposes of the family property in an arbitrary way, the transaction is regarded as “robbery sale and robbery purchase.”²¹ Collective ownership means that the family inheritance is usually distributed equally to all male descendants.

Of the three countries being compared here, Korea appears to be most patriarchal. Although the position of family head is distinct from that of the patriarch, the patriarch as a rule acts as the family head, exercising almost absolute authority. This authority comes not from the position of being the family head, but from his being the patriarch. As such, it persists irrespective of his personal capacity, possession of resources, or contribution to family wealth. His authority has nothing to do with the economic resources he can command. If the family head is the son of the patriarch, he will still be subordinated to the patriarch’s wishes. However, when the family head is one among brothers, their relationships will be dictated by biological brotherly relations rather than relations between family head and members. In contrast, a patriarch would have to be subordinated to the family head, who is representing the corporate entity of the household. .

Japanese family heads enjoy more authority and power than their counterparts in China and Korea. In Japan, the relationship between the family head and the other members of the family resembles that of a lord to his servants. Neither kinship seniority nor personal feelings based on blood ties overshadows the power associated with the family head position. Although the head of a Japanese household theoretically enjoys absolute power, in reality he is expected to make decisions only after consulting with his family members and on the basis of consensus, because “a decision not arrived at in this manner will not be carried through.” The authority of the Japanese family head is thus derived from his position, rather than from the attributes of the person occupying that position. For the same reason, when a father retires from the position of family head, yielding his position to his son, he has to obey the new head. The same logic applies to

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brothers. As such, biological seniority does not carry as much weight in Japan as they do in Korea.

The Korean family is situated between these two models of family. Like the Chinese, the members of the Korean family share a sense of blood ties, but their relationship is much more hierarchical and personal than that of the Chinese. Koreans attach a great deal of importance to blood lines and birth order, which in turn defines each person's position in a hierarchical ranking within a family and a lineage. The family patriarch has more authority than the family head, and the father's relations with his children are hierarchical; they are justified by Confucian ethics and its understanding of human nature rather than by any contractual relation, as is the case with the Japanese *ie*. The Korean family system lacks a tradition of equality among siblings—even to the extent allowed by the Chinese family—and there are consequently fewer cases of business cooperation taking place among siblings who operate as equals in contemporary Korea than in a country such as Taiwan

According to Chinese tradition, family property is owned collectively by its members. Fei Xiaotong declared flatly that Chinese family is the “basis of the collective aspect of ownership.” That is the reason why the family property is often called “our property—*womende zichan*.” In other words, the family property is neither the personal property of the head of family as is the case in Korea, nor the property of the abstract household, as is the case in Japan. Instead, family property is considered as something similar to a share-holding cooperative. Every member of the family, regardless of whether they work or not, and regardless of what kind of work they do, will pool earnings into a common fund from which the family then supports itself. Any earning made in special trades also belongs to the family. “If someone keeps a part of his wages, he will be condemned by the family head and suspected by all the other members of the family as being untrustworthy. A merchant who has to do his business outside may spend what he has made for his living expenses and according to his own judgment, but he must turn over all the rest and report what he has spent to the family head. If some of his expenses are found to have been unnecessary, he will be questioned about them in detail. Only when satisfactory reasons are given will his account be closed.”²² The sole exception to

this collective ownership is the “room money” that a bride brings from her natural family at the time of marriage.

As is the case with China, Korea does not practice primogeniture. However, unlike in China, equal distribution of property to sons is not widely practiced, and the Korean patriarch has the right to dispose of family property as he pleases. The usual Korean practice is to treat the first son preferentially: he brings a wife into his father's house through patrilocal marriage and succeeds to the position of family head on the death of his father.²³ Other siblings will make neolocal marriages, that is, they must part from their birth family and form a new corporate family—known as the “little house [*chagun jip*] whereas the family of the first son is known as the “big house” [*k'un chip*].

