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The Sinification of Western Company Forms in Modern China: A Hybridization of Sinospheres and Anglospheres

Wai Keung CHUNG
Singapore Management University, wkchung@smu.edu.sg

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THE SINIFICATION OF WESTERN COMPANY FORMS IN MODERN CHINA: A HYBRIDISATION OF SINOSPHERES AND ANGLOSPHERES

Chung Wai-keung

ABSTRACT

Western company or corporate forms were introduced to China for more than a hundred years. What has been the impact of this Western institution on the traditional mode of Chinese family business? At the same time, has the traditional Chinese mode of doing business changed any of the fundamental features of this Western institution, and in the end created corporate forms with "Chinese characteristics"? This paper uses the historical sociology and economic sociology perspectives to analyse the interaction between traditional Chinese business and Western corporate forms during the late 19th earlier 20th century modern China. Traditional Chinese business convention for sure disappeared significantly because of the introduction of the Western corporate forms, but notably some of these practices were able to survive because of the same reason. There are always similarities and differences in the processes of historical development. The establishment of Western corporate forms in China, on the one hand has shared similarities with countries with similar experiences, but on the other hand, has also provided opportunity for innovation coming out from its interaction with the traditional Chinese business. Because of this innovative use of the corporate forms, family business in Chinese societies has since then been able to develop further. In the end, the sinification of the Western company forms represents a hybridisation of Sinosphere and Anglosphere — both sides were modified and a

new model was formed.

INTRODUCTION: GLOBALISATION OF WESTERN CORPORATE FORMS

A company, in its historical primitive form, is an economic entity that usually involves a larger group of people as shareholders. This organisational form also involves some forms of regulation established by the government — either at the early stage the company was chartered or later it was regulated under the Company Law. In its mature form, the company represents a legal institution in which investment is conducted through an organisation, the company, with legal personality independent from the investors. Investment is divided into transferable shares and usually investors' liabilities are limited to the amount they have invested. It is also a totally new idea of property which, on the one hand, the ownership is dispersed and, on the other hand, the property could exist indefinitely until it is legally dissolved. When companies become the major actors of the economy, this domination represents the idea of turning widespread individual economic activities into a national economy, under the supervision of a centralised government. Modern economy is therefore a "depersonalised" economic system. Capitalism, as a way of organising this impersonal economy, in a sense, is largely about companies, not individuals, making money under the support of the legal institution.

First developed in Europe, this form of business organisation eventually diffused to other parts of the world until the mid-19th century, when companies of Western countries vigorously looked for markets worldwide. Corporate forms were widely recognised as business organisational forms, created through a joint stock arrangement, that were used both to consolidate capital and to disperse the investment risk. The idea of organising the economy through companies, first spread out among European countries and America, was later on also adopted by most societies that had developed a modern industrialised economy. Human societies eventually experienced a globalisation of the corporate economy.

Evidently, the diffusion of corporate forms around the world as an idea of organisation did not create an isomorphic result. While the organisational form could be the same — with a board of directors, shareholders, managers, etc. — apparently, the operational logic of the corporations was always socially and culturally defined. Given similar economic motives, the different institutional configurations in different societies could have generated different forms of corporate governance that are distinguished from each other.[1]

Since the mid-19th century, the presence of foreign economic powers in China had changed Chinese economic life permanently. Competition created by the foreign power pushed both the Chinese state and the business community to respond. Western ideas on how the economy should be run, along with many other Western ideas, were introduced into China and have been imitated and adopted since then. Pressures for increasing economic competitiveness of the Chinese business community in lieu of the economic invasion of foreign capital was the "critical juncture" that forced the Chinese society to formulate a solution to respond to the "crisis."[2] In 1872, the China Merchants' Stream Navigation Company, the first Chinese owned company that was modeled on Western corporate forms, was established in China. New business organisational concepts such as board of directors, shareholders, general meetings, limited liability, and so forth, were introduced into China and gradually changed the contours of commercial life in China.

