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SOCIOCULTURAL REGIME IN INSTITUTIONAL DEVELOPMENT: THE FAMILY ENTERPRISE OF PRIVATE COLLEGES IN TAIWAN

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Family and Social Connections: The Sociocultural Forces in Institution-building

The specific institutional context we have chosen to examine is the building and transformation of private (non-church-affiliated) colleges in Taiwan.[1] More particularly, we wish to examine private (non-denominational) colleges in Taiwan as they emerged and then as they underwent a succession of changes in leadership, from the founders to the next generation of leaders. Several features make this particular line of investigation useful and informative in gaining a better understanding of institutional transformations. For one thing, the emergence of the private non-denominational colleges in Taiwan is a recent phenomenon, mostly occurring since the 1950s, making possible the gathering of historical data since their inception. Secondly, the case of Taiwan represents an interesting and important social context. It has retained strong traditional sociocultural elements, even in its industrial and commercial enterprises, its engines of growth (Hamilton and Kao 1990; Orru, Biggart and Hamilton 1991). Thirdly, these organizations (industrial, commercial and even academic) are very competitive in contemporary markets, producing highly "profitable" and efficient products. Thus these socioculturally embedded organizations have demonstrated their viability and competitiveness.

Two types of sociocultural forces have been singled out for study: (1) the mobilization of personal connections and embedded resources and (2) the connection between the family and enterprise. It has long been recognized that the family represents the core element in the Chinese social structure and that its influence is felt in the formation and functioning of other social organizations and institutions (Lin 1988; Fei 1992). Some would even argue that it is the only viable Chinese social institution (Wang

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1986). It is not surprising, therefore, that family enterprise is characteristic of private enterprises in Chinese society. It is estimated that over 95 percent of all private enterprises in Taiwan are family enterprises (Lin 1988), in which the core actor centralizes all authority and relies on family members to carry out resource control and development tasks. Inevitably, the founding entrepreneur is succeeded by another family member, usually his son.

How then can the institution of the family penetrate the institution of colleges, which must, by definition, be "modern" or "rational" in order to be competitive in the contemporary society? As the society of Taiwan has moved swiftly into the contemporary modern system and become a newly industrialized nation over the past three decades, has such penetration become less salient? If penetration by the family is also carried out in the institutionalization of private colleges, how do these two institutions adapt to one another?

Beyond family, empirical studies have shown clearly that *guanxi*, or social connections, play a critical role in the organization of Chinese society (Whyte and Parish 1984; Gold 1985; Lin and Bian 1989; Ruan 1993; Bian 1994). Personal relationships and trust constitute the basis of social transactions, while other institutionalized relations (legal, technical, etc.) are generally of secondary importance. Indeed, *guanxi* can be used to overcome other institutionalized rules and constraints. The study of *guanxi* can be guided by the theoretical formulation of social resources. Social resources are valued resources embedded in one's social networks (Lin 1982). They become available through social connections. The use of social resources has proved to be effective in successfully carrying out instrumental actions. The specific types of useful social resources vary according to the sociocultural context and tradition in which they are embedded, as well as the specific instrumental action at hand. Effective mobilization of social resources not only supplements deficiencies in personal resources but, more importantly, it provides bridges and links to the larger political, economic and social contexts which can challenge or legitimize an organization's existence and survival.

These considerations offer clues as to how to conduct a study into the founding and transformation of the institutions of private colleges in Taiwan. As far as institution-building is concerned, we wish to learn what social resources each entrepreneur was able to use in taking advantage of opportunities and overcoming constraints in the social structure and how he used them. As far as the founding of private colleges in Taiwan is concerned, we expect that useful social resources should reflect the

entrepreneurial actor's connections on the political, economic and professional networks. The political arena was significant because the government in Taiwan imposed stringent requirements and limitations on private colleges; connections in the government and party apparatuses would have been crucial in overcoming such constraints. Economic connections were essential, especially in cases where the entrepreneur lacked the personal financial prowess needed to acquire the land for the campus to construct buildings, to pay and sustain faculty and staff and to build the necessary infrastructure (the library, laboratories, dormitories, etc.). Professional networks were also crucial in the recruitment and retention of a qualified faculty so as to attract students and earn accreditation from the Ministry of Education. None of the founding actors of private colleges in Taiwan possessed personal resources in all these arenas. How each mobilized social resources to meet the requirements and to overcome constraints would have demonstrated the interplay of action and structure in the building of an organization.

