ENTREPRENEURSHIP AND RISK: 
THE BECOMING OF THE KOO BUSINESS DYNASTY*

Ho Tsai-Man C.¹ and Sun Wenbin²

I. Introduction

The Koos are a family of great wealth and power in Taiwan who have been thriving for four generations, challenging the conventional wisdom that family fortunes never last more than three generations. Studying this family provides us a unique opportunity to probe into the source of its dynamism. The metamorphosis from a family business into a business conglomerate echoes the theme of this collection—the development of Chinese capitalism.

This paper examines several critical advances that have transformed the family business and have allowed family members to exhibit their entrepreneurial talents. Compared with the other four big families in Taiwan, the rise of the Koo family has been controversial and, is often ascribed to their powerful political network (Szu-Ma 1998; Tu 1992; Yanaihara 2003).³ Previous studies on the relationships between the Koos and the government have shed light on the socio-political background that has shaped the development of Taiwanese enterprises, but have not revealed the dynamic interaction between government and

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² Please send correspondence to: Ho Tsai-Man C. at <tsaimanh@hku.hk>.

³ There are five prominent families renowned and familiar to most people in Taiwan. They are 1) the Lin family of Ban-Chiao, who rose in the Qing Dynasty and owned more than 40 enterprises, including those in sugar, land, trust, and camphor industries; 2) the Chen family of Kaohsiung, who rose to power through ownership of a large sugar company during the late Qing Dynasty; 3) the Lins of Wu-Feng, who also rose in the Qing Dynasty and belonged to the landlord class; 4) the Yen family of Keelung, whose prosperity began in the Japanese colonial period through their endeavors in the mining industry; and lastly, the Koo family of Lukang, whose prosperity also began in the Japanese ruling period and who concentrated their activities in land reclamation and the sugar industry.
business. For instance, a favorable political contact does not necessarily lead to successful business operations, and there are always challenges and uncertainties when the political regime changes. Political networks may partly explain the rise of the Koos, but do not cover all of the factors that have supported the family’s sustained prosperity over four generations.

By closely examining the expansion of the Koo family, a pattern of innovation gradually comes to light—each generation of the Koo family has taken the lead or changed customary practice, often when key economic institutions in Taiwan were in transition or property rights obscure. It is these innovative advances—the very essence of entrepreneurship—upon which this paper focuses. The remainder of this paper is organised as follows. The first section discusses the sources of entrepreneurship, and explores the dynamic relationships among the government, entrepreneurs, and society in relation to entrepreneurial activities.

Much of the text is then devoted to examining the relationships between the government’s role in securing property rights and the rise of the Koos. The third section focuses on issues related to innovation and risk, and in the fourth part the discussion turns to the question of how each generation of the Koos has enhanced the legitimacy of their innovations to eliminate risk factors.

II. Literature Review: Sources of Entrepreneurship, Legitimacy, and Risk

Is entrepreneurship a matter of individual capability, or a socially grounded construction? What is the source of entrepreneurship? Thornton (1999) classifies the studies of entrepreneurship in the literature into two schools: those that take the supply-side perspective and those that take the demand-side perspective. According to her framework, the former school focuses on the individual traits of an entrepreneur, whereas the latter emphasises the push-pull factors of the social and political environments. This duality is reflected in most studies of entrepreneurship. Jones and Wadhwani (2006) highlight that although the older generation of entrepreneurial studies placed too much stress on the deterministic role of history and the social environment, newer scholarship has focused exclusively on entrepreneurial behaviour and has largely ignored the broader context in which entrepreneurial actors operate. They echo Schumpeter’s plea for an exchange between history and theory in studying entrepreneurship.