Diversification Strategies of Family Business Groups in Taiwan: The Impact of Succession Model, Family Control, and Political Connections

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Abstract

Family business groups play a crucial role in Taiwan's economic development. This study explored how family succession, family control, and the political connections of founders influence their diversification strategies through case studies and statistical analysis. The case studies of five Taiwanese groups indicated that family-led succession helped maintain business culture and encouraged diversification; however, excessive family control could stifle innovation. To counter this, many groups hired professional managers to introduce fresh ideas. Additionally, founders could strengthen their political connections by taking on government positions or engaging in government economic initiatives, which would help secure resources and support for diversifying into different sectors. The statistical analysis indicated that multi-generational family management encouraged growth by maintaining business values and long-term goals, although too much control could result in conservative decision-making that restricts diversification. Furthermore, the political connections of founders, especially with the KMT, provided a competitive advantage by easing access to industries and resources that could boost group diversification. Overall, this research offers valuable theoretical insights and practical implications for the diversification and growth of business groups.

Key Words: Family Business Group, Diversification Strategies, Succession Model, Family Control, Political Connections

台灣家族企業集團的多角化發展策略：接班模式、家族控制與政商關係的影響

劉旻蓁

文藻外語大學, 2025

摘要

家族企業集團在台灣經濟中扮演著舉足輕重的角色。本研究透過五大台灣企業集團的個案研究及統計分析，探討接班模式、家族控制程度及領導者政商關係對企業集團多角化策略的影響。五間企業集團的個案研究發現，當家族成員繼承集團時，他們會延續既有的企業文化並有助於促進集團多角化發展。然而，家族成員的過度控制可能阻礙集團的發展。因此，這些企業集團即使由家族成員接班，也會適時聘用專業經理人以引進創新觀點。此外，許多創辦人透過擔任政府職位或參與政府經濟計畫來鞏固政治關係，從而獲取資源與政府支持，並幫助集團進入不同產業實現多元化發展。統計結果顯示，家族成員多代管理有助於維持企業價值與長期目標，從而促進企業集團成長，然而過度控制可能導致保守的決策風格，限制多元化發展。此外，創辦人的政商關係，特別是與中國國民黨的關係，能為企業集團帶來競爭優勢，降低進入其他產業的門檻並獲取更多資源，進一步推動多元化發展。綜合上所述，本研究為家族企業集團的多角化發展策略與成長提供了寶貴的理論洞見與實務意涵。

關鍵字：家族集團、多角化策略、接班模式、家族控制程度、政商關係

PREFACE

During the completion of this thesis, I received support and assistance from many individuals. These enabled me to overcome challenges in my research and achieve my goals. First, I would like to express my gratitude to my advisor. She not only provided academic guidance but also offered selfless help and advice throughout the entire research process. This allowed me to successfully complete this thesis. I also wanted to thank my parents for their encouragement. Whenever I felt confused or frustrated due to the pressures of research, they consistently uplifted me and helped restore my confidence. It was their steadfast support that enabled me to focus on my studies and diligently pursue personal growth. Finally, I would like to acknowledge the AI tools used in this research process. These tools played a significant role in translating and polishing the content, which greatly facilitated my research.

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INTRODUCTION

Background

Family businesses represent a significant management structure worldwide and have a considerable impact on the global economy. A family business typically refers to a collection of firms controlled by family members, linked through formal or informal relationships and familial ties.[1] In Taiwan, family businesses accounted for 69% of all enterprises and 45% of total market capitalization. Since 1990, 70% of Taiwan's top 100 family-owned firms have remained managed by their founding families. For example, Far Eastern Group was succeeded by Douglas Hsu, the son of Yu-Hsiang Hsu. In 2023, Douglas's son, Kuo-An Hsu, was appointed Vice Chairman of U-Ming Marine Transport Corporation. This appointment marked the third generation of leadership. Beyond succession, the Far Eastern Group has also aligned itself with national policies. This strategy not only established political connections but also achieved the development of unrelated diversification. Another successful family business was Fubon Group, which was passed down from its founder to his sons. They had expanded the group into telecommunications, media, and construction by integrating family leadership with professional management.

In Taiwan, where traditional culture is deeply rooted, many family businesses prefer family-based operations to uphold their values and traditions. However, succession may also involve professional teams or a combination of family and professional managers. Selecting the appropriate model is crucial for growth and long-term competitiveness. Family control and the leader's ability to

[1] Yi-Chun Lu, "Family dynamics and the development of family business groups in Taiwan: A longitudinal observation," (2021), https://hdl.handle.net/11296/x7mc9e.

manage political connections significantly affect a group's success in diversification. Therefore, this study aims to explore how succession models, family control, and political connections influence diversification, providing insights and recommendations for the sustainable growth of business groups.

Motivation

Family business groups played a crucial role in Taiwan's economy, significantly contributing to market value and operating across various industries. Due to cultural influences, many prominent Taiwanese family groups prefer to keep leadership within the family. However, globalization and competition compel these groups to balance sustainable growth with their traditional values.

Studies indicated that although many family-owned businesses adhere to traditional management styles, excessive family control could hinder the growth.[2] To enhance competitiveness and stimulate innovation, families should actively pursue professional talent to modernize company resources.[3] Research on political connections suggested that although some companies might experience short-term benefits, political interference often undermined long-term performance.[4]

Although Taiwan has many family businesses, research on how succession models, family control, and political connections influence diversification remains limited in depth. Some studies suggested that family control facilitates growth, as family businesses used strong relationships and long-term perspectives to explore new

[2] Chia-Hao Yeh Hsi-Mei Chung, "The Role of Family Linkage and Political Linkage on Diversification Decision over Time: An Empirical Study in Taiwan’s Family Business Groups," (2010).
[3] Hsi-Mei Chung, "The Role of Family Linkage and Political Linkage on Diversification Decision over Time: An Empirical Study in Taiwan’s Family Business Groups."
[4] Tzu-Ching Weng Hsin-Yi Chi, Chih-Hsien Liao, Hsin-Yi Huang, "Political Connection and Firm Performance," *臺大管理論叢 第 27 卷第 2 期* (2014).

markets. Conversely, some individuals argued that family control could limit diversification due to conservative decision-making and a focus on wealth preservation. Given these contrasting perspectives, this research aims to explore the key factors that influence the diversification strategies of conglomerates. It aimed to identify the key factors that enable groups to successfully enter different industries and how these factors contribute to their growth. Additionally, it provided strategic recommendations for the diversification strategies of family business groups.

Research Purpose

The purpose of this study was to explore not only the impact of succession patterns, levels of family control, and founders' political connections on diversification within business groups but also how these factors influenced diversification strategies. To help conglomerates in formulating more effective diversification strategies, researchers employed a combination of case studies and statistical analysis to examine these key factors. It was anticipated that the findings provided suggestions for business groups in enhancing business diversification approaches.

Research Questions

1. What succession model was best suited to promote the growth and diversification of the conglomerate?
2. In what ways does the control by family members influence the degree of industrial diversification within a conglomerate?
3. How do the political connections of the founder influence the conglomerate's strategy for entering different industries?

4. How does the political alignment of founders influence the group's diversification and progress in various economic and social contexts?

Contribution

The primary contribution of this research was its comprehensive analysis of how succession models, family ownership, and political connections influence the diversification of family business groups in Taiwan. By integrating case studies with quantitative analysis, this study provided a comprehensive understanding of these factors.

Case studies showed that placing family members in leadership positions can help maintain corporate culture and management style. This could guide the group toward unrelated diversification beyond its core businesses. However, excessive family control might take conservative decisions and hinder growth. When adopting a more conservative strategy, the group chose to focus on developing its core businesses. To address this issue, many groups hired professional managers to collaboratively operate and manage the company. This approach not only allowed them to move away from the original management style but also enabled them to retain family leadership roles. For example, Fubon Group has partnered with Citibank to seek professional management teams. Furthermore, many founders have established connections with the government by taking on politicians or participating in economic projects. These connections could facilitate their pursuit of unrelated diversification. For example, Far East Group entered the cement industry by collaborating with the government's Ten Major Construction Projects, and the founder also established political connections with the then-president. Additionally, Taiwan was governed by the KMT in its early years. This also allowed founders under this party to enhance their opportunities for diversification and growth by securing government support.

According to the statistical results, this study found that, in addition to family control, multi-generational management of family members, the political connections of the founders, and party affiliations positively impacted the diversification of the group. Therefore, when planning a diversification strategy, groups can consider increasing resource investment or adjusting management methods based on these factors to enhance the likelihood of success and competitiveness in diversification. Furthermore, this study also indicated that family-controlled groups could choose how to balance family and professional management based on the needs of the business to maintain steady development.

Limits

Due to the inability to interview senior executives from the chosen conglomerates, I did not have access to detailed insights regarding their decision-making processes and internal operational systems. Furthermore, my analysis relied on secondary sources, including company reports, news articles, and public interviews, which might not fully capture the complexities of political connections succession planning in these conglomerates.

Delimits

Although I did not have direct contact with executives, I had compiled a wealth of information from publicly available sources. This involved studying official company reports, reviewing interviews from reputable outlets like CommonWealth

Magazine and Business Today, and analyzing secondary case studies from different business management collections. These resources provided a detailed understanding of the groups' succession models, diversification strategies, and political-business relationships, enabling a thorough analysis based on the information at hand.

LITEREATURE REVIEW

Family Business Group

The concept of a family business group typically encompasses important aspects such as family members, ownership, and management. From an academic standpoint, a family business could be defined in various ways. Firstly, it referred to a company that is owned, managed, and run by one or more family members, though it might also hire non-family staff.[5] Secondly, a family business group was a collection of companies where the family held shares and significantly influences operations.[6] These family businesses often considered family values, generational legacy, and lasting commitment to family members first. However, contemporary groups were further studying related and unrelated diversification strategies on the basis of these traditional methods to improve overall competitiveness.