The second process of institutionalization to be examined is that of leadership transition. Our hypothesis is that the family enterprise tradition in Chinese society persists into the institutionalization of private (non-denominational) colleges in Taiwan. The transition process should illustrate how this kind of sociocultural tradition interplays with organizational transformations. According to the argument of new institutionalism all institutions, eventually, acquire norms and rules, the sustained practice of which provide the basis for stability and continued existence (Powell and DiMaggio, 1991). This argument would lead to the prediction that while emerging organizations may differ in rules and procedures, the transition process should reflect institutional isomorphism - the convergence of rules and procedures. On the other hand, if the family enterprise tradition persists, then we should observe the organization adapting its rules and procedures to accommodate such a requirement. As the relationships between each entrepreneur's family and the college vary and the personal and social resources of the succeeding member from that family vary as well, we predict that organizational practices should show flexibility rather than convergence. Specifically, we have hypothesized (1) that transition of the leadership reflects the transition from the founding entrepreneur to a family member, (2) that the organizational role the succeeding leader assumes varies, depending on his/her professional qualifications and interests and (3) that the authority resides with whatever organizational role the new leader assumes and the organizational rules and procedures adapt accordingly.

The paper begins with a description of the social context within which the particular educational organizations (private colleges) emerged. It will identify the structural opportunities as well as the constraints affecting their emergence. It will then focus on three particular colleges, all of which have emerged in the past three decades and all of which are now thriving, and it will trace their emergence. We will describe how the core actors (founders) acted and reacted in taking advantage of the opportunities offered, as well as how they fended off adversity and crisis. Finally, it will examine how succession (transfer to the next generation of leaders) evolved and how, in each case, the transfer to the children of the founders was smoothly accomplished. The paper will conclude by returning to the initial arguments (1) as to why analysis of institutional founding and transformation can shed light on the interaction between structural opportunities and constraints and actions taken by the core actors in consolidating authority and resources and (2) as to how adaptation to societal practices can in fact allow organizational divergence rather than isomorphism.

The Contextual Opportunities and Constraints and the Emergence of Private Colleges in Taiwan

When Taiwan reverted after fifty years of Japanese rule to the Republic of China in 1945, it had one university (Taipei Imperial University, which became the National Taiwan University) and five vocational "higher" schools (Taipei Economic Higher School, Taichung Agricultural Higher School, Tainan Engineering Higher School, Women's Higher School and Taipei Higher School for Teachers), all except the Women's School being administered by the provincial government (Chen 1991). The Japanese, ruling Taiwan as a colony, had restricted higher education enrollment as well as specialization, with specific emphasis on training professionals and technicians in the medical, agricultural, engineering and economic sectors. College education was a privileged experience reserved for the brightest few.

In the next ten years, until 1954, the Chinese government consolidated and expanded existing colleges. For example, the Taipei Imperial University was renamed the Taiwan National University. The Taipei School was expanded into the Taiwan Normal College, the Tainan Engineering School was expanded into the Tainan Engineering College and the Taichung Agricultural School became the Taichung Agricultural College. Only two new colleges were established (Taiwan College of Law

and Commerce; and Taipei College of Engineering). In essence, the Japanese policy had been retained: restricted college enrollment and training of professionals. College education remained restricted for the elite few, with a strong emphasis on professional training rather than liberal arts education.

From 1954 to 1962, there was a spate of new four-year colleges (14) and vocational (community) colleges (9). This sudden expansion was caused by several societal factors. One factor was *demographic*: the drastic increase of the college-age population. When the Communists defeated the Nationalists (KMT), the KMT fled the mainland and re-established itself in Taiwan. Over a million bureaucrats, soldiers, intellectuals and students, together with their families, left mainland China to join the KMT. Thus in the early 1950s, the island was suddenly confronted with an enormous increase in its student-age population. Also substantially increased was the supply of available well-trained intellectuals, among them college professors.

Further fueling the need for college graduates was the *economic* boom Taiwan experienced in the early 1960s, transforming the island from a primarily agricultural and local economy into an active participator in the world industrial market. It became clear that the industrial and commercial growth could not possibly be matched with trained and skilled technicians and professionals produced by the few existing colleges. The shortage of skilled workers and professionals was becoming critical and might hinder the island's further development if not addressed. The *labor market demand* was acute.

Certain *policies* also helped fan the demand. Since 1956, a single, island-wide college entrance examination had been held each summer to select students for all public and private colleges. Thus there was only one chance each year for a person to get into any college. Because there were so few colleges, only a small percentage (anywhere between 15 to 25 percent in the 1950s and 1960s) would be admitted each year. Once a person failed the examination, she/he would need to wait another year to retake it. Secondly, all young males over the age of 19 had to serve in the army for three years. College students were allowed to postpone their military service until after they graduated from college. College students also had the opportunity to become reserve officials, who would only need to serve one or two years in the army upon graduation. If a male failed the annual entrance examination and was over 19 years of age, he was immediately drafted into three years of military service. During the 1950s and 60s, the confrontation between the Communists and the KMT across

the Taiwan Strait occasionally turned into violent and bloody conflicts, especially at or near the "off-shore" islands near the mainland that were occupied by the KMT. Troops were sent to these islands regularly in rotation. The longer one needed to serve, the greater the likelihood of being sent to the off-shore islands. Thus entering college took on a great significance, sometimes one of life and death, for male high-school graduates.