DIFFUSION OF IDEAS: THE HYBRIDISATION

From an institutionalist perspective, the process by which the corporate forms emerged in China was embedded in pre-existing institutional configurations. While the "form" could be copied from the West, the actual operation of the corporations would be different if economic activities in China were embedded in an institutional history different from the West. David Faure insightfully suggested that what we will find out is that tradition-bound attitudes were not replaced by the idea of share holding — the most essential feature of a modern company.[3] Rather, it was share holding that was being absorbed into the Chinese business tradition. A blending of old and new elements did occur during the period of transformation.

Differences in institutional settings between China and other societies are obvious. Economic transformation in Europe, for example, was historically based on a very distinctive institutional "path" that China did not pass through.[4] Without a similar institutional base, companies in China would have been developed from a different trajectory. Many studies on the traditional Chinese business world suggest that a very different set of criteria on "ways of doing things" had been institutionalised,[5] with distinctive conceptions, for example, on social relations,[6] personal trust,[7] profit making,[8] use of contract,[9] and legal system.[10] One prominent organisational feature of the traditional Chinese business world is its network forms of organisation. While network forms of economic organisation can be found in different times and spaces,[11] it is evident that networks are far more easily developed and more effective in a stable and predictable manner in Chinese societies, where personal trust and norms of reciprocity are highly institutionalised.

New institutions did not necessarily replace old ones. The company was established on the pre-existing institutional base of China, an institutional base that was used for traditional business practices. Apparently, rather than replacing the old by the new, the institutional base of the Western company was now replaced by a Chinese one. Here, the analysis is not to show how "dogmatic and stubborn" the Chinese merchants were, but to show how dynamic they could be not just in terms of adopting new ideas, but at the same time, to incorporate old practices to facilitate the adoption of these new ideas.

THE PROCESS OF COGNITIVE SHIFT

The process of introducing the institution of corporate forms was basically a process of "diffusion of idea". The development and operation of an economic institution comes with a system of formal and informal rules and regulations. Even though these rules and regulations, especially those formal ones, could be introduced through the mechanism of a regular transplant to make the "diffusion" successful, there has to be a "cognitive shift" among the wide range of actors being involved in that particular institution. The introduction of a new institution is supposed to be more than just the transplant of all those external rules and regulations. The more important part is the transformation on the cognitive level, a process through which the ideas and rules being introduced would eventually make cognitive sense to the actors being involved. Hence, in order to have a more accurate understanding of the process of institutional transformation, the focus should be on the level of cognitive shift. This approach of focusing on cognitive shift should be applied to our understanding of the introduction of the institution of corporate forms to China.

Two implications can be derived from this cognitive shift perspective. First, since cognition cannot be totally transformed, the original cognitive content will still be more or less around, and will therefore influence the subsequence cognitive process. When Western corporate forms were being introduced to China, some of the new business concepts were being understood in a way that was used by the merchant class to understand traditional practices. Besides a small number of merchants (mostly compradors) who had experience investing in foreign companies, most people in the society had very limited understanding in the institutional features of a company, such as the idea of limited liability, shareholders right, etc. Thus, when the principles of Western business operation were introduced to China, the understanding of this "new thing" (*xin shiwu*) in the business community was largely based on the pre-existing cognitive scheme. The result of this kind of understanding, not to mention, would be shaped to a certain extent by the traditional Chinese commercial principles. Furthermore, "imported ideas" are always under a selection process, where ideas that could not be easily understood or that could not match well with the reality would always be left out intentionally or unintentionally. We should not, however, ignore the possibility that innovative understanding of the imported ideas could happen at the same time, where new meanings could be created.