Succession Model

Succussion by Family Members

Family member succession was common in family business groups, where leadership passes from the founder or current family members to the next generation. This approach not only signified the family's enduring control and influence over the business but also highlighted the continuity of family values and culture across generations. In Taiwan, many family businesses followed Confucian values, which often prioritized passing the business to sons rather than capable outsiders. This preference maintained family lineage and reputation but also brings challenges.

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[5] Ashok Panjwani, Vijay Aggarwal, and Nand Dhameja, "Family Business: Yesterday, Today, Tomorrow," *Indian Journal of Industrial Relations* 44, no. 2 (2008).
[6] Sudipta Dutta, *Family Business in India* (1997).

The benefits of family succession came from members' deep understanding of group culture and alignment with long-term goals. This internal unity and trust fostered efficient decision-making and contributed to organizational stability. Nonetheless, research had pointed out that "wealth did not last beyond three generations" in family businesses: the first generation built a successful enterprise, the second generation reaped the rewards as many third-generation leaders lack entrepreneurial or managerial skills, leading to business decline.[7] This suggested that maintaining family member succession indefinitely was neither straightforward nor always the best option. Moreover, second-generation leaders in family businesses were frequently siblings or other close relatives. When making collective decisions, different views among family members could cause conflicts, disrupting business operations. Such internal disagreements posed a significant threat to the long-term growth of the enterprise, particularly during major transitions or market challenges. Differences in opinions and goals could become a critical business risk during these crucial times.

Succussion by Professional Managers

As the market became increasingly complex and competition intensifies, family business groups were under pressure to remain competitive. It was driving the demand for external professional managers. This succession model replaced family members with external managers who were skilled in management and decision

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[7] Panjwani, Aggarwal, and Dhameja, "Family Business: Yesterday, Today, Tomorrow." *Indian Journal of Industrial Relations* 44, no. 2 (2008): 272-91.

making. Factors contributing to this shift included a lack of family interest in leadership, the need for external expertise to enhance efficiency, and an increased emphasis on risk management for sustainable long-term growth.

Delegating family businesses to professional managers presented multiple advantages. Firstly, professional managers often possessed considerable industry experience and professional qualifications. This allowed them to implement advanced management practices and innovative ideas that helped sustain a competitive advantage in a crowded market.[8] Secondly, professional managers were generally more skilled in risk management, especially in uncertain market conditions and economic changes. Thus, their capacity to make logical and prompt decisions could strengthen resilience.[9] Furthermore, professional managers improved operational efficiency and objective decision-making by avoiding family conflicts and power struggles, which could focus on sustainable growth. Studies indicated that professional managers' broader experience helped family businesses expanded their knowledge and became more adaptable in seizing profitable opportunities.[10] Despite these benefits, the transition from family to professional management was not a singular event but rather a continuous process requiring collaboration among family owners, operators, and managers.[11] Such transitions could significantly impact the

[8] Belen Villalonga and Raphael Amit, "How do family ownership, control and management affect firm value?," *Journal of Financial Economics* 80, no. 2 (2006/05/01/ 2006).
[9] Jr. W. Gibb Dyer, "Integrating Professional Management into a Family Owned Business," *Family Business Review* (1989).
[10] Joern Block, "How to Pay Nonfamily Managers in Large Family Firms: A Principal--Agent Model," *Family Business Review* 24 (01/16 2010), https://doi.org/10.1177/0894486510394359.
[11] Yan Zhang and Nandini Rajagopalan, "When the Known Devil Is Better than an Unknown God: An Empirical Study of the Antecedents and Consequences of Relay CEO Successions," *The Academy of Management Journal* 47, no. 4 (2004), https://doi.org/10.2307/20159598.

governance structure of family businesses, especially in cultures with strong family values. The introduction of professional managers might lead to cultural tensions and pressure to adjust established family norms.

Diversification Strategy

Diversification strategies were essential for family business groups to adapt to market fluctuations, reduce risks, and foster long-term development. Previous research indicated that companies approached diversification from three perspectives: market power, agency, and resources.[12] The market power perspective suggested that diversified companies could reduce competition and strengthen their position through cross-subsidization and reciprocal purchasing. The agency perspective argued that managers might implement diversification strategies to boost demand for their managerial skills, reduce job risks, or fulfill individual ambitions. Lastly, the resource perspective contended that diversification was to effectively utilize excess or underused resources, thereby enhancing corporate competitiveness.

As market conditions change, traditional horizontal and vertical integration have become key strategies for improving supply chain management and market reach. Modern business groups were exploring related and unrelated diversification for sustained growth and competitiveness.

Horizontal Integration

Horizontal integration was a corporate growth strategy where a company expands into similar markets or product lines by acquiring competitors or entering

[12] Cynthia A. Montgomery, "Corporate Diversification," *The Journal of Economic Perspectives* 8, no. 3 (1994).

related areas.[13] The goal of this approach was to boost market share, enhance the company's market position, and improve profitability through economies of scale and scope. One of the main benefits of horizontal integration was the ability to take advantage of economies of scale and scope to lower production costs.[14] For instance, by merging with similar companies, firms could share supply chains, technology, or marketing channels, reducing redundant costs and improving efficiency. Additionally, acquiring competitors also decreased market competition, allowing for better price control and higher profit margins.[15] Another advantage was this method could also strengthen core competencies by entering markets closely related to existing operations and enhance technical skills and brand presence.[16]

However, horizontal integration had potential risks. In cross-border mergers, companies often faced cultural integration issues and management alignment challenges, reducing expected synergies.[17] Moreover, excessive market concentration might draw antitrust scrutiny, which could impact the company's growth strategy.

Vertical Integration

Vertical integration was a corporate strategy that expanded a company's operations upstream (e.g., sourcing raw materials) or downstream (e.g., distribution and sales) within its supply chain for a more complete production process. By

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[13] Tarun Khanna and Krishna Palepu, "The Future of Business Groups in Emerging Markets: Long-Run Evidence from Chile," *The Academy of Management Journal* 43, no. 3 (2000), https://doi.org/10.2307/1556395.
[14] Robert Adams, Richard Johnson, and Steven Pilloff, "Market Structure after Horizontal Mergers: Evidence from the Banking Industry," *Review of Industrial Organization* 35 (11/01 2009), https://doi.org/10.1007/s11151-009-9217-0.
[15] Joseph Farrell and Carl Shapiro, "Horizontal Mergers: An Equilibrium Analysis," *The American Economic Review* 80, no. 1 (1990).
[16] Klaus Gugler et al., "The effects of mergers: an international comparison," *International Journal of Industrial Organization* 21, no. 5 (2003/05/01/ 2003).
[17] Sara Johansson and Nam-Hoon Kang, "Cross-Border Mergers and Acquisitions: Their Role in Industrial Globalisation," (02/07 2000).

controlling upstream supply sources, a company could manage supply uncertainties and price changes, ensuring stable production. Likewise, controlling downstream distribution provided direct consumer access, aiding demand assessment and flexible pricing. This integration not only reduced external supply chain risks but also secured distribution channels.[18] Additionally, this integration helped companies to avoid issues such as negotiation costs, performance risks, and incomplete contracts especially in volatile supply chain environments. It reduced dependence on external suppliers and improves control over production.[19] Furthermore, it addressed the issue of "double marginalization," where upstream suppliers and downstream distributors apply markups, leading to higher product prices and lower profitability.[20]

While vertical integration boosted cost efficiency, it also carries potential risks. Research had indicated that when a firm manages both upstream and downstream operations, it might lead to market foreclosure, which could limit market competition.[21] Moreover, vertical integration could complicate a firm's management, particularly in cross-border scenarios. In this case companies might encounter challenges related to cultural integration and the coordination of management systems. These two issues could increase management costs and complicate integration.

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[18] Sanford Grossman and Oliver Hart, "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration," *Journal of Political Economy* 94 (02/01 1986), https://doi.org/10.1086/261404.
[19] Michael H. Riordan and Oliver E. Williamson, "Asset specificity and economic organization," *International Journal of Industrial Organization* 3, no. 4 (1985/12/01/ 1985).
[20] Jean Tirole, "The Theory of Industrial Organization" (1988).
[21] Oliver Hart et al., "Vertical Integration and Market Foreclosure," *Brookings Papers on Economic Activity. Microeconomics* 1990 (1990), https://doi.org/10.2307/2534783.

The Influence of Political Connections on Business Activities

The role of political connections had been examined as a crucial tactic for businesses aiming to gain an edge in competitive environments.[22] Numerous companies established connections with government officials through donations, lobbying, and key personal relationships to influence policy decisions and support business goals. Beyond monetary donations, these connections also involved networking, lobbying and interactions with government organizations.

Businesses often used political contributions to build political connections. By donating to political parties or candidates, businesses sought to exert influence over policy decisions or foster a more favorable business climate. Studies indicated that such donations could lead to government contracts, tax incentives, or other policy support.[23] However, this raised important ethical concerns, particularly about whether companies should use resources to sway public policy and impact competition. Previous research showed that while political contributions could provide short-term competitive advantages, excessive dependence on political connections might limit a company's autonomy and ability to adapt to market changes.[24]

Beyond financial investments, companies could establish political connections through networking, lobbying, and fostering relationships with government officials. These non-financial connections often had a lasting effect on corporate activities. Research suggested that with strong government ties adapted more easily to

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[22] Mara Faccio, "Politically Connected Firms," *American Economic Review* 96, no. 1 (2006), https://doi.org/10.1257/000282806776157704.
[23] Stijn Claessens, Luc Laeven, and Erik Feijen, "Political Connections and Preferential Access to Finance: The Role of Campaign Contributions," *Journal of Financial Economics* 88 (02/01 2008), https://doi.org/10.1016/j.jfineco.2006.11.003.
[24] Amy J. Hillman, Asghar Zardkoohi, and Leonard Bierman, "Corporate Political Strategies and Firm Performance: Indications of Firm-Specific Benefits from Personal Service in the U.S. Government," *Strategic Management Journal* 20, no. 1 (1999).

regulatory changes and gain advantages in market entry, approvals, and other policy benefits.[25] However, the literature also cautioned that reliance on these connections may limit a company's flexibility when political conditions shift.