In Korea, the eldest son and his first son (*jangson*) inherit the lion's share of the father's private estate and all the communal clan land holdings. Although there are many variations in these percentages, generally speaking, the first son will receive about 60% of the house property, while the rest will be divided by the remaining sons.²⁴ Such special treatment is awarded to first sons because they bear the responsibility for taking care of their parents and carrying out the obligations of ancestor worship. The rights and obligations of ancestor worship in Korea go exclusively to the eldest son and his eldest son—whereas in China, sons share this responsibility. The first son also inherits the family temple and the genealogy book of the clan. Consequently, presiding over ancestor worship, as inherited along the line of agnatic primogeniture, is viewed as a more important privilege than inheriting family headship or property. Those *jangson* who inherit this privilege should be of legitimate birth: the sons of concubines or illegitimate marriages would be disqualified, even if they were the oldest offspring.

Moreover, this privilege has nothing to do with the personal ability or the economic status of the first son. If the patriarchy of the main branch household did not have enough property, his rich relatives would help him, although the rich and powerful relative would have no way of usurping the clan head position that *jangsong* occupies. Here again one can see the rigid application of the patrilineal principle in the actual operation of the Korean traditional family.²⁵

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As Nakane points out, the most fundamental basis of the Japanese *ie* system is impartible inheritance. In other words, the family patrimony will be passed on intact to succeeding generations, and only one child is consequently allowed to bring a spouse into their birth house.²⁶ This principle of primogeniture was incorporated in the Meiji Civil Code implemented in 1898.²⁷

However, there are no specific rules regarding who will be the successor in the Japanese *ie*. Since the *ie* attaches the highest importance to its own continuing survival rather than to the continuity of the its members' bloodline, the family head is allowed to select whoever he considers to be most suitable as his successor, either from members of his family or sometimes from non-family members, bypassing his own offspring. The most important factor in selecting a successor is not whether that successor is a patrilineal or matrilineal kinsman, or even whether he is a kinsman at all, but rather that he be able to contribute to the *ie*'s collective goal.

Anthropologists and folklorists who have investigated Japanese folk customs have found a variety of succession practices. In some areas, the eldest son is made the clan's successor, while in other case, the son-in-law succeeds to the family headship. There are even cases where the youngest son is selected to be the head of the family.²⁸ Such a practice offers an incentive for the non-successors to be adopted into other families, and once one son has been chosen as the family head, the best possibility the other sons could hope for would be the headship of a branch family, which would entail serving the main family like a servant. Sons not chosen to be the head of the family are therefore likely to make uxori-local marriages into prominent families without sons, or with sons they deem unworthy. Even some Japanese prime ministers are known to have married into their wife's family.

Before modern times, Japanese commoners did not have surnames. Instead, each house had a nickname, and people were known by their house name and by their role in the house --for example, "daughter-in-law of such and such a house." When surnames for commoners were introduced in the 19th century, whoever married into a house—whether male or female—would take on the surname of that house.²⁹ This differs from a true patrilineal system, such as Korea's, where surnames represent not a corporate house,

but a patriline, and as a result are inherited for life from the father by both males and females, and do not change in any way.

There are about 320,000 surnames in Japan, but there is no elaborate system for organizing lineages, as is the case with Korea. The Japanese term *Dôzoku* has sometimes been translated as “lineages,” but it is not used to refer to kinsmen based on patrilineal lines.

Koreans keep more detailed genealogical records on their clans, and the relationships among clan members tend to be much closer than in China or Japan. There are about 258 family names in Korea, with each family name possessing numerous associations with localities, or “bon.”³⁰ For instance, the name Kim has 499 local origins, while Lee has 452 local origins, and Choi has 326. Below the bon, there are *pa*—factions—that tend to classify descendants of prominent ancestors who share the same name and the same location origin. Below the *pa* is the idea of *munjung*, which generally refers to close kinsmen who live in same village and who perform everyday tasks together and have close personal relations. Despite the increasing number of absentee members who emigrate from villages, the *munjung* provide the clan structure with a high level of organizational stability. One of the main functions of the *munjung* at all levels is to hold commemoration rituals for common ancestors, to take care of their graves, and to help compile genealogy books. Each generation from a clan with the same last name and the same bon will share one of the two Chinese characters in their first names. Because of this, it is possible to track which generation someone belongs to merely by looking at a person’s name. This *Hangyul* system intends to clearly show generational hierarchy according to seniority.

The traditional Korean family is more concerned with maintaining its patrilineal continuity and its status as *yangban* than with such practical matters as managing family property and accumulating family wealth. For instance, in Korea, the segmentation of lineage can only be justified in terms of one’s ancestors’ past achievements and reputation. The prestige and power of a family depends less on its economic resources than on the achievement of its ancestors. Regardless of whether one’s ancestor had

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property to bequeath or not, his spirit is automatically qualified as deserving of ancestor worship.