During the process of introducing Western company into China, one can recognise the role that the agency of merchants had played in the process. Here agency refers to the fact that the actor, when acts, is subjectively able to make a choice on what to do, rather than just being constrained externally by structural factors. By using the perspective of agency to understand the introduction of Western company to China, what we want to illustrate here is that on the one hand institutions can exercise constraints on actors, but on the other hand, actors can also have room for agency. From this perspective, the cognitive process that the merchants had gone through in the understanding of the institution of Western company is important. As a matter of fact, the introduction of company institution should not be understood as unidirectional diffusion, rather it is a bidirectional interaction. The transplantation of company institution in China, to a certain extent, was shaped by the subjective understanding of this Western institution by the Chinese business community and subsequently how the community had decided to react.

What I want to demonstrate here is how Western corporate forms could be established in China with a considerable degree of development, even though the organisational features of company were largely "foreign" to the Chinese. I argue that Western corporate forms in China had experienced an innovative transformation from simply as business organisational forms to the "carrier of personal resources" of the Chinese entrepreneurs. Different from a typical Western company where shareholders have played a key role in the development of corporate forms in the West, Chinese companies have on the other hand always been used by the Chinese entrepreneurs as a way to consolidate their own personal resources. The subscription of shares certainly is an investment behaviour for many, but from the point of view of the entrepreneurs, it represents the exercise of their personal social networks to recruit subscribers. In the end, this has become a way to bring personal connections and social capital together, for the entrepreneurs' own benefits, through an organisational form with a legal definition of a legal personality.

THE SINIFICATION OF WESTERN COMPANY INSTITUTION

From a historical perspective, the transformation of an institution is by nature a very difficult thing to happen. According to path dependency theory, it is a very difficult to change from an existing path to a new path.[12] History matters and historical path shapes how things will happen. The analysis of the "power of inertia," as suggested by sociologist Howard Becker, also indicates that it is difficult for the society to accept any new institution because the cost of adopting a new institution could be very high, especially when the original institution does not have too many shortcomings.[13] It is therefore not difficult to imagine unprecedented resistance could have been experienced for any kind of institutional change during the late Qing period in China, even though there were many reasons why reforms of all kinds were needed.

Accordingly, when the country tried to reform the economy by introducing the Western company forms, resistance would obviously happen. As a way to "buffer" the resistance to the institutional change, many Chinese traditional commercial customs actually survived during the process. As a consequence, traditional and modern elements were co-exist and would certainly make a profound effect on this process of institutional diffusion. The consequence was that the forms of company that were developed in China would naturally different from their counterparts in the West. As a matter of fact, some of the major institutional features of the Western corporate forms seldom play any major role in a typical Chinese firm even up to now. For instance, business transactions are largely based on the credit of a person, for example the owner of the company, rather than based on the institutional protection that comes with the institution of company forms, such as the use of legal based contract. With the use of pre-existing Chinese business norms and principles to subjectively interpret what was meant by a company, the transplant of this Western institution to China would inevitably lead to organisational forms with “Chinese characteristics”.

It would be far too difficult to investigate thoroughly how the Chinese traditional business practices and commercial ideas actually influenced the development of corporate forms in China, since most of the influence would be on the day-to-day operational level, and written documents on this would unlikely be available. We can only base on particular evidence to make inference on how the process was being influenced. One of the obvious evidence is the practice of *Guanli* or “official interest” that could be found in many Chinese enterprises since the establishment of the first Chinese company in 1872. Company is to be established for profit, and the subscription of company stock is supposed to be an investment. The value of the stock should reflect the performance of the company, and the gain or loss of a company should be indirectly distributed to each shareholder. As a fundamental feature of a Western company, this feature, however, took a long time before it could take shape in China.

Different from the typical dividend distributed by a company when a profit is made, *guanli* is an agreement made between the company and the investors on a fixed annual interest to be paid by the company, usually between 6 percent to 8 percent, and is independent of whether the company is making a profit or not. The payment has to be made even if the company is in a loss, and in the worse case scenario, the capital of the company was used for the payment when there was no profit. Without any practice of entrusted investment in the traditional Chinese commerce, and without relevant institution such as a legal system that regulated commercial activities, to have one’s capital being entrusted to a third party, or an agent, for the purpose of profit could never be a popular idea in China. As a response to this situation, the practice of “*guanli*” was developed in China as a way to provide incentive for people to invest in a company. We can trace the origin of *guanli* to the traditional partnership in China, where it was not uncommon for the rich to put money in a shop with a fixed interest as a return. There would not be any direct involvement in the day to day operation of the business, and the purpose of putting money in the shop was purely for the sake of the interest.