In addition, the KMT implemented a strict emigration policy. Very few people were allowed to migrate out of the island. No one without a college degree, regardless of gender, was allowed to migrate to another country for further education. Studying abroad was only possible for college graduates seeking graduate training, since Taiwan at the time did not have any graduate schools or programs. Again, an annual examination was held to allow a limited number of applicants who had graduate admissions to foreign colleges to go abroad.

These contextual factors created enormous pressure for young people, especially young males, to enter colleges and establish a profitable career, otherwise their opportunities in life would take a dramatic turn for the worse - not only because their chances for further education at home or abroad would be reduced, but also because they would face a prolonged period of military services and the risk of combat. The demand for a college market was overwhelming.

The government reacted to these demands in two ways. First of all, it expanded the existing colleges and their enrollments. Six colleges established on the mainland before 1949 were allowed to be "relocated" in Taiwan. One vocational school and one community college were allowed to be upgraded into four-year colleges. Two community colleges were merged into one four-year college. The public colleges' enrollment increased from about 6,300 in 1950 to 31,000 in 1962. The fast growth rate has continued into the 1990s, with currently over 200,000 students enrolled in public colleges (Republic of China Educational Statistics, 1993). However, the demands of the student population and of industry continued to outstrip what the public colleges could provide.

The government also reacted by establishing community (vocational) colleges. These colleges enrolled either junior high school graduates or high school graduates and offered three- and five-year vocational and technical training. The intention was presumably to meet the market demands. However, most of these colleges were secondary choices of high school students; they would only choose them if and when they failed to enter the regular four-year colleges. Furthermore, a significant number of

the students enrolled in these colleges planned to transfer to four-year colleges or to retake the college entrance examination. It also became clear that professionals required regular four-year college degrees and credentials to enter the labor market for most white-collar jobs or in order to go abroad for further graduate training.

Thus the government had selectively to allow certain private colleges to be established. The approval of any new private college was under strict government control and was presumably dictated by the practical needs of society and gaps unfilled by the public colleges. Thus new private colleges tended to cater for the development of medical, technical, engineering and professional skills, presumably meeting these needs. It was under these conditions that private colleges began to emerge in Taiwan. Seven new private colleges were established during this period, among them three medical colleges, two church-affiliated colleges, one business-engineering college and a liberal arts college.[2] Each case can be seen as an exception to the rule of non-expansion. At the time, there was only one medical school on the island and the medical colleges were intended to meet the need of the shortage of physicians. The two Christian colleges, Tunghai and Chung-yuan, were supported by American churches and groups, which had had substantial influence on the island since the Korean War, when the American Seventh Fleet started patrolling the Taiwan Strait, allowing Taiwan to escape a Communist invasion. Foreign pressure and aid made these colleges possible. The two other colleges were initiated by political elites, who had direct access to the top levels of the government and the KMT.

Over the next thirty years, there was a dramatic increase in vocational and community colleges (over 70 new ones), but a very slow expansion of four-year colleges. By 1993, there were 124 colleges in total, of which 42 were public (run by the national or provincial government) and 82 were private (Chu and Yeh 1993). Thus private colleges constituted about two thirds of all colleges. Their enrollment also accounted for about 70 percent of the college student population.

There are two types of private colleges in Taiwan, one group being founded by churches and religious groups, mostly with a long tradition of Christian missionary and church support. The origin of these colleges can be traced back to the late 19th century and early 20th century, when

2 There were 16 "newly" created colleges. But two formal community colleges were merged and disappeared. Thus the net gain was 14 colleges.

western missionaries and private universities (e.g., Yale, Oberlin) helped establish colleges in China to educate young Chinese in the Christian intellectual tradition typically found, for example, in private colleges in the United States. When the Communists took over China in 1949 and the Nationalist Government (KMT) moved to Taiwan, Christian colleges in China were given notice to leave as well. Gradually, several Christian colleges re-emerged in Taiwan, either with new names and funding (e.g., Tunghai University was founded in 1955 with the support of the United Board for Christian Higher Education in Asia, a board with many former ties to Christian colleges on mainland China) or with old names and a similar source of funding (e.g. the Catholic Fujen University, which was formerly in Beijing and the Christian Soochow University, formerly located in Shanghai). These church-affiliated colleges transplanted their institutional roots as well, with boards filled with Western-educated church members both from the West and from the local community. Administration, faculty, curricula and all other aspects were modelled on their western sister colleges or on former institutions in mainland China. In fact, when these institutions emerged, many westerners occupied important administrative and faculty posts. Over the years, the boards of trustees, administrators and faculty have become "indigenalized" and are now dominated by western-trained Chinese scholars and social elites.