However, the Korean practice of allowing *jangson* to inherit a large portion of family property, along with the right to carry out ancestor worship, must have helped various powerful and prominent families to preserve their wealth and social prestige much longer than their Chinese counterparts, while at the same time enjoying dominant influence in the court politics. Yet the Korean family did not develop a clear corporate identity, as is the case with the Japanese *ie*. Instead, it developed the ambiguous notion of *gamun*, which refers to kinship resulting from descent from a common ancestor. This notion of family intensified the social stratification in Korea, with the *yangban*'s position as the ruling class becoming more rigid than in China, though less so than in Japan. The civil service examination in Korea offered less opportunity for upward mobility than in China, and powerful families exerted political influence in court politics for several generations. This same tradition continues with the contemporary *chaebol* family

As the result of easy *fenjia*, segmenting a lineage is extremely easy in China, as lineage has little to do with genealogical seniority or power and prestige. Instead, the extent of one's economic resources is the most important prerequisite for the question of who can set up a new lineage branch. For instance, the descendants of a younger brother, who becomes prominent, may form a segment within a lineage by creating an estate in their ancestor's name. If a comparable estate were not created in the name of his elder brother, the elder brother's descendants would potentially not exist as a corporate entity. Since communal land belonging to a clan tends to be very small, it is the household rather than the lineage that acts as the essential unit of actions, whether for the support of parents or for ancestor worship.

All three nations practice ancestor worship. However, as we have already discussed, their actual practices vary in detail. Ancestor worship required memorization of the names of ancestors for up to four generations beyond the eldest living generation along direct patrilineal lines--spirit tablets that went back beyond four generations would be buried or broken and no were longer worshiped. In China, all brothers share an equal obligation to support their parents and take turns conducting ancestor worship rituals. In

Korea, ancestor worship is an exclusive privilege for the eldest son. Younger sons would have to gather in their older brother's house on the death day of their father. When the ancestor worship for their great grandfather takes place, all patrikins within eight degrees of kinship would have to gather at the home of the senior descendant for the occasion. In addition, at major holidays—especially lunar New Year and the Harvest Moon Festival (on the 15th day of the eighth month of the lunar calendar)—all patrikin within eight degrees were supposed to get together for ancestor worship at the senior's most 'big house'.

In Japan, the head of the original family (*honka*) is responsible for ancestor worship. However, Japanese ancestor worship is quite different from Korean and Chinese varieties. If Koreans and Chinese pay tribute to their immediate ancestors along known genealogical patriline, the Japanese *ie* worship their ancestors in general: the relationship of the ancestors' genealogies to one another is of little concern. Since patrilineal lines are not an exclusive organizing principle, popular knowledge of and interest in ancestors is much less pronounced than in Korea. In Japan, the ceremony for one's own parents last for only 33 years after a person's death, and after the final ceremony, no further events take place to commemorate the individual.³¹

Those ancestors worshipped in the shrine of a large *ie* is limited to the top stratum of the family, tracing back only to the *ie*'s founder (*kaihotsu no sa*) a few centuries before and the heads of households from a few previous generations. Strictly speaking, however, successive *ie* heads are not all treated as ancestors of the same status—the background of the founder and a vague notion of where he was born and raised and subsequently moved are handed down by tradition, whereas the other ancestors are simply regarded as anonymous descendants. Even when households are being established, and ancestor tablets commemorating individuals are preserved, it is difficult to identify tablets other than that of the founder. In many cases, such tablets are not preserved. The Japanese do not remember ancestors as particular and specific persons. Instead, the deceased are regarded as part of a collective group of ancestral spirits, represented symbolically by smoke and flowers gathered in the mountain when the ancestor are venerated once a year at the Obon festival. Moreover, because of the

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bilateral nature of the Japanese house system, children would not esteem the ancestors of their mother's *ie* any less than those of their paternal *ie*. The ritual of ancestor worship seems to be serving to raise the group identity and cohesiveness rather than commemorating one's own ancestors.