Family-owned businesses, known for their stability and succession across generations, encounter distinct challenges and opportunities in managing political connections. Research indicated that family firms frequently utilize long-term relationships to sustain stable political connections, which helped them manage risks from policy changes. Nevertheless, an overreliance on these connections could hinder a company's development, especially during political instability.[26] Therefore, family businesses must find a balance between utilizing political connections and preserving operational independence to ensure long-term growth.

Research Hypotheses

Multi-Generational Management

The first hypothesis was multi-generational management positively influences the degree of diversification in a conglomerate.

Family-owned businesses, known for generational leadership. It focused on long-term decision-making and sustainability over quick profits, fostering resource stability and lasting growth. Unlike other companies that might pursue short-term benefits, family businesses take a patient approach to capital, allowing wealth to build over generations.[27] Each generation not only improved the company's physical assets, such

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[25] Raymond Fisman, "Estimating the Value of Political Connections," *The American Economic Review* 91, no. 4 (2001).

[26] Marleen Dieleman and Wladimir Sachs, "Coevolution of Institutions and Corporations in Emerging Economies: How the Salim Group Morphed into an Institution of Suharto's Crony Regime," *Journal of Management Studies* 45 (11/01 2008).

[27] David Sirmon and Michael Hitt, "Managing Resources: Linking Unique Resources, Management and Wealth Creation in Family Firms," *Entrepreneurship Theory and Practice* 27 (06/01 2003), https://doi.org/10.1111/1540-8520.t01-1-00013.

as infrastructure and financial resources, but also cultivated intangible assets, including reputation, expertise, and social networks. The combination of these resources enhanced the ability to expand into new industries and markets.

Rather than merely expanding geographically, multi-generational family businesses leverage asserted to pursue complex and growth opportunities, such as entering new sectors.[28] This resilience and adaptability, supported by accumulated resources and a long-term view, give family business groups a unique edge in the business world.

Family Control

The second hypothesis was family control negatively influences the degree of diversification in a conglomerate.

Excessive influence of family members on the board could lead to internal conflicts, especially if it disrupted the power balance between them and professional managers.[29] This disruption could limit the decision-making freedom of professional managers and restrict the company's growth potential. When family controlled excesses to a certain level, companies often took a more cautious stance, steering clear of high-risk investments and expansion efforts. This conservative approach not only affected the company's operational efficiency but also created obstacles for long-term growth and expansion into global markets. Furthermore, excessive family involvement in business operations could lead to a "familialization" of the company, it reduced the market awareness and adaptability that professional managers typically

[28] David Sirmon and Michael Hitt, "Managing Resources: Linking Unique Resources, Management and Wealth Creation in Family Firms," 14

[29] Morten Bennedsen et al., "Inside the Family Firm: The Role of Families in Succession Decisions and Performance*," *The Quarterly Journal of Economics* 122, no. 2 (2007), https://doi.org/10.1162/qjec.122.2.647.

provide.[30] As a result, the company might become stuck in conservative decision-making patterns, making it difficult to diversify and expand internationally. Therefore, this research proposed that excessive family control of the board has a negative impact on the level of diversification within the conglomerate.

Political Connections of the Founder

The third hypothesis was political connections of the founder positively influence the degree of diversification in a conglomerate.

Political connections offered companies important advantages, including policy incentives, tax breaks, government grants, and the ability to enter heavily regulated sectors.[31] These advantages enabled businesses to navigate market obstacles, gather resources, and speed up their growth. By fostering close relationships with the government, companies could more effectively obtain policy backing and access essential public resources. This was particularly vital in industries like infrastructure and energy that require governmental approval. Moreover, firms with strong political connections often experienced stock price changes that correlate with the status of political leaders. It indicated that their market value is significantly influenced by these connections.[32]

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[30] Benjamin Maury, "Family ownership and firm performance: Empirical evidence from Western European corporations," *Journal of Corporate Finance* 12, no. 2 (2006/01/01/ 2006), https://www.sciencedirect.com/science/article/pii/S0929119905000404.
[31] Faccio, "Politically Connected Firms." 13
[32] Fisman, "Estimating the Value of Political Connections." 14

Founders' Connections with KMT

The fourth hypothesis was founders had connections with KMT positively influences the degree of diversification in a conglomerate.

Hypothesis 3 (H3) and Hypothesis 4 (H4) both explore the influence political connections, with H4 focused specifically on how connections to KMT affect the diversification strategies of conglomerates. H3 examined how a founder's personal political connections could directly benefit the conglomerate by securing advantageous policies, government contracts, and resources. H4 looked at the broader institutional relationship between the founder and the KMT, highlighting how long-lasting institutional connections could provide systemic advantages such as access to government-supported mergers, acquisitions, and industry protections.

During Taiwan's economic transformation and market liberalization, KMT's prolonged governance gave business leaders associated with the party a significant competitive advantage. These connections allowed them to obtain vital economic resources, including favorable loans, land grants, and relaxed regulations, which facilitated in the expansion of their businesses across various sectors.[33] This preferential treatment was particularly evidence in the early phases of Taiwan's industrial growth, as seen in the Far Eastern Group's partnership with the KMT government and its diversification into the cement industry.

Additionally, these founders utilized political influence to pursue mergers and acquisitions that aligned with the government's economic objectives. Such mergers often received implicit approval or direct support from KMT, enabling conglomerates to enhance their market position. This dominance created a buffer against competition, further solidifying their status as key players in Taiwan's economy.

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[33] Faccio, "Politically Connected Firms." 13

METHDOLOGY

Research Design

This study utilized both qualitative and quantitative methods to facilitate a comprehensive comparison and analysis. For the qualitative method, the researcher selected case studies of five business groups: Lin Yuan Group, Fubon Group, Far Eastern Group, CTBC Group, and E.SUN Group. The data sources included official company websites, relevant news articles, and interviews published in professional journals. Case studies could facilitate a comprehensive exploration of succession models, diversification, and political connections in these groups. This method allowed the researcher to gain an understanding of the decision-making contexts and developmental trajectories of these groups over various historical periods. It also revealed the key factors that contribute to their growth and transformation.

While case studies provided valuable insights, they might lack rigor and objectivity. To address this, the researcher also incorporated quantitative research to enhance the reliability of the findings. This approach utilized analytical frameworks derived from existing literature and identified appropriate variables for data analysis to ensure a comprehensive investigation of the research questions.

Data Collection

Qualitative Research

For the case study analysis, this research focused on five prominent Taiwanese conglomerates: Lin Yuan Group, Fubon Group, E.SUN Group, Far Eastern Group, and CTBC Group. Initially, the study explored the founding backgrounds of each group by utilizing their official websites. It examined their early development and corporate missions of the companies, followed by an analysis of their growth trajectories, including diversification strategies. Next, I investigated their political connections by gathering pertinent news articles. This focused on how these groups interacted with the government and political entities to sustain their market positions and foster corporate growth. The researcher also gained insights into the leadership styles, and internal development practices of the founders' families and their successors, particularly regarding the founders' preferences and processes for selecting successors. These resources came from reviewing reports and interviews from prominent publications like CommonWealth Magazine and Business Today.

Quantitative Research

This research was utilized to find relevant variables that effectively assess business performance, diversification, and political connections of groups. Statistical data focused on 2020 and collects 100 Taiwanese business groups. The economic performance data for the group was mainly obtained from the company's annual reports, the Taiwan Economic Journal (TEJ) database, and the Public Information Observatory. This data included essential indicators such as financial status, profitability, capital structure, and diversification initiatives. Moreover, the resources to evaluate the political connections of the groups were gathered from pertinent news articles such as CommonWealth Magazine, Wealth Magazine and udn.com.

Measure

Dependent Variable-Degree of Group Diversification

This study drew on existing literature on Family Dynamics and the Development of Family Business Group in Taiwan,[34] defined the degree of corporate group diversification as the dependent variable. It was measured by the total count of affiliated firms within the group.

Independent Variable

X1: Multi-Generational Management. This variable was based on the study "The Relationship between Family Firm's Socioemotional Wealth and Institutional Compliance of Corporate Governance.[35]" It was assessed by counting the total number of family generations serving as directors or senior managers within the company.

X2: Family Control. This variable was also derived from the study "The Relationship between Family Firm's Socioemotional Wealth and Institutional Compliance of Corporate Governance.[36]" It was measured by the proportion of family members on the board of directors, calculated by dividing the number of family members by the total number of board members.

X3: Political Connections. This variable was mentioned in the previous article "Political Connection and Earnings Quality.[37]" It was measured by the number of news articles that discussed the chairman's links to the Kuomintang (KMT) and the Democratic Progressive Party (DPP).

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34 Yi-Chung Lu, "Family dynamics and the development of family business groups in Taiwan: A longitudinal observation" (2021).
35 官函霓, "家族企業社會情感財富與公司治理體制遵從關係之探討–以家族企業生命週期為調節效果" (2021).
36 Ibid.
37 Pei-Ying Wang Yuan Chang, "Political Connection and Earnings Quality," (2015).

X4: Kuomintang (KMT) affiliation. This variable was referenced in “Political Connection and Foreign Investors' Stockholding.[38]” It was defined as a binary variable, where KMT affiliation was assigned a value of 1 and non-KMT was assigned a value of 0. The classification criteria included whether the individual had publicly shown support for the KMT, had held an official position appointed by the KMT, or had a clear association with the party.