The other type of private colleges tended to be "technical" in nature and inevitably began as community or vocational colleges. They were established to "meet the needs of society" and given a lower-than the regular college status so that the government could continue to exercise supervision and guidance to assure the quality of students and faculty. Government officials repeatedly stressed that quality rather than quantity should be the principal factor in building and evaluating colleges. Upgrading from community or vocational college status to regular four-year college status was extremely difficult. Yet most of the community and vocational colleges intended to become fully-fledged colleges from their inception.

This brief description has identified the external factors in the societal environment giving rise to the private colleges in Taiwan in the late 1950s and the 1960s: demographic pressure, the demends of the economic and labor market, state policies in military services and emigration and the inability of the public colleges to accommodate these needs. It has also pointed out constraints placed on private, especially non-denominational, colleges. To understand how private colleges emerged under these conditions requires a more detailed analysis of specific entrepreneurs who

took advantage of the opportunities and overcame the constraints. From this point on, we will focus on three private non-denominational colleges. First of all, we will present the research design and data.

Three Case Studies

In 1992, we began a research program to examine systematically the founding and transformation of private colleges in Taiwan (Lin, Yi, Chang, Liang and Tsai 1993). The first phase called for intensive case studies of three colleges. During this phase, in 1992-93, we collected documents and reports on the history of each college from its inception, with specific focus on: (1) the background of the founders and how they mobilized resources in the forming of each institute, (2) the authority structure, as exercised by the founders via the board of trustees and the administration, (3) the economic structure, as amplified in fiscal and resource control and (4) detailed history of the board of trustees from the inception and biohistory of each key trustee. We then conducted personal interviews with (1) key people who participated in the founding process, (2) persons who fulfilled important functions on the board of trustees or the college administration in the past or present and (3) alumni and others who had intimate knowledge of the founders and their families, or the college.

Sampling of the three colleges was based on several criteria for coverage of heterogeneity. The three selected colleges represented three professional fields - medicine (the M-school), engineering and business (the B-school) and journalism (the J-school). They were located in different parts of the island: the M-school in the south, the B-school in the central-west and the J-school in the north. The three colleges were also among the most stable and best run private (non-denominational) colleges in Taiwan. The M-school was started in 1954, the J-school in 1956 and the B-school in 1961. By the late 1980s, each was on a firm financial footing, with a significant number of alumni and a steady level of enrollment.

The founding entrepreneurs possessed different repertoires of resources. Mr. M1, of the M-school, was a locally based financier with substantial holdings of land and corporations.[3] Mr. B1, of the B-school, was a transplanted mainland Chinese, who had served in key positions in the Nationalist Party (KMT) as well as in the government. Mr. J1, of the J-school, also a mainlander, had published newspapers and founded several journalism schools on the mainland, before he lost them and retreated to

3 All names are necessarily pseudonymous.

Taiwan with the KMT. Despite being a vocal critique of the KMT, he preferred the KMT to the communists. Between 1991 and 1993, the three founders died, affording us the opportunity to observe and study at first hand the process of succession, a critical process of institutional transformation and affirmation.

Detailed reports of the founding of each sampled college are available elsewhere (Chang and Chow, 1993; Yi and Wang, 1993; Yi, Su and Ong, 1993). We will briefly recount the founding process, highlighting interactions of two critical elements: the contextual forces and the founder's mobilization of social resources.

Founding of the Enterprise: Mobilization of Social Resources

In this account of the founding of each college, we will identify the opportunity structure for its emergence, the motives of the founding entrepreneur, the process of resource mobilization, the ensuing crisis and the process of further resource mobilization and consolidation.

The idea for the M-school was initiated by Dr. T, who had recently retired as the dean of the only medical school in Taiwan at the time, located in the largest city, Taipei, in the northern part of the island. Partly due to dissatisfaction with the management of the College and its new leadership and partly due to a desire to create another medical college to train more physicians, Dr. T explored the possibility of establishing a medical college in the southern part of the island. With substantial professional credentials and a large following of past and present colleagues and students, he was in an excellent position to find quality faculty and to attract students. However, he lacked the financial resources to carry out the plan. Nor was he familiar enough with the social structure of the southern part of the island. Through personal contacts, he met Mr. M1, an important figure in the local elite with substantial financial resources (including ownership of large areas of land) and local connections (Chang and Chow, 1993). Motivated by the implications of what a medical college would bring to the south, Mr. M1 decided to join forces with Dr. T. The two of them became the co-founders of the M-school. Mr. M1 donated a substantial area of land for the campus and Mr. M1 quickly brought on board a number of highly-regarded faculty and former students from the northern medical college as the new faculty. Together, they successfully persuaded the government and the Ministry of Education to authorise a second medical school on the island, located in the

south. The school began operation in 1954, with Dr. T serving as the Dean and Mr. M1 as the chairman of the board.