Contemporary Business Organizations: ³²

The Korean business conglomerate, known as *chaebol*, has a unique organizational structure and management pattern, blending the characteristics of modern business organization and a traditional authority pattern largely derived from traditional family structures. ³³ Each *chaebol* is composed of numerous companies engaging in many different types of economic activities, but they are all tied together by a vertically centralized command structure controlled by the owner and his family members --his sons, brothers, and sons in law who dominate the board of directors and key management positions. The owners' managerial authority is supposedly derived from his share of capitals, but his power exceeds what his share would legally guarantee. The principal owner typically occupies the position of the group chairmanship, acting like a traditional patriarchy and exercising centralized control through a personal staff in the management of the entire chaebol group. There is no much distinction between the personal interests of the patriarchy and the corporate interests of the chaebol, might be expected in the Japanese case. Unlike in Taiwan, however, the chaebol *owner* does not limit the size of the business organization to the one that he can personally manage; instead he builds up a huge bureaucratic structure that he dominates using his share of capital --usually a fraction of the total assets of the entire chaebol -- as well as his personal influence. For this reason, the formal position of chairmanship is critical. Even when retired from the chairmanship, the patriarch of each chaebol frequently holds the position of honorary chairmanship, through which he continues to exercise decisive influence over important matters. The succession to the chairmanship of a chaebol is according to patrimonial principles. In this regard, the traditional institutional template is easily detectable in the operation of the *chaebol*. ³⁴

Chaebols function with an elaborate bureaucratic decision making process that involves functionally specialized offices and well defined tasks and responsibilities for each position, as well as a clear command structure. Thus, formal organizational structures and operations of the *chaebol* resemble those of the Korean state, with which it has very close relations. "The centralized domination of the state over the *chaebol* is isomorphic with the centralized domination that obtains within each *chaebol's* organizational structures; in both instances, the pattern is one of strong vertical hierarchy of power." In this regard, the operation of the *chaebol* departs from the Japanese practice of stressing collegiality among related business firms and among the members of each business firm. The Korea case also differs from Taiwan's family businesses, the size of which usually remain small to make it manageable for the owners.

Although each *chaebol* operates as a coherent group, in fierce competition with other *chaebols*, much as the powerful families of the *yangban* elite did for royal favor, the corporate identity of the *chaebol* is much weaker than in Japanese business organizations. Authority is highly centralized in the hands of the patriarch or his family and their relatives, who demand unconditional loyalty from their employees. The company is frequently compared to a family, and the employee's obligation is to the family patriarch. Yet the authority relations is a one way operation, demanding less obligation from the owners to the employees, and as a result employee loyalty to the business firm is much less than in Japan, though it is higher than in China. The relatively low level of trust that exists between the employers and employees is also shown in the *chaebol's* relations with subcontractors. Korean *chaebol* tends to internationalize most of its production, making it less dependent on stable subcontract relations with small firms, a distinctive feature of Japanese *keiretsu*.³⁵ Instead, the *chaebols* tend to buy or start new firms to take care of their own production needs, thereby further expanding the size of their group. When subcontractors are used, the relations is characterized less by mutual obligation than by unequal power relations between the two.

The Japanese business groups, generally referred to as *keiretsu*, are similar to Korean *chaebol* in terms of size, range of activities, and importance to the Japanese economy. However, they operate on the principles quite different from those of their

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Korean counterpart. As was the case with the traditional *ie*, each business firm develops a strong corporate identity shared by the managers, workers, and shareholders --that is, the stakeholders in the firm. Management practices unique to Japan such as permanent employment, enterprise unionism, the seniority system, and the bonus system (unlike in America, where bonuses are given to top management, the Japanese system distributes bonuses to every member of company) is derivative of and in turn reinforces a strong corporate identity and communitarian values.

Many scholars distinguish between two different types of *keiretsu*, the intermarket group and independent groups. The first is a group of companies engaging in different types of economic activities in different industrial sectors. The relationship of the member firms of this type of *keiretsu* is more collegial than hierarchical. Control and coordination in this type of *keiretsu* is achieved through the rather dispersed networks of presidential clubs, interlocking directorships, mutual share holdings, and close ties with the main banks responsible for financing all the companies. Each of the membership companies in turn maintains a vertically aligned affiliate and subsidiary firms.