Control Variable-Firm Size

Previous study indicated that there was a positive correlation between the size of a firm and its performance.[39] Generally, larger companies had access to more resources, exhibited greater competitiveness in the market, and enjoyed economies of scale, all of which enhanced their business performance. Consequently, this research, which references the existing literature titled, “The Influence of Family CEO Characteristics on Firm Performance,[40]” identified firm size as a crucial dependent variable to investigate its effect on corporate group diversification. Firm size was quantified by the total number of employees within the organization.

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38 林勁甫, "台灣企業政商關係對外資持股比率之影響" (2018).
39 Gautam Ahuja and Sumit K. Majumdar, "On the Sequencing of Privatization in Transition Economies," (1997).
40 李春生, "家族企業接班人特性對公司績效的影響之研究," (2013).

Table 1. Outline of Quantitative Research's Variables Measures and Data Sources in This Research

Type of Data	Variable	Measures	Data Source
Quantitative Research	Degree of group diversification	Number of affiliated group companies	TEJ database Public Information Observatory
	Multi-Generational management	Number of family generations in senior management	TEJ database
	Family control	Family board ratio	TEJ database Public Information Observatory
	Political connection	News on the chairman's ties to KMT and DPP	CommonWealth Magazine, Wealth Magazine, udn.com
	KMT affiliation	KMT affiliation coded as 1, and non-KMT as 0	CommonWealth Magazine, Wealth Magazine, udn.com
	Firm size	Number of employees	TEJ database

DATA ANALYSIS

Case Study

Lin Yuan Group

Group Background

Lin Yuan Group, originally called Cathay Life Insurance Group, was co-founded by Wan-Tsai Tsai and Wan-Lin Tsai in 1962. The group's main businesses included Cathay Life Insurance and Cathay Construction. Taiwan's housing demand driven by political stability and population growth, the Tsai brothers established Cathay Construction Co., Ltd.

In 1979, following Taiwan's largest financial scandal, Wan-Lin Tsai traded his shares in the Tenth Credit Cooperative for shares in Cathay Life Insurance from his nephew, Chen-Chou Tsai. This shift allowed him to focus on life insurance and legally separate from the cooperative.

In 1993, with the independent operation of Cathay General Insurance and its property insurance division, Wan-Lin Tsai further broadened the family's business ventures by establishing Tongtai Insurance within the group. He then reorganized Cathay Life Insurance and Cathay Construction into the Cathay Life Insurance Group, which was later officially renamed Lin Yuan Group.

Growth and Development

Lin Yuan Group has restructured its subsidiaries into four main areas: Cathay Financial Holdings Group, Cathay Real Estate Group, Cathay Charity Group, and Cathay Information Group. Firstly, to enhance resource utilization and operational efficiency, Cathay Commercial Bank merged with United Commercial Bank, adopting the name Cathay United Commercial Bank Co., Ltd.

In 2007, this entity further expanded by merging with Seventh Commercial Bank. This aims to provide comprehensive financial services and enhance its competitiveness. Cathay Financial Holdings has further solidified its market position by launching Cathay Securities Investment Trust. This focuses on professional asset management and establishing Cathay Securities to improve product offerings and cross-industry marketing. Additionally, Cathay Financial Holdings established Cathay Venture Capital and collaborated with Cathay Life Insurance to create Shenfang Information, marking its entry into the internet sector.

In 1964, in response to the increasing demand for housing, Wan-Chun Tasi and Wan-Lin Tasi founded the first professional construction company in the country, Cathay Real Estate Development Co., Ltd.

Cathay Construction has broadened the scope of its real estate group through vertical integration and horizontal diversification. To facilitate business growth, the original construction department was transformed into Mitsui Engineering. It also invests in Lin Yuan Property Management and Maintenance Company. This strategic approach facilitated the integration of various components within the construction, engineering, and property management sectors. Furthermore, Cathay Construction diversified by launching Cathay Health Management Company to enter the healthcare field and later establishing Cathay Business Travel Company for hotel development and management. This enhances the overall integration and revitalization of the group's resources.

Moreover, the founder’s philosophy, “Taking from the community, giving back to society,” drives Lin Yuan Group’s philanthropic efforts. Cathay Life Insurance established Cathay General Hospital, while Cathay United Bank allocates 5% of its profits to charity through the Cathay United Bank Foundation. Cathay Real Estate also launched a Culture and Education Program, establishing nine "Lin Yuan Libraries" to promote reading.

Cathay Financial Holdings has expanded to over 220 locations across 15 countries, focusing on Greater China and ASEAN, with a significant presence in China and Vietnam. Its expansion strategy favors partnerships and a gradual, low-risk approach, using smaller acquisitions to enter markets before building a more extensive infrastructure.

Founder and Management Philosophy

All four brothers of the first generation of Wan-Chun Tsai were involved in politics, with Wan-Tsai Tsai holding the most extensive political and business connections. Wan-Chun and Wan-Lin Tsai served as Taipei City Councilors. Wan-Lin emphasized stable growth, lowering the company's growth target to 30%. He appointed top talent to the audit office, personally reviewed reports, and tackled issues like embezzlement and harassment. He believed that simplifying employees' lives would enhance their work focus, improving the group’s efficiency.

Wan-Lin Tsai had four sons and three daughters. His son, Hong-Tu Tsai, returned to Taiwan with a U.S. doctorate and became Cathay Life Insurance’s managing director. He eventually succeeding his father as chairman of Cathay Life Insurance and Cathay Financial Holdings. Known for integrity, conservatism, and patience, Hong-Tu follows his father’s philosophy of "inexhaustible strength." During challenges like low interest rates, he remains patient, saying in a Japanese interview, "The environment is so adverse; what else can one do but exercise patience?"

Hong-Tu's approach to mergers and acquisitions is cautious. Despite Cathay Financial Holdings' substantial assets, he avoids hasty acquisitions, preferring to wait for the right moment. For instance, he aimed to acquire E.SUN Bank but took a restrained approach, ultimately losing the acquisition—a decision showing his discipline.

Hong-Tu's philosophy is strongly influenced by his family history. After returning to Taiwan, he began studying business under his father when a scandal involving his cousin Chen-Zhou Tsai surfaced. Chen-Zhou misused political and business connections for personal gain, a lesson that left a strong impact on Hong-Tu. As a result, he has adopted a low-profile, cautious approach to managing his business and relationships, working to avoid past mistakes.

Succession and Future Development

Hong-Tu Tsai advocates separating ownership from management to strengthen corporate governance and promote a professional management system. He has gradually delegated responsibilities to professional managers. Currently, Zhen-Qiu Tsai represents the family in property insurance, while Hong-Tu Tsai manages financial affairs as chairperson. This highlights their commitment to his goals and succession plan. Tsai has reinstated long-term employees in supervisory roles, personally selecting and developing his management team. Many managers, previously in associate roles a decade ago, now hold senior positions, demonstrating strong professional skills and language proficiency to engage effectively with corporate analysts and the media.

This approach aligns with the innovative vision of his son, Zong-Han Tsai. Hong-Tu Tsai is also preparing for the succession of the second and third generations, ensuring the family business's growth and the continuity of the Tsai family's business philosophy.

Summary

Lin Yuan Group employed a family succession model to support its expansion into various industries. Under the leadership of the successor, the group distinguished ownership from management, with professional managers overseeing non-core businesses while the Tsai family-maintained control over primary companies. This structure allowed the group to thrive in complex sectors such as insurance and real estate, ensuring long-term stability. The successor's conservative management style prioritized stability over rapid growth. However, this approach may limit aggressive expansion. While this cautious strategy fostered sustainability, it also restricted the group's growth rate, as evidenced by its hesitance to engage in high-risk ventures.

The growth of Lin Yuan Group reflects diverse strategies based on specific conditions. In stable policy and market environments, the group focused on its core businesses, ensuring steady revenue from life insurance and real estate while strengthening its competitive position. As competition grew and resource integration became crucial, the group pursued horizontal integration. For example, its acquisition of Seventh Commercial Bank to expand market coverage and strengthen its financial standing. The group also implemented vertical integration to enhance resource efficiency and supply chain control. For example, it expands to the construction sector through partnerships with companies like Mitsui Engineering to improve building and engineering management. Furthermore, Lin Yuan Group opted for unrelated diversification, entering similar fields like health management and business travel. Lin Yuan Group's diversification strategies have enabled it to navigate changing market conditions, expand its market reach and strengthen its position.

Fubon Group

Group Background

Fubon Group originated from Lin Yuan Group, which established Cathay Century Insurance and placed it under Wan-Cai Tsai, who later founded Fubon Group. In 1992, after Lin Yuan Group restructured, Wan-Cai Tsai took control of Cathay Century Insurance and renamed it Fubon Insurance. Fubon then expanded into banking, life insurance, and securities, with Fubon Property Insurance as its core. In 2001, Fubon Group created Fubon Financial Holdings to strengthen financial operations. In 2003, it acquired Taiwan Mobile Co., Ltd., entering telecommunications. Today, Fubon Group operates in finance, communications, media, construction, education, and public welfare, demonstrating a diverse business strategy.

Growth and Development

Fubon Group, Taiwan's first property insurance company, evolved into a full financial system with financial liberalization. The journey began with the establishment of Fubon Insurance in 1961, originally known as Cathay Century Insurance. To diversify its offerings, Fubon gradually established several subsidiaries, including Fubon Investment Advisory, Fubon Securities, Fubon Commercial Bank, and Fubon Life Insurance.

In 2001, Fubon Group began integrating its subsidiaries into Fubon Insurance through equity transactions. This included Fubon Securities, Fubon Commercial Bank, and Fubon Life Insurance, ultimately forming Fubon Financial Holdings. Afterward, Fubon Life Insurance and Fubon Investment Trust were created to support further expansion. Fubon Financial Holdings then merged with Taipei Bank, rebranding it as Taipei Fubon Bank. To improve banking operations and increase efficiency, Taipei Fubon Bank merged with Risheng Bank, while Fubon Securities merged with Risheng Securities, strengthening Fubon's financial sector integration.