Soon a power struggle ensued between the two, climaxing in open clashes in 1962 and 1963, when Dr. T and Mr. M1 each feigned resignations. Even though a compromise was reached in 1964, it became clear that Dr. T was losing power. Legal provisions allow the founding members of each private college to remain on the board of the trustees indefinitely, as long as they periodically attend scheduled meetings. However, Mr. M1 was able to add a substantial number of allies, including his brother, to the board during the period 1962 to 1966. In 1966, both resigned their posts, while still holding onto positions on the board. Mr. M1 resumed his chairmanship of the board in 1972 and held firm control of the board and the college until his death in 1993. As alumni of the college became available, the M-school faculty positions began to be filled by its own graduates and many exile faculty from the northern medical school were eventually retired or eased out. Now the majority of the faculty and administrative positions are held by M-school alumni.

Mr. J1 began a journalistic career as a reporter and editor even before becoming a student at Peking University. Soon afterwards, he began publishing an evening newspaper in Beijing and then in Nanjing. When the KMT required all members to re-register in 1927, he decided to resign his party membership in order to maintain journalistic neutrality. During the 1930s and 1940s, he founded a series of newspapers and journalism schools in Beijing, Shanghai and Chungking (during WWII). When the communists took over his businesses in 1949, he fled to Hong Kong and founded another newspaper. In 1952, he arrived in Taiwan as a member of the Legislative Yuan. He wished to resume publishing newspapers. However, the KMT implemented a strict and total control of the mass media and would not allow Mr. J1 to resume his old business. Instead, a compromise was reached that allowed Mr. J1 to establish a journalism school. Mr. J1 agreed on the firm understanding that he would be able to train the right kind of journalists, independent of KMT control. The J-school began its first classes in 1960.[4] Starting with extremely limited resources, he was able to persuade many of his media friends to teach

4 The school began as a vocational school which admitted junior high school graduates. Eventually it was allowed to expand into junior college status, admitting high school graduates as well. Only in the early 1990s did it become a fully-fledged college. This part of the story is reported elsewhere (Yi and Wang, 1993).

courses, often without compensation. Through his frugal management over the years, the J-school was able not only to survive but to become the most richly endowed private college in Taiwan.[5] From 1960 to 1975, Mr. J1 served as the college dean and subsequently became the chairman of the board until his death in 1991.

The B-school was founded 1961 by three high-minded individuals wishing to commemorate a well-known personality on the island (Yi and Wang, 1993).[6] However, bribery and falsification of student certificates soon erupted and led to wide-spread resignation of the board members and the school was facing immediate bankruptcy and collapse. Since the first class of students was already enrolled, the Ministry of Education had to intervene. After considering alternatives, the Ministry chose to reorganize the board and the leadership of the school. Only one of the original founders remained on the board and Mr. B1 was brought in as the new dean. Mr. B1, educated in Germany, had joined the KMT as a student and had begun a teaching career in various KMT colleges after he returned to China in 1932, at the age of 28. Soon he had developed a career within the party apparatus in Guangzhou. By the end of WWII, he had been appointed executive secretary of the KMT in Guangzhou and had been elected to the National Assembly. After retreating to Taiwan with the Nationalist government, he was appointed Executive Deputy Secretary of Education in 1950, a post he held until 1957. In 1962, he was made dean of the B-school. He resigned as dean soon afterwards, in 1962, because he was appointed chairman of the Overseas Chinese Council (1962-1973), but he assumed the chairmanship of the board of trustees. On the reconstituted board, most members were Mr. B1's former friends and colleagues.[7]

5 None of the private colleges in Taiwan have any endowments in the strict sense. The capital account can be converted into a liquid fund with the approval of the board of trustees.

6 One of the founders, Mr. C, was hoping to reclaim the land owned by his family but confiscated by the Japanese, through the establishment of the college. But this never happened.

7 Of the 14 board members, only one was from the original board (one of the three founders), two were local dignitaries, six had ties with Mr. B1 in Guangdong and four with various party schools Mr. B1 had previously associated with (Yi, Su and Ong, 1993, p. 7). One previous trustee who also served as a controller accused Mr. B1 of taking over the college through deception, and publicized his protest over the next two decades. Eventually the case was settled with this person receiving a handsome payment.

Another important move was to relocate the college to a larger area of land. Through Mr. B1's governmental connections and ability to borrow money, the acquisition of the auctioned public land was a major coup for the survival of the college. With sufficient land, Mr. B1 was able to expand faculty, curriculum and programs. At the rate of adding three programs per year from 1963, the college increased to 60 departments, nine evening programs and three graduate institutes in 11 years. In 1972, the Ministry of Education designated him the "re-founder" of the B-school, allowing him to enjoy all the privileges of a founder, which included perpetual membership of the board. Mr. B1 eventually resigned from his chairmanship in 1986 and became the honorary chairman of the board. The new chair was a close friend and follower, who had served under him in the college in various capacities since 1962. Mr. B1 died in 1993.