Since China did not have a mode of investment close enough to that of the Western company, when this "foreign" system entered China, pre-existing commercial convention could easily be "re-installed" into the new system. Especially when difficulties appeared, old conventions very often would be used to solve new problems.[14] The use of the *guanli* system was to encourage investors to subscribe the shares of companies, but this supposedly temporal mode of incentive eventually had made fundamental damage on the further development of company institution in China. The use of old conventions could have prolonged effect on the development of the new institution.

Because of the fact that *guanli* had nothing to do with the company's performance, the supposedly investment relationship between the company and shareholders in turn became a "debtor-creditor relationship". Shareholders, when in fact became more as creditors, would not have much interest in the operation of the company. Shareholders as an important part of the corporate governance would then difficult to be developed. This can largely attribute to the very different historical condition that the Chinese economy was facing in the late 19th century. In the 19th century England, for example, where there was a continuous increase of wealthy people who were looking for investment opportunity, the emergence of corporate forms as vehicles of doing business was largely the result of this social condition.[15] Business enterprises in China, on the other hand, had to use all kinds of methods to look for investors. With a much better supply of investors, practice like *guanli* in China will never happen in England.

It is obvious that the rather underdeveloped economic condition in China during the second half of the 19th century should be the main reason why company as an institution could not develop properly. But the influence of traditional Chinese business practices could be of equal importance in terms of creating counterforce for the development of a business organisation. Another example of the influence of traditional practice in the process of institutionalising a company in China is the existence of "savings division" in many Chinese companies.

Until the mid-1930s, when the Chinese government finally prohibited the practice, many bigger Chinese firms had set up savings divisions, or the *chuxubu*, that served as a subsidiary division within the company structure.[16] Since the banking system in China was never very well developed in terms of providing financial support to enterprises, and the rather "personal" practice of native bank system only provided service to those who were somehow personally connected to the bank owner; Chinese enterprises had set up their own savings division to absorb personal savings from the society as an alternative source of capital. This practice of deposit was again not totally new in China. It was not uncommon for wealthy family in the past to leave money in a native bank for an interest. Enterprises were more than willing to accept outsiders' deposit as a handy way to solve the under-capitalisation problem, and they were usually more than willing to pay an interest rate higher than the bank rate to attract more depositors.[17] According to the Company Law, a company must conduct the business it was registered for, so a cotton mill was supposed to be a cotton mill, and nothing more than that. An enterprise, other than a bank, that established a *chuxubu* to provide savings service actually violated the Company Law.

There is no way to know how much capital those companies actually got from their "savings divisions," but a study based on a hundred case studies shows that the proportion of the savings fund, out of the total capital size of the company, was more than 35 percent on average.[18] While we do not have information about the overall practices of this savings service in early 20th century China, the welldocumented case study on the Wing On Company could probably show us the common practice on *chuxubu* during that time.[19]

Table 1
Saving Accounts in Shanghai Wing On Company, 1919-1921(in Yuan)

Saving Account	1918		1919		1920		1921	
	No. of Account	Amount	No. of Account	Amount	No. of Account	Amount	No. of Account	Amount
Overseas Chinese	14	16,285	50	146,559	128	280,965	106	211,247
Shanghai Residents	2	1,327	17	132,254	65	54,264	292	376,048
Total	16	17,612	67	278,813	193	335,229	398	587,295

Source[20]

In 1918, one year after the business was started, the savings accounts in Wing On increased tremendously in the first few years (see Table 1). Guo's overseas Chinese background had brought to the company a good source of capital through savings deposits from overseas Chinese, who for some reason preferred to keep their money back in their mother country rather than in their country of residence. Local residents, who had generated more confidence with the company later on, also contributed a significant amount to these savings accounts, in addition to the cash deposited from a good portion of Shanghai residents who originally came from Canton, the Guo's homeland.