Fubon Group has diversified beyond finance by investing in Taiwan Mobile Co., Ltd. and establishing momo.com Inc., entering the telecom and media sectors. Fubon Financial Holdings also acquired Taiwan Big Basketball Yule Company, now "Fubon Sports & Entertainment Co., Ltd.," to expand into sports. Before acquiring full control of Taiwan Mobile, Fubon was a major shareholder. Observing a decline in its financial health, Fubon used legal strategies to gain control, successfully integrating Taiwan Mobile, TransAsia Telecom, and Taiwan Fixed Network into its operations.

Fubon Group's activities also extended into the real estate sector. The subsidiaries such as Fubon Land, Fubon Real Estate Management, Fubon Property Services, and Fubon Travel Management. Since the launch of Fubon Construction in 1978, the Group had significantly expanded its presence in real estate presence. To streamline real estate transactions and promote sustainable construction development, Fubon Group partnered with Taipei Fubon Bank to co-invest in Fubon Real Estate Management. Following this, the Fubon Group established Fubon Property Services to manage its properties. Committed to diversification, Fubon also invested in the Taipei Cultural and Creative Industry, entered tourism with Fubon Hotel, and developed its hotel brand.

In addition to its extensive development in Taiwan, Fubon Group had actively pursued international expansion by establishing branches and offices in Asian countries. The group's overseas operations had expanded significantly, marked by the establishment of a life insurance company in Hong Kong, banking insurance ventures in Vietnam, and entry into the Northeast Asian market. Notably, in 2015, Fubon Group acquired Hyundai Life Insurance, a subsidiary of the Hyundai Motor Group of Korea, making it the first Taiwanese life insurance company to enter the South Korean market.

Fubon Group’s international expansion begins with establishing representative offices in key markets to build an overseas network and connect with local industry players. This phase was followed by setting up subsidiaries and expanding branches to strengthen its presence. Fubon aimed to improve the performance of its international ventures, especially in Greater China and Asia.

The group will pursue mergers, acquisitions, and equity investments to bolster its competitive edge and work toward becoming a leading financial institution in Asia.

Founders and Management Philosophy

Wan-Cai Tsai founded Fubon Group, initially acquiring only a segment of the property insurance sector during its divestiture. Despite encountering challenges from the Shixin storm incident, he adhered to a philosophy of steady, measured growth rather than pursuing quick results. This strategy enabled Fubon Group to expand its operations into finance, telecommunications, and media, establishing a presence in Taiwan, Hong Kong, and China. Although Wan-Cai Tsai possessed extensive political connections, these relationships have not been directly leveraged for business purposes. This indicates that Fubon Group's subsidiaries were not formed due to ties with government officials or political parties.

Wan-Tsai Tsai introduced the "Three Fubon Principles": integrity, diligence, and humility. Integrity forms the foundation for conduct, diligence is key to success, and humility fosters personal growth. After Taiwan’s stock crisis, which highlighted financial risks, Wan-Tsai emphasized “frugality” over “industriousness” as a core principle. He maintained a “no borrowing, no losses” approach, valuing modest earnings over potential losses. These principles guided Fubon’s growth into a successful, diversified group with a strong foothold in China.

Succession and Future Development

Unlike many older Taiwanese entrepreneurs, Wan-Tsai Tsai began transferring control of the group to his two sons, while still in good health. Ming-Chung oversees telecommunications and media. He serves as Chairman of Fubon Group, Taiwan Mobile, momo.com Inc., and Taiwan Fixed Network, and is also a director at Fubon Life. Tsai Ming-Shing focuses on the financial sector. He holds positions as Chairman of Fubon Financial Holding and Taipei Fubon Bank. Ming-Chung is known for his meticulous and responsible style, ensuring smooth operations. Ming-Shing is noted for his intelligence, work ethic, and leadership. The brothers' complementary personalities, alongside their father's philosophy of "division of labor without division of the family," have enabled effective collaboration within the family business group.

Fubon Group began as a modest family business and had since evolved into a significant financial institution. The Tsai brothers aimed to transform Fubon into a "financial department store" that offers a full range of services, including banking, insurance, and securities. Recognizing the need for outside expertise, Fubon invited Citibank to become a shareholder. This was one of the largest foreign investments at the time. Citibank's investment facilitated Fubon's diversification and internationalization. It also introduced professional managers and improved operational standards. Most importantly, Fubon overcame the common limitations of family-run businesses by building a skilled management team and adopting a professional governance system to strengthen its competitiveness.

Summary

Fubon Group's successful diversification can be attributed to its strategic succession planning, family ownership, and discreet political connections. The founder transferred leadership to his two sons, allowing them to focus on diverse industries. Their complementary leadership has significantly contributed to Fubon's expansion into finance, real estate and sports. This shows how effective succession planning can promote diversification. Family ownership provided stability while also enabling the inclusion of external investors, such as Citibank, to enhance governance. This further supported Fubon's diversification, particularly in the fields of finance, telecommunications, and real estate.

Fubon Group uses various growth strategies based on market conditions. The group has pursued horizontal integration in sectors where consolidating competition increases market share or strengthens its competitive positioning. An example is the acquisition of Risheng Bank and Risheng Securities. Vertical integration is observed in cases where control over supply chains or distribution channels enhances operational stability. For instance, Fubon's integration of insurance and banking services has streamlined its customer offerings. Related diversification is evident in Fubon’s expansion into telecommunications, media, and real estate. These sectors capitalize on Fubon’s financial expertise, creating synergy within the portfolio. On the other hand, unrelated diversification was pursued through ventures into the sports and cultural industries. It allowed Fubon to explore new revenue streams beyond its traditional sectors. Each strategy reflected Fubon’s response to market dynamics and its overarching strategic goals.

Although the founder had strong connections to the KMT and served as a legislator, he and his successors did not exploit these connections for personal or business gain. The leadership's low political profile enabled Fubon to mitigate risks associated with overt political affiliations while still capitalizing on a favorable business environment.

Far Eastern Group

Group Background

Far Eastern Group, founded by Yu-Hsiang Hsu, is one of Taiwan’s five major business groups and one of the few with roots in Shanghai, China. Hsu was born a year before Taiwan was founded. The group's development reflects the comprehensive economic history of Taiwan since the war. Over this period, many competing businesses emerged and vanished amid major changes. Yet, Hsu navigated these challenges, turning them into opportunities and building an empire that spans textiles, petrochemicals, cement, retail, shipping, and finance.

Growth and Development

Before relocating to Taiwan, Yu-Hsiang Hsu pursued careers in cotton, oil milling, securities, and textiles in China. Recognizing Taiwan's industrial needs, he moved the Far Eastern Knitting Mill to the island. The increase in knitwear demand boosted sales. To address the yarn shortage, Hsu founded Far Eastern Textile Ltd., merging it with the knitting mill to streamline production. This optimizes production and sales. He aware of the rapid growth in Taiwan's cotton textile industry, so he started to explore international markets. By 1950, the company made its first export, and by 1953, it set records in yarn exports. As local demand grew for foreign brands, Hsu partnered with international companies to enhance Far Eastern’s technology.

Hsu saw potential in synthetic fibers, founding the Oriental Synthetic Fiber Corporation with three Japanese firms. This was Far Eastern's first foreign joint venture. With Taiwan’s shift to export-driven growth, the synthetic fiber industry expanded. Hsu believed that the traditional cotton textile industry needed to transition to synthetic fibers, so he started to invest in synthetic textile manufacturing. However, due to unreliable suppliers, Hsu co-invested in Asia Polyfiber Company and later in the government-led Oriental Union Chemical Corporation, ensuring stable polyester production.

In 1967, Taiwan’s economic growth and rising consumer purchasing power led Hsu to expand into retail. Thus, he established Far Eastern Department Stores. After successfully developing both upstream and downstream operations in the textile industry, Hsu sought to diversify into other industries. He recognized the potential in the cement industry, so founded Asia Cement Corporation in 1957. And later established Asia Transport Corporation, which became U-Ming Transport and grew into maritime shipping.

As an entrepreneur, Hsu sought not only business growth but also societal benefits. Once his enterprises stabilized, he established the Yuan-Chih Hsu Memorial Foundation to support economic research and children's education. Moreover, he established Asia Eastern University of Science and Technology in 1969 and later took over Yu Chang Technical and Commercial Vocational Senior High School, subsequently founding Yuan Ze University. Additionally, since he recognized that there were many female workers in his factories, he established Yuan Ze Kindergarten to offer early childhood education for employees.

In healthcare, he founded Far Eastern Hospital to address limited hospital resources in Banqiao. The hospital later expanded into Taipei City by establishing a subsidiary clinic, the Far Eastern Polyclinic. As Taiwan's economy grew, Far Eastern Group's companies went public. To solve the growing complexities associated with stock management, Hsu finally established Far Eastern Securities in 1979. When the government permitted the establishment of new commercial banks, he also founded Far Eastern International Bank in 1992, the group's flagship financial institution.

With improved social and economic conditions, the group expanded from cement production into high-rise buildings. Firstly, Hsu ventured to founding the Far Eastern Construction Corporation in 1978. Then he established Asia Engineering Enterprise Corporation in 1982 to oversee internal construction projects. Lastly found Yuan Ding Construction Company in 1984 to construct the Far Eastern Enterprise Center and tourism-related buildings.

In the following years, the Far Eastern Group ventured into the high-tech industry. Firstly, the group established a joint venture with Germany's Lurgi Company to develop wastewater treatment technology in 1988. Secondly, it partnered with France's Air Liquide to produce industrial gases in 1989. In the same year, they also co-invested with Germany's VEBE to produce high-strength composite materials. Lastly, the group expanded internationally through joint ventures with Japanese and Swiss companies.