To sum up, the three professional colleges emerged to meet the needs for more trained professionals. Interestingly enough, the founding entrepreneurs soon lost out in two of the three colleges. Dr. T's professional credentials could not overcome Mr. M1's entrenched local and financial resources. The three founders of the B-school did not last more than two years because of the admissions scandal. Mr. B1 was inserted by the government to resurrect a bankrupt and demoralized institution. He was able to seize the opportunity and essentially began a new career for himself. Mr. J1 had very little resources to begin the J-school.

Yet they shared similarities. While Mr. M1 had substantial personal financial resources, all three founders (Mr. M1, Mr. J1 and Mr. B1) overcame crises with their *social resources*. In the case of Mr. M1, it was the mobilization of family and local resources to engage and fall back on in the protracted conflict with Dr. T. Mr. B1, being embedded in the KMT and government networks, was able to purchase a piece of prime public land for the new campus at minimal cost and to obtain a loan from a bank, making possible a new start for the collapsing college. Mr. J1, well known in journalistic circles and having many friends and followers who had previously worked with or for him either through his various newspapers or schools, was able to "collect debts" from many friends and colleagues, by asking them to teach courses at his college, with minimal or no compensation.

Secondly, each entrepreneur took *absolute authority and control over the institution* and eliminated all possible challenges or sharing of authority. Mr. M1 persisted in his decade-long struggle against Dr. T until Dr. T's influence was completely eliminated from the board of trustees and in the school's administration and faculty. Mr. B1 eliminated all former

members of the board and replaced them with his trusted old-country ties. Mr. J1 handcrafted his board so that it included 10 old-country and political allies. There was also absolute synchronization of the control over the board, the administration and the fiscal system - all of them were directly under the personal command of the entrepreneur. The board and the administration, by any measure, served at the pleasure of the entrepreneur.

Thirdly, each entrepreneur also constructed important *ties to gain access to important economic and political resources* that could sustain the existence and expansion of the institution. Mr. M1 incorporated three other dignitaries and five bankers into his board. The majority of the B-school board members were members of the national legislative yuan, the national assembly and the judiciary yuan, providing direct access to the central government. Mr. J1's board consisted mainly of his professional (journalistic) and political allies and followers.

Fourthly, *old-country (tong-xiang, or "same village") ties provided the trusted supporters on the board.* Three powerful local dignitaries were on Mr. M1's board when the M-school started. Half of the trustees on the initial board of the B-school were *tong-xiang* (Jiangsu) of one of the founders. When Mr. B1 reconstituted the board, at least five members were his *tong-xiang* (Guangdong). The J-school board was the only exception, probably due to the fact that Mr. B1 had never worked in his original province (Hunan). Most of the board members, as mentioned before, were his professional colleagues and followers from his previous publishing and education enterprises.

To sum up, then, each entrepreneur assumed total personal control of the board and the college as soon as feasible, planting on each board old-country or local ties, as well as trusted friends and followers. This does not mean they had ignored the importance of network access to external resources. Each was able to incorporate contacts who had access to the important local, economic and political networks, to ensure essential support for the survival and success of the enterprise.[8]

8 The Taiwan government has a strict guideline as to how many members of the immediate family of the founding or controlling person may serve on the board (2). However, it places little control beyond (patrilineal) lineage relationships beyond two links. Thus a board can consist of two immediate family members (sons, daughters, or wife), as well as members of the extended family (e.g. brother-in-law, since the lineage is three steps removed: from ego to father to sister to him).

Interestingly, on the initial board, not every leader brought in other family members. This might seem curious, since we would have expected the penetration of the family into the enterprise. Mr.B1 had no relatives on his board, nor did Mr. J1. The primary reason, we suspect, was that each was a transplanted mainlander, lacking an extended family in Taiwan. Each one's siblings were very young when they took over the colleges. The proof of this can be found in the case of the board of the M-school. Mr. M1, being a native Taiwanese and having his family entrenched in the region for generations, had his brother and a brother-in-law on the board. The true test of the hypothesis concerning family penetration must wait until later, when succession is considered.

Nor did each entrepreneur assume the same organizational role. Mr. M1 had always been in charge of the board of trustees; so had Mr. B1. Neither had the professional qualifications or the desire to assume administrative roles. In each case, it was clear that the college administration, including their presidents, served at the pleasure of the board and, specifically, its chair. Mr J1, on the other hand, being a professional journalist and a veteran school administrator, chose the administrative role, assuming the deanship of the J-school himself. The board and its chair, in this case, served at the pleasure of the dean. These variations illustrate that the authority resides and follows the leader, regardless of what organizational role he plays. From their inception, these organizations adapted to fit the needs and desires of the entrepreneurs.