³⁶Independent groups tend to be structurally similar to member firms of the intermarket *keiretsu*, each consisting of a very large, highly successful parent company and vertically aligned subordinate companies in one industrial sector. Even the relations among the vertically arranged firms are not pure authority relations, but are characterized as "obligational contracting."³⁷ In other word, relations among both equally ranked and unequally ranked firms are also marked by mutual obligation, and benevolence, and "power is not perceived to be located in individual firms, but in the group as a whole." Decisions in the *keiretsu* are made in accordance with what is best for the groups, not simply for individual firms, however powerful, and they are made by consensus, not by fiat. The groups endeavor not only to maximize profit but also for group solidarity, cooperation, and risk sharing. Even the relations between employer and employee are well known for the mutual trust, harmony, and reciprocity they engender.³⁸ Employee loyalty and commitment to the company is reciprocated by employment stability, involvement and company welfarism.

In brief, although they are operating in a market environment where efficiency is a precondition for organizational survival, the most striking characteristic of Japanese business organization is their ability to develop a corporate identity. Group consciousness and loyalty are predicated on trusting that all members are stake holders who will share the outcome of their collective efforts, and that personal interests will not be compromised arbitrarily by superiors. This belief that the superiors in a vertical hierarchy will not appropriate the outcome of the collective work for their own personal gain is possible only when the office and position are depersonalized, especially when ownership rights are separated from management rights, and mutual obligations between superiors and subordinates is assured either by social norms or by explicit contracts. In brief, despite some similarity with Korean *chaebols*, the Japanese *keiretsu* is distinctive for the strong networks it fosters, networks that work to moderate the blunt and clumsy application of authority, both in hierarchically arranged interfirm relations as well as on the level of firm management.

The institutional template of the contemporary business organization is thus anchored in the Japanese social context, and as a result is characterized by mutual dependence, mutual trust, the emphasis on personal relationships, and the prioritization of relationships over individual needs. In other words, Japanese business organizations exhibit what DiMaggio and Powell call coercive isomorphism to “the cultural expectation of the society within which an organization functions.”³⁹ Cultural expectations also reflect the traditional institutional templates embodied in the collective traditions of household and inter-family collaborations of the Tokugawa village (*mura*).

In contrast to Korea and Japan, the groups in Taiwan are fewer in number, and their assets and sales volumes play a less critical role in the country’s economy.⁴⁰ The structure of Taiwanese business groups is also quite different from those of Korea and Japan. Instead of consisting of a vertically integrated structure, as is the case with the Korean *chaebols*, a typical Taiwanese business group consists of a number of firms of varying sizes that are involved in different economic sectors and that are connected to one other through the loose networks. Frequently these networks exist through common owners, who directly control individual companies through a separate hierarchical

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command structure that has no formal unified management organization linking all the firms together. In other words, instead of creating a coherent hierarchical structure similar to the Korean chaebol or the horizontal network structure of the Japanese *keiretsu*, Taiwanese businesses use a parallel hierarchy structure. The owner of such a group will occupy the key position of each hierarchy, while appointing persons that they personally trust in managerial positions (*jingli*). A business group might be owned by a single person, a single family, or several individuals who have close personal ties with the main family. When exercising ownership rights, there appears to be greater collegiality among the owners in Taiwan than in Korea. This, in turn, means that the collegiality can work as a counterbalance against the authority of individual owners, be they part of the family patriarchy or the principal owners.

In such a business structure, networks are more personalized in contrast to the Japanese *keiretsu*, where the networks are usually among the member firm rather than individual people. The authority pattern in Taiwan also diverges from that of the owners of Korean *chaebols*, who exercise Cultural expectations also reflect the traditional institutional templates embodied in the collective traditions of household and inter-family collaborations of the Tokugawa village (*mura*). a unified control through a vertical hierarchical structure that is then imposed upon all the membership firms. In this sense, the Taiwan business groups exhibit a more person centered, and less formalized hierarchical structure than the *keiretsu* and the chaebol. This trait, which is also present in the small and medium sized family business firms that constitute the backbone of Taiwan's economy, can also be readily noticed in the way that Taiwanese business firms are financed. Unlike the Korean chaebol, which depends heavily on banking institutions that are largely controlled by the state, or the Japanese *keiretsu*, which is organized around a primary bank, Taiwanese firms rely heavily on private financing, either from investment networks among rich businessmen, or from the curb market. In these types of financing, loans are made on the basis of the credibility of the person rather than that of the firm, and usually do not require a collateral. Such financing gives the business decision maker speed and flexibility in mobilizing capital and transferring it from one project to another.