The savings division system of Wing On was, in fact, used by the company for internal cash flow and to support other companies of the Wing On group of companies. The Guo family also used the deposit in the savings division to give out loans to themselves and to their relatives and close friends with an interest rate lower than the market rate.[21] At the same time, the family also "created" further profits by putting money in the company's savings division. With a different account book that was "internal," the Guo family (and their close friends and relatives) were actually getting higher than the standard interest rates by putting money in the company's savings division. Other companies with similar savings divisions essentially ran those divisions the same way as the Wing On's, with capital flowing through the networks of connections.

The business of savings division indeed provided a way to solve the problem of capital shortage, but at the same time it put a negative effect on the institutionalisation of company in China. Besides the fact that both the savings division and the *guanli* required the company to provide very high interest rates, both of their existences were independent of the performance of the enterprise. Investors in China during that time, if we could still call them as such, were largely people who were looking for guarantee profits, either from the *guanli* or from the savings interest, rather than to take the risk of being shareholders.

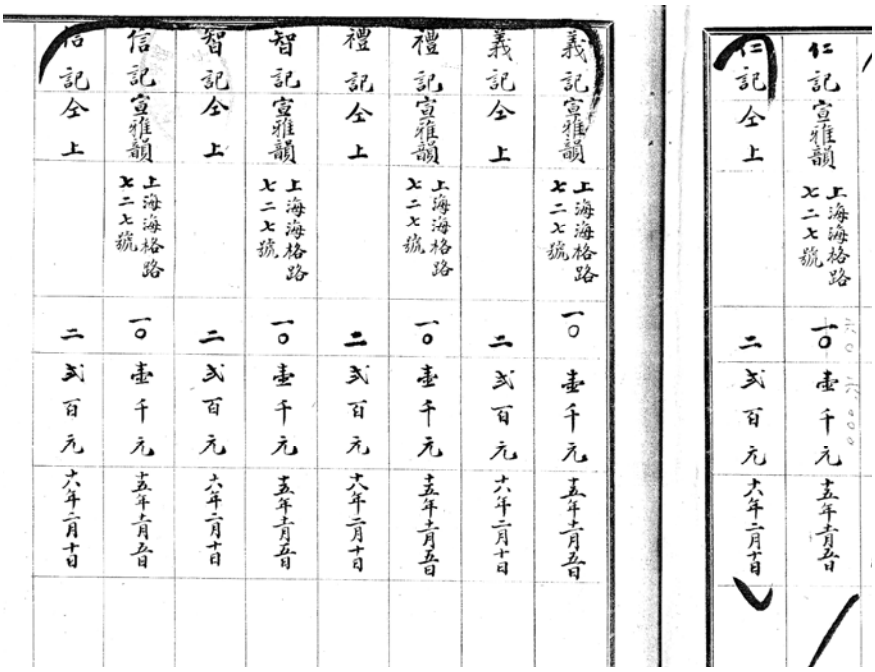
The existence of such practices illustrates the fact that traditional practices were being used to solve "contemporary" problems. However, both practices contradict to the normal practices of a company, and once they had been incorporated into the system and had become institutionalised, the influence would be very difficult to totally eliminate. The existence and use of these traditional practices had created a distorted image of the company in China as an investment tool.

Another example of how traditional ideas were being incorporated during the process of institutionalising corporate forms in China is the use of "code name", or *ji* in Chinese, instead of real name when people subscribed company stocks. The use of *ji* in traditional Chinese business was very common, especially for shop's name. It can also be found on partnership contract where code name was used to represent certain partners. This traditional practice could commonly be found in the shareholder list of many typical modern companies in China before 1949.