Succession: Family Enterprise in Transition

By the early 1990s, all three schools faced problems of succession. We followed the transition process closely and paid special attention to patterns which would clarify the central questions. (1) Would the leader transfer the authority to the board of trustees? (2) Would there be a gradual transfer of the division of authority between the board and the administration? (3) Would the board and the administration also divide their responsibilities over budget and fiscal control, in that the board would authorize a budget proposal and the administration would assume day-to-day control of the implementation of the budget? And, most importantly, (4) would the enterprise ease away from the control of the family now that the founder was leaving the scene? In other words, we were looking for evidence as to whether the sociocultural elements would lose their grip on the transforming educational institutions.

In particular, we were looking for evidence as to who, individually or collectively, would assume control, whether the transition would be planned by the founders, how the board would change its composition, how financial control would be transferred and to what extent faculty and alumni would participate in the deliberations.

The most important aspect of succession was the transfer of the leadership. Two central issues revolved around this transfer: whether there was any explicit plan for a transfer, and how the actual transfer took place. In each case, the founder had plenty of time to formulate such plans and make such plans known. Each one had been in control for over two decades and had experienced illness over a period of years before his death. An explicit plan would inform all members of the board, the administration and the faculty, so that rumors would not spread. A plan would also demonstrate how each founder intended the institution to carry on into the future.

The M-school situation seemed clear-cut. Family had always been present on the board (brother and son-in-law). In 1984, Mr. M1 brought his eldest son onto board. However, there was never any announced plan as to who would succeed him in the chair. There was enough uncertainty that one of our informants, an administrator, boldly predicted in 1992 that after M1, the dean of the college would assume authority and the transition from the M1 family to a "normal" organization would be "automatic and complete." When Mr. M1 died in 1993, however, his son, Mr. M2, immediately assumed the chairmanship. M2 assumed total control, both in authority and finance, with no visible challenge whatsoever from board members, faculty, administrators or alumni, and despite the fact that he had nothing to do with the medical profession.

There was also some uncertainty concerning the J-school situation. Mr. J1 had two talented academic daughters, both American-trained and with doctorate degrees.[9] The elder daughter, J2, was the dean of the business school of another college in Taiwan. She joined the board in 1975. The younger daughter, J3, was a senior professor at a major American university. Thus J2 had established strong contacts in the academic circle in Taiwan and become acquainted with many other board members. J3, on the other, had extensive contacts in the American and

9 He also had a son, who had been left on the mainland and had recently emigrated to the United States. Since the son had been cut off from the rest of the family for almost forty years, he never entered into the picture of succession.

international academic communities. Due to involvement in pro-China political activities, J3 had been blacklisted and forbidden by the KMT to visit Taiwan since 1972. Only in 1981, when her university sent a delegation to visit Taiwan, was she permitted to come as a member of the delegation. According to J3, her father wished her to return and "take over the college", because he thought J2 was not thrifty enough. However, J1 never made any public statement indicating which daughter was to succeed him. J3 also hesitated about leaving her faculty post in the U.S.

When J1 became seriously ill in 1991, J2 became the acting chair of the board. J3 came back to see him and J1 asked her to "take a look" at the newspaper, a paper initially founded as a student paper and eventually destined to become a general-circulation daily. By now, it seemed that he wished her to take over the paper, while allowing J2 to take over the college. Still, there was no public statement regarding his intentions or plans. During his final days, his two trusted friends on the board visited him in the hospital. He offered the chairmanship to either and each turned him down, saying his daughters were well-qualified. He kept saying, "they are so young", and never told them which one of the daughters should succeed him.

At this same time, J2 approached J3, expressed her interest in taking over the college and asked for J3's support. J3 went to her father and told him that J2 should have the job and that it was unlikely she could come back. He raised no objection.

When he died, J2 became the president of the college. There was one proposal for J3 to become the chair of the board. She declined. J2 offered her the publisher's job for the paper, which she accepted. The chairship was given to the one trusted friend of J1's on the board. The transition was complete.

The case of the B-school was more complicated. B1 had one son, B2, who was a well-established professor at another private university. B3, the brother-in-law of B2's wife and a Ph.D. in computer science, returned from the U.S. to join the faculty in 1982, and through a series of promotions to departmental chair, director of a graduate institute and dean of the engineering school, he became its president in 1988. Yet the focus remained on B2, who seemed reluctant to assume any authority at the B-school. Even when B1 became the honorary chairman in 1988, the chairmanship was assumed by C1, a trusted friend, the president at the time. Again, there was never any public statement regarding plans of succession. There was some speculation that B3 might become the new leader.