The investments made by the Far Eastern Group have served various strategic purposes over the years. Early investments in Singapore were aligned with government policies aimed at engaging overseas Chinese businesses. As the New Taiwan Dollar appreciated, it led to rising wages and labor shortages, new overseas investments were to promote Taiwanese products. In the 1980s, investments in Southeast Asia sought to capitalize on low-cost labor, whereas Canadian investments focused on establishing upstream raw material production facilities. Under Hsu's leadership, the Far Eastern Group achieved remarkable success, establishing itself as one of Taiwan's five major business conglomerates.

Founders and Management Philosophy

Yu-Hsiang Hsu adhered to principles of "sincerity, diligence, simplicity, and prudence" in his business practices. He approached every task with dedication, avoiding shortcuts and emphasizing integrity and legality. Hsu believed success depended on recognizing opportunities early and entering markets at the right time. He valued “people” as a company’s greatest asset and emphasized cultivating talent within the company, focusing on character, skill, and vision.

Additionally, Hsu saw profit as a means to support sustainable growth and contribute to social prosperity, well-being, and national strength. Thus, he placed significant importance on aligning with national policies and closely adhering to the government's industrial development strategies. This led to the founding of Asia Cement Corporation and laid a crucial foundation for the growth of the Far Eastern Group. It particularly through his connections with former President Ching-Kuo Chiang, which helped the group grow significantly.

Succession and Future Development

Yu-Hsiang Hsu had one wife and a concubine. He had two sons and four daughters with his wife and three sons with his concubine. His eldest son, Douglas Hsu, succeeded him as head of the Far Eastern Group and showed an early interest in business. Douglas joined Far Eastern Textile after returning to Taiwan and helping his father in managing the company. Hsu-Shih Hsu, his second son, initially served as Asia Cement’s vice chairman but later sold his shares after Douglas was appointed chairman by their father. Douglas's youngest brother chose to leave the family business to explore commercial opportunities in Hong Kong and China. The other siblings who stayed followed Douglas’s leadership.

Douglas distinguished himself with his dedication to business management and deep respect for his father. This showed attention to detail that earned his father’s trust and led to his succession. He guided the Far Eastern Group into the new century, blending modern and traditional Shanghai-style management. While maintaining the core values of honesty, diligence, and prudence, he added innovation, stressing that change is constant, and that innovation is key to adaptation. His management approach is strict but compassionate. This model on detail and opportunities, with a cautious investment strategy that avoids risks and supports steady growth.

Douglas's Shanghai-style management was influenced by his upbringing and his father’s background. This style merged innovation with prudence. He had steered the Group through economic downturns and ensured stability and growth. Known for his loyalty to long-serving executives, he rarely replaces personnel, even amid underperformances. Attentive to stakeholders, Douglas focuses on creating environmental, governance, and social value. Like his father, he has used political connections to gain favorable positions, expanding the Far Eastern Group’s influence.

Douglas Hsu had nine siblings, with several still active in the Far Eastern Group. Two sisters, Chin-Fang and Chu-Fang Hsu had passed away, and two brothers, Hsu-Shih and Hsu-Chiu Hsu, left the family business. Ho-Fang Hsu, a younger sister known for strong leadership. She drove key changes at Far Eastern Department Stores but retired in 2006 due to health reasons after a decline in profits. Her successor, Hsu-Fang Hsu, embraced challenges and led the company through the pandemic, incorporating ESG principles into its framework. In 2023, she was named one of Taiwan's top 20 female CEOs by Harvard Business Review Global Traditional Chinese Edition. Another younger brother, Hsu-Ping Hsu, vice chairman of Far Eastern New Century Corporation and Asia Cement (China) Corporation, had supported Douglas in various group roles. This formed a powerful leadership team. Douglas's brother-in-law, Chia-I Hsieh, serves as vice chairman of Far Eastern New Century Corporation and collaborates closely with Douglas, particularly in emerging sectors.

Douglas's wife was American, and their three children, raised in the United States, maintain lives centered there. He planned to assign family business management to professionals. However, his eldest daughter, Kuo-Mei Hsu, and his second daughter, Kuo-Ling Hsu, had each served over a decade as directors at Far Eastern New Century Corporation and Far Eastern Department Stores. Their son, Kuo-An Hsu, executive vice president at U-Ming Marine Transport Corporation, was actively involved and a likely successor.

Far Eastern Group invested significantly in talent development, allocating substantial resources annually for training and education. Partnering with Yuan Ze University, they established a corporate academy to boost employee retention, reflecting a commitment to sustainable workforce development.

Summary

The founder of Far East Group had successfully established a diversified business empire spanning textiles, petrochemicals, cement, retail and shipping with his foresight and strategic layout. At the same time, he also actively invests in the fields of education and medical care, demonstrating his high concern for society. His son continued this growth and led expansion into finance and high-tech sectors. This demonstrated the importance of a strong succession plan. Although the group's family control continued the founder's values and philosophy, excessive family control could lead to internal disputes. For example, Hsu-Shih Hsu's departure due to disagreements over his role. This conflict may hinder expansion efforts.

The group's diversification reflects different growth strategies adopted over time in response to factors like market conditions, industrial demand, and policy shifts. Initially, the group used vertical integration in textiles to address raw material shortages and ensure supply chain stability, then expanded into retail to meet market demand and increase revenue. As Taiwan's domestic market grew, the group applied horizontal integration and cross-border partnerships to broaden product offerings. Additionally, unrelated diversification, such as entering the cement industry, was largely influenced by government policies. This expansion also established political connections with former President Chiang Ching-kuo. These connections facilitated access to vital resources and government-supported initiatives, thereby enhancing the competitive advantage of the group. Additionally, the group's alignment with national development policies allowed it to diversify into industries that received government support and accelerated its diversification.

CTBC Group

Group Background

CTBC Group and Hoshin Group share a common history. Hoshin Group initially focused on Taiwan Cement. In 1970, the China Securities Investment Corporation was reorganized as CTBC Bank Investment Corporation, now CTBC Commercial Bank. The bank became a hub for growth and led to the formation of CTBC Group. Over time, the group split into two sub-groups: one led by Chen-Fu Koo, focusing on Taiwan Cement Corporation. Another led by his nephew, Len-Sung Koo, focusing on CTBC Bank and financial services.

In 2003, the Koo family officially divided into two major groups. One of the prominent entities was the Taiwan Cement Corporation (TCC) Group Holdings, led by Chen-Fu Koo and his son, Cheng-Yun Koo. This group continued to oversee traditional industries, including the Taiwan Cement Corporation and the Taiwan Polypropylene Corporation. The other was the CTBC Group, led by Len-Sung Koo and his three sons. This group focused on financial enterprises such as CTBC Bank, China Life Insurance Company Limited, and Chailease Finance Corporation.

As Len-Sung Koo grew older, he began to plan for succession. Although CTBC Group has not formally separated, it has begun to define its business areas more clearly. In 2008, Chung-Ying Koo assumed leadership of KGI Financial Holding. However, since both CTBC Financial Holding and KGI Financial Holding are financial holding companies. This led to regulations require that they operate as separate entities. Consequently, the businesses were divided into two distinct, independent groups. At the same time, Chung-Li Koo managed the Chailease Group, which was not expected to assume the risks associated with

CTBC and China Development Financial Holding Corporation. As a result, the operational domain of the three brothers were ultimately divided into three independent entities: CTBC, KGI, and Chailease.

Growth and Development

CTBC Financial Holding Co., Ltd., was founded in 2002 through a share exchange with CTBC Bank. This company has managed the financial operations of CTBC Group since then. To consolidate resources, reduce costs, improve scale, and enhance service efficiency, CTBC Financial Holding merged with Wan Tong Bank, CTBC Securities, and CTBC Insurance Brokerage. This integration expanded its market presence and operational efficiency.

CTBC Group also expanded into insurance. It acquired MetLife's Taiwan subsidiary and renaming it CTBC Life Insurance Company. Later, CTBC Financial merged CTBC Life Insurance with Taiwan Life Insurance, forming "Taiwan Life Insurance Corporation," which now contributes significantly to the group's profits. To expand financial services, CTBC acquired Baocheng Securities, rebranding it as CTBC Bank Securities Co., Ltd., and incorporated CTBC Securities as a subsidiary. CTBC also established CTBC Venture Capital to support investments in unlisted companies and launched CTBC Investment Trust, broadening its product and service range. Moreover, to meet the diverse needs of its clients, CTBC Financial Holding has launched CTBC Investment Trust, thereby broadening its range of products and services.

CTBC Group has actively broadened its business scope, dedicating itself to delivering high-quality and diverse security services. As part of this initiative, CTBC Financial Holding entered the security services sector by acquiring CTBC

Security. This makes the group became the only professional security firm in Taiwan owned by a financial holding group. Additionally, CTBC Bank secured rights to issue the third round of Public Welfare Lottery tickets, managing operations from 2007 to 2013. To handle this, CTBC Holding created Taiwan Lottery Co., which offers diverse lottery products to boost public participation. It not only increased the government's lottery surplus but also supported industry growth.

Since 1990, CTBC Financial Holding has been pursuing international growth. The opening of an overseas office in London by CTBC Bank marked the beginning of its global journey. As market demands evolved, CTBC shifted its strategy from establishing wholly owned subsidiaries to acquiring minority stakes in local financial institutions. Following Taiwan's New Southbound Policy, CTBC Bank has expanded into Southeast Asia, opening branches in Vietnam, India, and Singapore. In Greater China, especially Shanghai, CTBC Financial Holding has built a network in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. This provided clients with accessible financial services. Taiwan Life Insurance also established Junlong Life Insurance in Xiamen, China. It combined banking and insurance offerings to enhance service variety in the Chinese market.

Currently, CTBC Financial Holding has a global presence in 14 countries and regions, with over 370 locations worldwide. CTBC Bank has become one of Taiwan's most internationalized banks, with its overseas network focusing on Greater China, Japan, North America, and Southeast Asia. It aimed to provide comprehensive cross-border financial services to international enterprises while continuously expanding its influence in the global financial market.