Another difference between the Taiwanese and Korean firms is that the first rely more heavily on the subcontracting in the manufacturing process. As is the case with Japan, subcontracting is widely used in Taiwan, but Taiwanese subcontractors work for many contractors, thereby avoiding a too heavy dependency on the goodwill of any one contractor.⁴¹ In turn, the contractor can work with many subcontractors who might be competing among themselves. This rather thin, loose, and amorphous relationship discourages the development of the kind of mutual obligation that is clearly discernable in Japan, while enabling subcontractors to operate more like independent economic actors in a market condition. In other words, the hierarchical relations between contractors and subcontractors in Taiwan are supplemented by strong elements of market exchange. As a result, competition is particularly keen among the small business firms, which use intermediary goods produced by big business groups for their final products, even though competition among big business tends to be less intense than it is among Korean *chaebols*, largely because they do not follow one “settism.”

Understandably, Taiwanese business organizations—whether a family based small or medium sized firm or a business group under principal owners—are less likely to develop a group consciousness and a corporate identity. Without a corporate identity, it is also difficult to expect a pronounced degree of employee loyalty to a given business firm. Not surprisingly, the relationship between employer and (non-family) employee in Taiwan is often highly unstable and lacking mutual responsibility and commitment.⁴² The strong desire to start one’s own family firm and become a “*laoban*,” also contributes to high employee turnover in Taiwan.

In brief, the principle of market exchange plays a more prominent role in Taiwan than in Japan and Korea. The networks that operate in Taiwan are largely based on the bondage of the individual human being rather than on the strong identity of a corporate business firm. Even a subcontractor will not stay with one contractor for a long time, and might even work for another contractor or for several contractors simultaneously. This flexibility sometimes work much better than South Korea’s internalized manufacturing process, as it allows easy adjustment to market signals. The Taiwanese business structure can be easily adapted to rapidly changing market needs due to shortening

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production cycles and the globalization of the consumer market. The Taiwan type of personal networks are extremely useful in disseminating certain types of information – for example, information on highly sophisticated technology, or on risky business opportunities that entail high risks and high rewards. They also make possible the rapid transfer of capital. It is not surprising that Taiwanese and overseas Chinese businesses have been doing well with venture capital for high-tech industries.

As was the case with Korea and Japan, Taiwan's economic organization derives a large portion of its structural characteristics—for example, weak central control mechanisms, weak employee loyalty and identity with the firm, low rule formalization, and highly personalized networks—from Taiwan's traditional institutions. On the whole, the Chinese have a much stronger tradition of economic exchange and a much more developed merchant class than in Korea. Spontaneous cooperation among the merchant is indicated by the strong tradition of *huiguan*. The traditional Chinese family was less hierarchical than the traditional Korean family, and its sense of corporate identity was weaker than in Korea, not to mention in Japan.

Under communist rule, mainland China followed a different logic when it came to industrial organization. The state-planned economy operated almost exclusively on the principle of authority, while keeping any exchange relations to a minimum, even under the managed economy. In the past, all business organizations—enterprises—were regarded as a part of the state bureaucratic structure. However, this situation has been changing as the result of more than 20 years of economic reform. The overall trend for reform in China has been privatization. Although China is not likely to privatize large, state-owned enterprises, many small and medium sized enterprises have been privatized. Moreover, private business firms are rapidly expanding in size. The challenging question thus becomes how China's business organizations, once freed from state control, will be organized in terms of ownership structure, corporate governance, and their relationships with other business organizations.

Conclusion

Although they share many similar cultural traditions, and have experienced similar challenges in the process of transforming themselves into strong and wealthy nations, Japan, Taiwan, and Korea continue to exhibit distinctive institutional templates, that, although originally manifested in traditional institutions such as family structures, are readily discernable in contemporary business institutions. Nevertheless, the institutional templates of these three countries share some common characteristics – the existence of strong networks that have a critical bearing on the way that economic actors calculate their interests in terms of market exchange, and the way different economic actors relate to each other in a hierarchical context. At the same time, the networks that are to be found in each country vary both in nature and in relative importance.