When B1 died in 1993, there was no visible change in the authority structure of the school: B3 remained the president, and C1 continued to be the chairman of the board. However, the board underwent two important changes. For one, B2 became a member, along with two other new members, both close friends of B2's. Secondly, an executive committee of the board was formed and it consisted of C1, B2 and the two new members. In 1993, C1 resigned as the chair and was replaced by another trusted friend of B1, C2. While the transition is still evolving, it is now clear that both C2 and B3 are managing the day-to-day operations for B2, who essentially has assumed total authority and control. In the spring of 1994, B2 became the Deputy Chair of the Board, a new position created just for him.

It should also be mentioned that the controllers at the three schools remained under the direction of the three families, each being either a family member (in the case of the J-school) or a trusted lieutenant whose loyalty to the family was unquestioned. There was little evidence that faculty, administrators or alumni participated to any significant extent in the decision-making process of the succession.

We may now summarize the process of transition and succession as follows:

1. There was never any public statements by the founders regarding plans for succession. This did not seem to suggest they had no plans. Instead, by not making any announcements, the expectation was made explicit: namely, the succession would be assumed by their offspring. Even when they made gestures, for example, by asking their trusted lieutenants to take over the reigns, it simply followed the cultural tradition that a ruler would make such gestures on his dying bed to his trusted advisors in order to elicit the expected response - their undying loyalty to him and his family. Thus the undeclared intention was expected and clear to every party involved - the pattern of events was simply following what was expected, namely, the social norm.

2. The authority resides with the core actor, instead of a core structural position. The three succession cases show three variations in the structural positions assumed by the next generation of leaders. M2 became the chairman of the board. J2 became the president. In this case, the relationship between the chairman of the board and the president is now reversed. The president is now in charge and the chair is playing a

supportive role.[10] In the case of the B-school, B2 is neither the chairman of the board nor the president. However, being the leading actor on the newly-formed executive committee of the board and now the Deputy Chair, he is kept closely informed and his advice is sought by the chairman. Consistent with the cultural tradition, the authority "floats" with individuals rather than residing in structural positions of the organization.

3. All other institutional compositions follow the new leaders. Each board now contains new members who are associated with the new leader and who belonged to his/her cohort, rather than the founder's. Financial control remains firmly in the new leader's hands through his/her personal agents.

4. Family continues its presence in the organization. It is interesting to note that family members have in fact increased their presence on the board. The M-school continues to have three members from the M family. The J-school board now has four family members, including J3. The controller is also a member of the family.

Concluding Remarks: Organization-Society Isomorphism and Organizational Flexibility

Institutionalization is a continuing and on-going process. This is especially clear in the case of the three colleges we have studied. All were founded recently, less than forty years ago, and the transition to the second generation has just been completed, or is still in progress. Time may eventually change such patterns of institutional transformation. However, much greater social force would be required to reconstitute the foundation of the society - the family. Nor is it correct to assume that these patterns are unique to a particular culture. Goody pointed out that family enterprises are, in fact, quite universal (1993). He estimated that more than 75 per cent of British companies are at least half-owned by the families that started them and that as a group, they outperform the wholly public companies. Pointing to the peculiar notions of American theoreticians about the impersonal bureaucracy of the multinational corporation, the decline of the family and the importance of individualism, he reminded us that "as many as 95 per cent" of American firms are family-owned, at least

10 In every case, the chairman of the board has an office in the administration building, close to or even adjacent to the president's office. This affords close interaction and supervision between the two posts and actors, wherever the authority may lie.

in part (p. 23). Individual entrepreneurship and family enterprises also contributed to the establishment of some distinguished private colleges in the United States and Japan (Chang 1993; Tsai and Patterson 1993).

For the time being, we are witnessing the powerful presence and persistence of pervasive sociocultural traditions, and how they work in tandem with functional requirements of "modern" organizations to compete efficiently in the modern market environment.

It is clear that sociocultural elements operate effectively and effortlessly in institutional building and transformations. These elements adapt easily to modern institutions, precisely because they are consistent with the expectations of the norms and rules of the larger society. In fact, it is doubtful whether such a transformation can take place without the continuity of the cultural elements. In each of the cases examined, it became clear that social resources accounted significantly for the founding and survival of each emergent organization. In leadership transition, it was tacitly assumed that another family member would take charge, and the fear, in fact, was that the family would "abandon" the organization, which might bring chaos and collapse, due to the lack of a socially acceptable and expected alternative process of succession. *The invisible hand of social norms* pervades in the construction and transformation of institutions, by providing the expected norms and rules acceptable to all actors and all enterprises in the society, which in fact legitimize the organization in the larger society. In this sense, there is institutional isomorphism between the particular organization and the larger society.

Yet it is precisely this organization-society isomorphism that allows the organization to retain flexibility in its rules and procedures. Authority resides with individuals rather than with organizational positions. There is complete synchronization between ownership and management. Form follows substance, rather than vice versa. Sociocultural regimes make it possible for there to be organizational flexibility and divergence.

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