Figure 1
The Use of *Ji* on the Shareholders' List (1)

In Figure 1, we can identify a series of "code names" are being used to register as the account names (*huming*). There is also a row for "name" of the agent who represents the account. On this sample list of shareholders, we have "*Lian Ji*", "*Qi Ji*", "*Mei Ji*", and "*Yi Ji*". These four accounts, interestingly, are represented by the same person, Li Hui Bo. If we look at the serial numbers of the stocks under each account, they are in a sequence, which means all the stocks were bought at the same time. Based on a random survey on more than a hundred copies of shareholder list of Chinese companies, the use of "code name" is a very common practice, and most of the time, the name of the "agent" is the name of the real owner of the shares. So in this case, Li Hui Bo bought a total of 100 shares but then he put them under four different accounts with four different code names. The puzzle here is why Li Hui Bo used four different account names when he actually bought the 100 shares in one time.

Figure 2
The Use of *Ji* on the Shareholders' List (2)



In Figure 2, the shareholder list shows that Xuan Ya Yun represented "*Ren Ji*", "*Yi Ji*", "*Li Ji*", "*Zhi Ji*", and "*Xin Ji*". The information here indicates that these five accounts each had ten shares but then each bought another two shares roughly three months later. We do not have the information to know exactly what had happened, but apparently there must be some kind of ownership arrangement here, when the five accounts were being treated as separate accounts even though they seemed to belong to the same person. The further proof that the five accounts, while owned by the same person, were treated as five different accounts is that the new shares that were bought three months later were added equally to each account, rather than to set up a sixth account. Practices like this are considered to be "tacit conventions" that no one would document it officially. Many of the actual meanings of these practices are not available any more, and only "logical inference" can be made from the limited evidence.

The most obvious reason for doing this of course is that the owners did not want to disclose their asset.[22] Rather than putting their real names as the account names, shareholders disguised their ownership by claiming that they were representing someone else. Another possible guess on why people did that is that some of them might actually use company shareholding as a way of keeping and distributing their property. Based on the way the account names were used, it seems reasonable to assume that each account name actually represented an independent entity, possibly the owner's wives and children. Company shares were being used as inheritance by dividing equally into a number of pre-assigned accounts for family members.

For Chinese, the subscription of company shares was not necessarily being considered as a simple investment behaviour. Besides the fact that the subscription of shares that come with fixed interest could be seen as a "load", shareholding could also be used as a medium of distributing family asset. All these could be seen as innovative use of the Western company forms.

FAMILY CAPITALISM WITH A CHINESE CHARACTER

Before the introduction of Western corporate forms into China, traditional Chinese businesses, to a large extent, were being regulated by merchant organisations such as *hanghui* or *huiguan* (guilds or native place associations). A major characteristic of commerce in Ming and Qing China, these organisations had exercised considerable amount of control on both the merchants and their businesses. The restrictive mechanism from these traditional organisations on the one hand set limits on the operators of the business (e.g. to limit the number of shops one could have), but on the other hand, it was also a mechanism that could provide effective protection of the business (e.g. to prevent vicious competition). The fundamental characteristic of traditional Chinese business as shown was the dependence of individuals on community. The arrival of the institution of Western company in China had had profound effect on the basic feature of the Chinese commerce. The "destructive power" that was released by the introduction of Western corporate forms to China had unexpectedly directed the Chinese economy into a new direction. In the end, what we are seeing is how the Chinese business, through a process of hybridisation with the Western corporate forms, has evolved into a family capitalism with the Chinese characteristics.

In the past, business activities, and therefore the merchants, were being regulated and supervised by traditional organisations such as guilds and native place associations. The structural features of Chinese native banks can be used to illustrate how the merchants were traditionally organised. Native banks (*qian zhuang*) had been an important part of the traditional Chinese financial system up to the 1930s. By using the 1927 membership list of the Shanghai native bank guild, we can see how the ownership pattern of the native banks can provide a vibrant example of how interpersonal networks function in a traditional Chinese business setting.[23]

From the 1927 membership list, we find out that 50 out of 78 banks were linked together directly or indirectly through interlocking partnership. Interlocking partnership here means at least one partner of bank A is at the same time a partner of at least one other bank. Through this interlocking partnership, network of "weak ties" were being formed among the native bank partners.[24] This network of weak ties had connected the majority of native banks in Shanghai during that time. A network of information flow which was used as an informal structure for supervision was created. When one of the banks had problems, the rest of the banks in Shanghai would likely receive the information in a relatively short period of time, due to this interconnected network of partners.