Political Connection of the Group

The Koo family has played a pivotal role in various economic reforms throughout their history. This included the colonial period in Japan, the rule of the Kuomintang, and the evolving political landscape. They have utilized their extensive political connections to maintain their influence. Their origins trace back to Hsien-Jung Koo, who worked with Japanese authorities to secure profitable franchises. After World War II, the Koo family successfully adapted and Chen-Fu Koo leading the family business transited into the financial sector. He established CTBC Bank, which solidified its dominant position in the financial sector. The Koo family’s success has long relied on close ties between government and business. Yet, challenges emerged in the fourth generation. Chung-Liang Koo encountered legal issues that impeded the family's succession plans, resulting in complications regarding inheritance and asset distribution.

Succession and Future Development

Len-Song Koo was adept at utilizing available resources to create new opportunities. After earning an MBA from New York University, he began as a clerk at Taiwan Securities Investment Company, which later became CTBC Bank, where he rose to Chairman. Koo believed financial institutions were crucial to Taiwan's international economic growth. Despite the unsuccessful reorganization of CTBC, he remained committed to expanding its overseas banking operations and aimed to establish CTBC branches globally. During the Koo family’s second asset division, he passed leadership to his eldest son, Chung-Liang Koo.

Raised under strict guidance, Chung-Liang developed a strong work ethic. He also gained firsthand banking experience during school breaks. With international study and work experience, he led rapid reforms to transform the family business after returning to Taiwan. Also, he focused on sustainable growth and raising international capital. Koo believed that both life and business, much like golf, necessitate a balance of mindset and wisdom. He embraced pressure and challenges, leveraging his extensive network and proactive approach to drive corporate change. This contributed to CTBC's significant growth. His leadership style emphasizes adaptability to new environments. He learned from both his family's legacy and the company's evolution, while continuously striving to exceed boundaries. Koo's leadership merged sports principles with business management, showcasing his unique personality and resilience.

Although Koo rose to Vice Chairman of CTBC Financial Holding, his role shifted due to involvement in the 2006 Red Fire case. This accident ended a family tradition of succession to the eldest son. He redirected his efforts to philanthropy, supporting grassroots baseball in Taiwan. He had served as Chairman of CTBC Charity Foundation, Chinese Taipei Baseball Association, President of the Baseball Federation of Asia, and Vice President of the World Baseball Softball Confederation.

In 2023, the Taiwan High Court acquitted Koo of all charges, allowing him to rejoin CTBC Financial Holding as a board member in May. He aimed to leverage his experience in sports and philanthropy to support CTBC's five major charitable initiatives, advanced economic diplomacy. He also represented CTBC in trade organizations, fulfilling Len-Song Koo's vision.

Before stepping down, Chung-Liang Koo began restructuring CTBC's operations and culture to support a shift toward online business. He also actively recruited top talent by bringing in professional managers to strengthen the leadership team. The legal challenges faced by Len-Song Koo's son and son-in-law, coupled with the retirement of several veteran executives, created opportunities for these professional managers to advance.

CTBC now evaluates successors based on their expertise, company culture fit, and subsidiary management skills to support long-term development goals. These criteria align with the company's long-term development plans, allowing CTBC to attract talent with robust financial, industrial, or academic backgrounds. If a successor candidate was a current board member or affiliated with another group company, their performance on the board would also be considered. To strengthen future leadership, CTBC has implemented a talent management program to build a solid leadership pipeline across all levels.

Summary

CTBC Group's succession plan highlighted the importance of maintaining family leadership for effective diversification. From the founder to his son, the company has already expanded into many industries, such as insurance, public welfare lottery and securities. However, legal issues of the 2006 Red Fire case disrupted the traditional succession plan. This showed that family control could facilitate group's diversification, but it also restricted growth.

CTBC Group's growth strategy includes horizontal integration, related diversification, and unrelated diversification. In terms of horizontal integration, CTBC Financial Holding expanded its market presence and operational efficiency by merging with other banks. Additionally, the group utilized a related diversification strategy to expand into securities, venture capital, and life insurance. This enabled the group to meet more diverse customer needs and consolidate its position in the financial market. Unrelated diversification was reflected in CTBC's move into the public welfare lottery sector through the creation of Taiwan Lottery Corporation. This expansion had allowed CTBC to explore new growth avenues and spread investment risks. CTBC Group's diversified growth strategy had strengthened its market position, broadened its service offerings, and reduced investment risks.

The family's political connections began with Hsien-Jung Koo's collaboration with Japanese authorities during the colonial era. These connections have played a key role in CTBC's diversification efforts. Additionally, the close association with KMT supported CTBC's entry into various economic markets. However, the family's legal issues highlight the potential risks associated with such connections. The Koo family's political connections have significantly influenced CTBC's growth, yet also underscored the inherent risks tied to such affiliations.

E.SUN Group

Group Background

In 1992, when Taiwan allowed the creation of private banks, founder Yung-Jen Huang was determined to establish a unique bank that aimed to be the best. To achieve this vision, he assembled a team of like-minded professionals and established a bank under the guidance of experienced leaders. Although he lacked the backing of a family business or government resources, Yung-Jen Huang's steadfast commitment to his principles and his perseverance enabled him to secure funding from investors who shared his vision. This effort culminated in the establishment of E.SUN BANK, named after Taiwan's tallest peak, Jade Mountain (Mt. Jade).

Growth and Development

E.SUN Bank began operations in 1992, later establishing E.SUN Securities and E.SUN Bills Finance Corporation. In 2002, E.SUN Financial Holding Company (E.SUN FHC) was formed through a share swap, with E.SUN Bank as the main profit source. E.SUN FHC expanded with E.SUN Venture Capital, E.SUN Insurance Brokers, and later E.SUN Investment Trust.

To optimize resources, increase operational synergy, and strengthen capital, E.SUN Bank has merged with E.SUN Bills Finance. It also merged with E.SUN Insurance Brokers to achieve economies of scale and reduce operating costs. However, E.SUN Bank acknowledged that operating independently would not be sufficient in light of the trend toward larger financially holding companies and the ongoing consolidation within the industry. To maximize synergies within the financial holding company and expand its banking services, E.SUN Bank undertook a series of acquisitions. It started with Kaohsiung Business Bank, followed by Zhunan Credit Cooperative and Chiayi Fourth Credit Cooperative. This made it the third-largest private bank in Taiwan by branch count.

In response to the growth of Asian markets and advancements in financial technology. E.SUN Bank is building a comprehensive Asian financial platform and investing in fintech by acquiring 58.34% of Bankpro E-Service Technology Co., Ltd. The bank was also committed to assembling a team of fintech specialists who leverage data and artificial intelligence to improve operational efficiency. Additionally, it aimed to integrate virtual and physical channels to enhance customer experience.

Internationally, E.SUN Bank has expanded from a single office in Ho Chi Minh City to 31 locations in 10 countries, primarily in the Asia-Pacific and ASEAN regions. E.SUN Bank continues to leverage its integrated service strengths to connect its domestic and international branches. The goal was to create a distinctive Asia-Pacific financial platform that met the diverse needs of cross-border customers.

Management Philosophy

Mountain Jade, the tallest mountain in Taiwan, was renowned for its breathtaking and refreshing beauty. E.SUN Bank, named after this landmark, has aimed to be the leading bank in the region since its establishment. The bank's business philosophy, founded on the principles of "Expertise, Service, and Responsibility," is aptly reflected in its English name, E.SUN BANK. The fundamental principle guiding this philosophy is that "Nurturing the most professional talent and providing the best service to customers is E.SUN's responsibility."

E.SUN upholds rigorous standards for the professional skills of its employees. The hiring process includes comprehensive interview questions, followed by an extensive two-month training program that encompasses macroeconomics, financial principles, and regulatory frameworks. This approach ensured that new hires develop the necessary skills. Additionally, regular morning briefings, internal promotion evaluations, and external certification exams help to uphold and enhance the staff's professional standards.

For service E.SUN emphasizes maintaining a contemporary image while providing exceptional service quality. As part of its total quality management strategy, the bank has established a Customer Service Department to promote a service-oriented culture among all employees. Each branch, led by managers and customer service representatives, emphasizes the importance of etiquette training and customer engagement. During their probationary period, new employees undergo comprehensive training. This training focused on service quality, customer satisfaction, and fundamental etiquette, which highlighted the importance of critical moments in customer service. By mastering these key interactions, E.SUN aims to transform customers into advocates for the bank and enhance customer value.

In business operations, E.SUN placed a strong emphasis on risk management and prudent practices. It demonstrated its responsibility to customers, employees, shareholders, society, and the nation. This commitment drove E.SUN to excel in its role as a stabilizing force in Taiwan's financial sector.

Founder and Professional Management System

E.SUN Group, an independent financial institution without connections to corporate groups, government, or family connections. It was often called the “banker’s bank.” Its founder, Yung-Jen Huang, was committed to assembling a skilled team capable of ensuring cross-generational succession, firmly believing that talent is of utmost importance. He emphasized the importance of both professional skills and humanistic values.

To develop leaders, E.SUN FHC established the "Leadership Academy Elite Development Program." This program featured renowned professors, entrepreneurs, and international exchanges. The founder, chairman, and general manager actively participate, personally sharing E.SUN's culture. E.SUN also implemented a “2x2x2+5” rotation system. The system required senior managers to rotate across departments, functions, and locations and to participate in at least two of the group’s five major projects. An independent Corporate Governance and Nomination Committee reviews promotions, ensuring succession based on talent rather than family ties.

Yung-Jen Huang’s commitment to cultivating future leaders has laid the foundation for E.SUN’s professional management and succession framework. In 2023, Huang completed a generational leadership transfer. He said, "A successor should be entrusted with the future for the next ten years or more, not just for one or two years." Thus, he entrusted Nan-Chou Huang as the new chairman since he recognized for Nan-Chou Huang's logical reasoning, communication skills, and collaborative leadership. Nan-Chou Huang now leads E.SUN with a vision to strengthen its presence in Taiwan and expand across Asia, aiming to make it the best bank in Taiwan.