The Japanese institutional template is one with a well-defined hierarchy that is supplemented by a strong sense of mutual obligation between superior and subordinate. This sense of mutual obligation mediates the bluntness of authority by adding an element of spontaneous exchange to authority relations. In addition, the sense of corporate identity that is clearly apparent in the traditional concept of *ie* contributes to the development of communitarian values and a collective consciousness. Moreover, formal and informal authority in Japan do not conflict as much as in other countries because the distinction between the two are not as clear cut as in China and Korea, and the legitimacy of informal authority has been easily accepted. Consequently, authority has been relatively depersonalized, and competition for a formal position within a company has not been as intense as in the other two countries. Moreover, the networks bearing critical implication for Japanese economy is not the one among the person, but the one among the corporate entities.

The most striking feature of the Korea institutional template is the existence of two contradictory tendencies: a strong tradition of centralized formal authority, and an equally strong tendency to personalize authority. In other words, authority and power are vested in hierarchically arranged offices, but the institutionalization of that role has been rather limited. Consequently, the head of any formal hierarchy—either the president or the chairman of a chaebol -- can exercise authority rather arbitrarily. Since informal

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authority has no legitimacy in the Korean tradition, and because it is extremely difficult to preserve one's own informal authority without a position of formal authority, there has been a great incentive to convert whatever informal power one has into formal authority by obtaining an official position. Consequently, competition for formal position is very intense.

Nevertheless, the most important networks in Korea are not those that take place among institutions, but those that exist among persons. Korean business networks tend to be largely based on such particularistic attributes as blood, school, and local ties. However, because such types of network conflict with the Korean tendency to stress formal authority, they have never gained legitimacy in the Korean culture, as was the case with the Chinese communists. Therefore, such networks operate invisibly as a vehicle for exchange favor rather than for policy consultation, cutting across formal institutional boundaries. This low level of institutionalization hinders the development of a corporate identity, and consequently the formal networks among business organizations is minimal. These conflicting tendencies are manifested in the contemporary business organization of the chaebol. .

Admittedly, it is extremely difficult to generalize about Chinese institutional templates due to vast internal cultural differences within China. Yet one can readily notice that the institutional template of Taiwan also bears strong marks of the traditional Chinese family system. Moreover, China has a strong tradition of hierarchically organized bureaucracies, as exemplified by the traditional state. The pattern of authority in China, at least in the economic arena, is thus supplemented by a collegiality that contributes to the development of communitarian values among family members that resembles those to be found in Japan, but without transforming the household into an abstract corporate entity. Moreover, despite the strong patriarchal traditions, the Chinese family and clan system incorporates some degree of egalitarianism, elements of which are conducive to market exchange relations. In this regard, Taiwan's hierarchy operates differently from Korea's. In Taiwan, family based medium- and small-sized firms operate largely according to market exchange principles, which in turn means that the relationship between the contractor and subcontractor are less stable and less lasting than

those found in Japan. Taiwanese businessmen do not endeavor to construct a formal structure for controlling all their firms and their diverse activities. Instead, they control the numerous business firms through parallel control mechanism, though the companies do not have direct horizontal ties. This tendency probably reflects the Chinese tradition of trusting persons whom they know personally more than abstract institutions. Furthermore, Chinese networks are more generalized than those in Korea, frequently expanding beyond family ties to non-family members who have come to be trusted in the process of market transactions. Such expansion of particularistic networks to incorporate some universal element that follows an exchange principle appears to be unique to Taiwanese business organizations

As economic reform is deepening, it faces several choices. One is the American system, which is largely dependent on a capital market, with shareholding as the main form of ownership. The direction of current reforms indicates that the regime will reorganize large-scale state-owned enterprises along that line, while ensuring that majority shareholding remains in the hands of the state. At the same time, small- and medium-sized state owned enterprises have been privatized, with managers or a few other persons obtaining exclusive ownership or a majority of the shares. Interesting questions at this point include how large such companies will become and how privately controlled business groups will be organized and managed in the coming years. Will they be organized along the lines of the Korean *chaebol* or the Japanese *keiretsu*? Or will the newly emerging Chinese entrepreneur follow the Taiwanese style of setting up many companies that are engaged in unrelated fields, while controlling and managing each through separate but parallel hierarchies? The answers to such questions will have profound implications for the evolution of business organizations in China.⁴³

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NOTES

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