The native banking community provided a security net that guaranteed and monitored all the individual banks in the locale. From the Chinese banker's perspective, the system operated in a network of personal ties which provided security based on close association and trust. Because of these collective actions, native banks were quite efficient in their role as financial institutions and entrepreneurial individuals were quite successful in finding new opportunities to invest money. The interconnectedness within the community strengthened interpersonal norms and the reliability of personal trust, doing so far beyond what was possible within the legal system of the Western Europe. As Janet Tai Landa has pointed out, this combination of trust and mutual surveillance lowered transaction costs in the financial activities and increased the efficiency in dealing with people with good reputations.[25]

It is important to point out that, even though what we are seeing here is a personal network, it is a network that was operated under an overarching structure — the native bank guild. With the control of the guild that discouraged competition, personal networks were used here mainly for the sake of cooperation. While the native banks model could be an extreme example, the emphasis on cooperation rather than competition was certainly typical in many other businesses in late Qing and earlier Republican China.

This traditional structure of business community in China had been debonded since the introduction of Western company forms. The roles of the traditional guilds and native place associations in China were gradually diminishing. It was partly due to the disappearance of many traditional occupations during the modernisation of the economy, but to a certain extent it was also due to the institutional changes that were created by the new company forms.

Traditionally, the organisational structure of the economy in modern China was largely based on the "affinity of place" (*diyuan*) and the "affinity of occupation" (*yieyuan*). People either coming from the same native place or doing the same business organised themselves and created from within a regulative mechanism that encouraged cooperation. The introduction of company, with a totally different organisational principles, had certainly created fundamental changes in the structure of the Chinese economy. With shareholders, managers, board of directors, and a full range of institutions such as tax and legal system, etc. that could be involved, a company is organised very different from traditional economic organisation. A company is a legal personality which registers with the government according to the Company Law. It is very different from a shop under the control of a traditional guild. Even though the number of company at the turn of the last century was never substantial, businesses organised in the company forms were absolutely significant either in terms of the economic sectors or the size of capital. Thus, when there were more and more companies being established, a form that was independent from traditional guilds and native place associations, a structural change of the economy in the society would be expected.

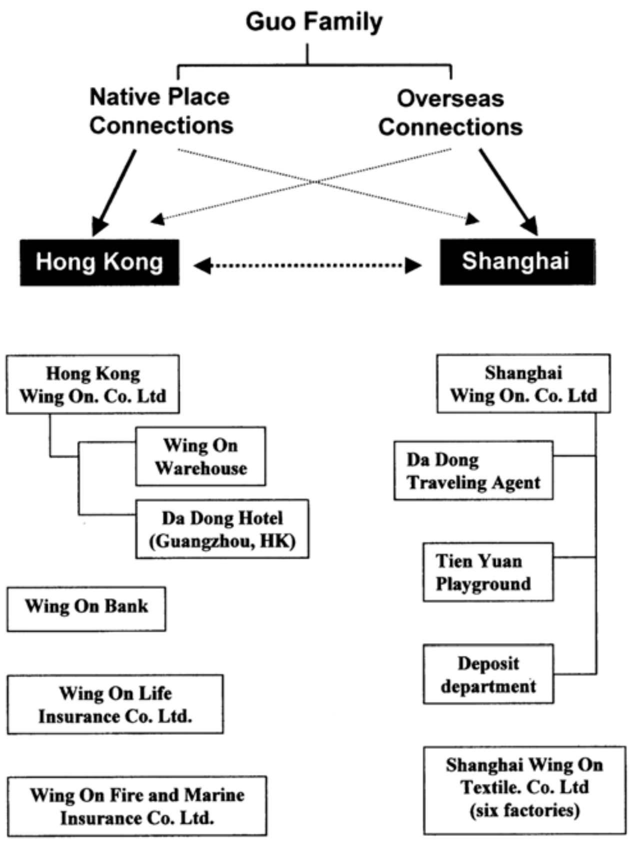
If family business has been the basic structure of the Chinese economy, to what extent the introduction of the new Western corporate forms has changed it? The operation of a company involves particular features such as a governance structure, some division of labour, and the subscription of shares, etc. A family business will be able to use most of these basic features. What we want to argue is that by using the basic features of the Western corporate forms, Chinese family business in fact can incorporate all the personal connections and social capital together through the use of corporate forms as a "carrier". The original structure of the economy that was under the relations of "same occupation" or "same native place" and were controlled by traditional organisations, was being debonded into "personalised" social relations, that were not under the regulation of traditional guilds and native place associations any more. All the personal relations could now be re-consolidated through the use of the institutional features of a modern Western company. Furthermore, traditional organisational principles of the economy began to disappear because new economic organisation, the company, was supposed to be an "independent" legal personality that was only under the regulation of the government but nothing else. Up to this point, the entrepreneurs, the new kind of merchants, could then be free from the constraints from the traditional economic structure. Social relations such as same native place were still in use, just that the "carrier" of them was different. In the past, it was the guilds and native place associations, now it became the Western-origin company.