Summary

Setting it apart from family-run businesses, E.SUN's succession strategy prioritizes talent cultivation over familial ties. This approach has accelerated decision-making and facilitated E.SUN's diversified expansion across banking, securities, and venture capital. Moreover, the management remains focused on professionalism and operates independently of political affiliations has strengthened its domestic growth and international reach, further reinforcing its independence in strategic decision-making. In essence, E.SUN’s commitment to talent, professionalism, and independence has solidified its position as a dynamic and agile player in the financial industry.

E.SUN exemplifies a professional succession model in which growth strategies are shaped by market dynamics rather than political affiliations or family influence. In this situation, the group chose to expand the market scale through horizontal integration. For example, E.SUN Bank acquisition of Kaohsiung Business Bank. Additionally, E.SUN has engaged in related diversification, leveraging its existing resources to expand into financial services, such as venture capital and investment trusts. Through this professional, market-driven approach, E.SUN has successfully positioned itself as a versatile financial group and enhanced sustainable growth.

Research Finding of Cases

In summary, the cases indicated that succession planning, family control, and political connections significantly influence a group's diversification strategy. For instance, family succession could promote unrelated diversification, as demonstrated by the Far East Group. After the founder's son assumed leadership, he expanded the business into non-core sectors such as finance and technology. This leveraged the family's strong reputation to successfully penetrate new markets. Conversely, excessive family control tended to be a conservative strategy, concentrating on core businesses to ensure stable long-term growth. For example, Lin Yuan group has chosen to focus on developing the finance and construction industries. The introduction of professional managers could facilitate horizontal integration through mergers and acquisitions, as exemplified by the collaboration between Fubon Group and Citibank. This type of cross-industry expansion represented a market-driven growth strategy. Additionally, political connections played a crucial role in diversification decisions. For instance, the Far East Group invested in the cement industry in response to Taiwan's Ten Major Construction Projects, highlighting the effectiveness of unrelated diversification. On the other Hand, E.SUN prioritized market orientation and innovation, had successfully pursued related diversification by enhancing professional management and aligning with market demand. This broadened the market scope of financial holding groups.

Statistical Analysis

Please refer to Table 2. for the correlation matrix.

Table 2. Correlation Matrix

Means, Standard Deviations, and Correlations*								
Variable	Mean	S.D.	1	2	3	4	5	6
1. Firm Size	7126.41	13914.023						
2. Multi-Generational Management	1.61	0.634	0.41					
3. Family Control	0.1645	0.22417	0.135	0.376**				
4. Political Connections	1.10	1.920	0.229*	0.290**	0.325**			
5. KMT affiliation	0.69	0.465	0.096	0.237*	0.015	0.284**		
6. Group Diversification	121.22	89.393	-0.017	0.315**	0.022	0.496**	0.430**	
p<0.05* p<0.01** p<0.001***								

Table edited by author

This study utilized the Pearson correlation coefficient to analyze the relationships between variables, with the findings summarized in Table 2.

For the dependent variables, group diversification was positively correlated with multi-generational management, the chairman's political connections, and leadership linked to KMT affiliation.

Table 3. Standardized Regression Coefficients from Analyses Predicting Degree of Group Diversification

Standardized Regression Coefficients from Analyses Predicting Degree of Group Diversification (N=100)		
	Model	
Control variable	1	2
Firm Size	-0.017	-0.129
Independent variable		
Multi-Generational Management		0.194^{*}
Family Control		-0.185^{*}
Political Connections		0.452^{***}
KMT affiliation		0.271^{**}
Model F	0.869	12.526^{***}
R^2	0.000	0.400
Adjusted R^2	-0.010	0.368
$p<0.05^*$ $p<0.01^{**}$ $p<0.001^{***}$		

Table edited by author

H1: Multi-generational management positively influences the degree of diversification in a conglomerate.

According to Table 3., the extended involvement of family members positively impacts the diversification of conglomerates. Hypothesis 1 is validated (β=0.194, $p<0.05$), indicating that a greater number of family generations participating in the business correlates with an increase in diversification. The overall model fit showed that incorporating family generations as a factor account for a substantial amount of the variance in conglomerate diversification. These findings implied that the ongoing presence of family management was crucial for fostering business growth over time.

H2: Family control negatively influences the degree of diversification in a conglomerate.

Based on Table 3., the influence of family members on the board adversely affected the diversification of the conglomerate. Hypothesis 2 validated (β=-0.185, $p<0.05$), showing that greater family control over the board correlates with a reduction in diversification. The model's fit indicated that family control on the board played a significant role in accounting for the differences in group diversification. These findings suggested that concentrating control within the family could impede the company's growth potential.

H3: Political connections of the founder positively influences the degree of diversification in a conglomerate.

From Table 3., hypothesis 3 was supported (β=0.452, $p<0.001$). The founder's political connections had a positive impact on the diversification of the conglomerate, indicating that these connections significantly enhanced the group's diversification. This strong positive relationship implied that the founder's connections with political organizations were vital for the conglomerate's growth. The high level of significance highlighted the critical role these connections played in supporting diversification.

H4: Founders had connections with KMT positively influences the degree of diversification in a conglomerate.

As shown in Table 3., the result supported hypothesis 4 (β=0.271, $p<0.01$). This indicated that the previous ties of conglomerate leadership with the KMT political party significantly influenced their degree of diversification. The positive coefficient suggested that leaders with historical links to the KMT were likely to experience greater growth, emphasizing the effect of political history on business development.

CONCLUSION

This study five case studies to explore four key research questions concerning how succession analysis models, family control, and political connections influence the diversification of Taiwanese business groups. Additionally, statistical analysis was utilized to provide objective evidence that corroborates the findings from the case study.

Through the case study, several findings were identified. Firstly, the succession of family members allowed the group to continue pursuing diversified growth since it preserved its established business model and core values. This approach provided a competitive advantage by leveraging the family's reputation and credibility. In this case, the group chose to pursue unrelated diversification for the expansion. For example, the founder of Far East Group leadership passed to his son. The successor inherited his father's corporate culture and management philosophy, guiding the group expanded into non-core industries like finance and high technology. As a result, both of these tangible and intangible could enhance the group's standing in the markets, ease entry into new industries and also support exploration of new opportunities. Secondly, excessive family involvement might hinder a group's potential for diversification. This occurred because leaders often prioritize long-term stable growth and, as a result, adopted conservative strategies. Such strategies could limit opportunities to enter new markets and stifle innovative ideas. Consequently, many groups tended to concentrate on the development of core industries. For example, Lin Yuan Group has chosen to specialize in the finance and construction sectors. In contrast, the introduction of professional managers could alleviate the constraints of family control. These managers had extensive expertise in risk management and could make decisions aligned with market demands. For instance, Fubon Group partnered with Citibank during the global dot-com bubble. This collaboration not only introduced professional management teams but also enhanced its competitiveness across various industries through horizontal integration and acquisition strategies. Fubon Group's experience showed that bringing in external professional managers and investors could provide diverse perspectives and resources, allowing the company to effectively balance family traditions with modern management practices. Lastly, the interaction between government and business has been crucial to the growth of family enterprises. To align with the government's economic plan, many founders encouraged the group to pursue unrelated diversifications and cultivate political connections with the government. For instance, the founder of Far Eastern Group invested in the cement industry and established Asia Cement Corporation in response to the government's Ten Major Construction Projects. This not only enhanced the diversity of the group but also fostered partnerships with the government. However, overreliance on political connections could lead to negative consequences, including legal issues or bankruptcy. For example, Jeffrey Koo Jr. of CTBC Group faced legal challenges in the Red Fire case, while the Tsai family faced significant risks in the Tenth Credit Cooperative case. On the other hand, E.SUN focused on market-driven strategies, professional management and innovation. This demonstrated that companies could achieve diversification without relying on political support. Although political connections could facilitate the diversified development of a group, excessive dependence might bring potential risks. Therefore, the group must strike a balance between leveraging political connections and maintaining its core competitiveness to ensure stable development.

Statistical analysis revealed that family control, multi-generational management, political connections, and political party affiliations positively impact the group's diversified development. Firstly, multi-generational management could enhance groups' diversification. By inheriting the founder's philosophy, culture, and reputation, the group can promote diversified growth. However, excessive family control might limit growth potential. This was because it could lead to overly conservative decision-making, a reluctance to engage in high-risk investments, and a lack of innovative ideas. Additionally, the founder's politics connections could facilitate the group's entry into various industries by providing access to resources and support from the government. Furthermore, if the founder had an affiliation with the KMT, the group might find it easier to expand into non-core industries. Many group founders experienced Taiwan's economic transformation during the KMT's rule before 2000. This background allowed them to leverage their connections to drive business development and accelerate diversification.

In conclusion, the diversification of family business groups was influenced by several factors, including succession models, family governance, and politics connections. A successful succession model combined with the integration of professional management and appropriate political connections can significantly enhance a group's diversification. Yet, an excessive reliance on family control or political connections could pose potential risks. Therefore, it was important to strike a balance among these elements to foster diversification in family business groups.

Suggestion

In the competitive environment of Taiwanese conglomerates, successful diversification relied on effective succession planning, professional management, and appropriate political connections. Based on the research findings, I suggest the following recommendations. Firstly, emphasize structured succession planning that fosters innovation. Successors should build upon the existing corporate culture while adopting new strategies to enhance diversification. Secondly, lessen excessive family control by bringing in professional managers who can make proactive decisions and seek out new markets. This approach can harmonize family traditions with contemporary management practices. Lastly, handle political connections judiciously. While they can aid diversification, an over-dependence on political relationships can pose risks. Companies should prioritize market-driven strategies for sustainable success, as demonstrated by E.SUN Financial Holdings.

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