Under the new organisational structure of the economy, personal connections under the framework of traditional economic organisations were now being "liberalised" and reappeared by using company as the new medium. A study on the 1940s Hong Kong business community suggests a persuasive example of this transitional mode. Chinese businessmen in Hong Kong were creating clusters of companies, where companies that were controlled by family members and native fellows were linked up together through the interlocking directorates.[26] Through interlocking directorates of family members and friends, companies were being interconnected, and the companies that were connected represent the consolidation of social relations among the group of persons who were involved in these companies.

An analysis on the Wing On company group in pre-war China and Hong Kong further illustrates how companies of the Wing On group were linked up together through interlocking directorates, cross-shareholding, and family members occupying management positions (See Figure 3). The more interesting part is how Wing On recruited their shareholders. While major shareholders of the companies were family members, relatives or close friends, a significant amount of the shareholders, in terms of number, were actually native fellows from Zhongshan, the native place of the Guo family. Another significant portion of shareholders was from overseas Chinese community, the connections that the Guo family had built when they lived overseas. These two sources of investment were largely based on their personal trust with the Guo family.

If we look at company as a "carrier of personal resources", then what we are seeing is that the Guo family was pulling together all kinds of social relations that they could utilise and consolidated them into the company. Besides the family relations, they were also using their native place relations and overseas social ties, and allocated these resources to different parts of their company group.

Figure 3
Wing On Company Group (Hong Kong and Shanghai) and Its Network Resources



CONCLUSION

What we try to argue here is that the Chinese merchants did not simply adopt the corporate forms and used them to engage in the modern economy. Rather, Chinese merchants, and later Chinese entrepreneurs, were using the joint-stock company as a way to *bundle* pre-existing social relations and traditional Chinese business practices into a more useful organisational format that allowed for the accumulation of capital. Rather than being developed into a capitalism that turns individual economic activities into activities conducted by companies — a "depersonalised" economy, the capitalism that was developed in pre-war China, and later in many overseas Chinese societies, has been an economy that is conducted by companies that have largely been "personalised".

This process reflects how old ideas could be revealed through new medium, but at the same time how old institutional practices could create hurdles for the emergence of new institutional practices. More importantly, we can see how the participants in the process unavoidably used pre-existing "cognitive schema" to make sense of new ideas. And when old and new ideas are interacting with each other, there is a chance that innovative use of the new institution could have happened. This study on the sinification of Western corporate forms shows how the interaction between ideas and practices from Sinosphere and Anglosphere could lead to a hybrid mode of organisation.

NOTES

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