

# Entrepreneurship in the textbook business in modern East Asia: Kinkōdō of Meiji Japan and the Commercial Press of early twentieth-century China<sup>1</sup>

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## Abstract

This article compares the ways in which two major textbook publishers in East Asia – namely Kinkōdō in Meiji Japan and the Commercial Press in early twentieth-century China – practised the Western model of corporations to build a new kind of publishing business in their respective societies, which were undergoing significant transformation. The study suggests that, although the use of the model could imply global business convergence, its transplantation process was largely shaped by entrepreneurs who negotiated the Western model as an alternative newly opened to them and brought to light variant forms of practice tailored to serve their own aspirations in corporate directions such as industrial integration and ownership structure. The two cases present two distinct patterns of developing a new textbook publishing business under the same corporation model.

**Keywords:** Textbook publishing, Kinkōdō, The Commercial Press, Corporation, Industrial integration, Entrepreneurship, Meiji Japan, Modern China

## 1. Introduction

Christopher Reed observes that the publishing sector in Shanghai evolved into a lucrative capitalist industry in the early twentieth century by adopting the corporation model of joint-stock company with limited liability, and applying Western technology in the printing and production of books.<sup>2</sup> According to Reed, textbooks and other publications were produced in large quantities to

1 This work is part of a research project supported by the Hong Kong General Research Fund (Project No. 643412). We thank Pearl Chih for her help in gathering important materials related to Kinkōdō and Duane So for his editorial assistance. We are also indebted to the two anonymous reviewers for their constructive feedback and suggestions.

2 Christopher A. Reed, *Gutenberg in Shanghai* (Vancouver: UBC Press, 2004), 188.

meet rapidly rising market demand resulting from educational reforms in China. New trade associations were also established to resolve copyright disputes. Reed's study of print capitalism in Shanghai added an important empirical case to the discourse on the role of Western-style corporations in modern Chinese business history.<sup>3</sup>

In this article we document in comparative perspective how two major textbook publishers in Meiji Japan and early twentieth-century China practised the model of corporation transplanted from the West as a new mode of conducting business; and in particular the way in which they dealt with intra- and inter-industry integration. Stories of the two textbook publishers under study – Japan's Kinkōdō (金港堂; literally “golden harbour press”) and the Commercial Press (shangwu yinshuguan 商務印書館) of China – present two different paths to creating a new textbook publishing business. Although they were both among the first companies registered as joint-stock company with limited liability when Western-style company law was newly introduced in their respective countries, neither took advantage of impersonal modes of investment of the corporation model; rather, each negotiated the model to suit local circumstances. Differences in their stories reflect an intricate interplay between their concerns about profit-making and educational commitment around the turn of the twentieth century. The stories of these major textbook publishers may be unique, but they reveal important patterns of entrepreneurship in textbook publishing in modern East Asia. This empirical study will also help to broaden Reed's discourse of print capitalism in Shanghai. Given limited space, rather than discussing all aspects of the cases, we shall focus mainly on the two companies' business practices.

The word “corporation” used in this article refers to the organizational mode of firms that legally separates ownership from management and limits shareholders' individual liabilities. This type of corporation differs from the traditional shareholding pattern of Japanese and Chinese firms in which the shareholders have unlimited liability. The corporation model is essential, at least in theory, for large-scale investments by the general public without personal connections to the company. The model is necessary especially for large companies using advanced manufacturing technologies for mass production as they require large amounts of financial capital normally far greater than what small, privately owned or family businesses can afford. In fact, it has been commonly used in large-scale manufacturing businesses in the West since the mid-nineteenth century.<sup>4</sup> In the late nineteenth and the early twentieth

- 3 See other cases in Sherman Cochran, *Encountering Chinese Networks* (Berkeley, CA: University of California Press, 2000). Regarding Chinese company law and its interaction with the state, see William Kirby, “China unincorporated”, *Journal of Asian Studies* 54/1, 1995, 43–56; Fang Liufang 方流芳, “Shi jie Jie Fucheng he Ke Bi de Zhongguo gongsi zhi mi 試解薛福成和柯比的中國公司之謎”, in Liang Zhiping 梁治平 (ed.), *Fazhi zai Zhongguo 法治在中國* (Beijing: Zhongguo zhengfa daxue chubanshe, 2002), 280–318; Zhang Zhongmin 張忠民, *Jiannan de bian qian 艱難的變遷* (Shanghai: Shanghai shehuikexueyuan chubanshe, 2002); David Faure, *China and Capitalism* (Hong Kong: Hong Kong University Press, 2006).
- 4 Alfred D. Chandler, *The Visible Hand* (Cambridge, MA: Belknap, 1977); Leslie H. Hannah, *The Rise of the Corporate Economy*, 2<sup>nd</sup> ed. (Baltimore: Johns Hopkins University Press, 1983).

centuries many government officials, business leaders and scholars in both Japan and China considered Western businesses with such a model to be far more competitive than traditional Japanese or Chinese businesses.<sup>5</sup> In fact, Reed's argument rests on this assumption.

Furthermore, there has been a growing interest in documenting publishing history and print culture in recent decades, which has now led to a well-accepted view that publishing played a significant role in the spread of modern Western culture.<sup>6</sup> Some scholars are now looking at the extent to which it impacted on non-Western countries from the nineteenth to the twentieth centuries. A number of new case studies have been carried out on publishing companies in Meiji Japan and modern China.<sup>7</sup> Without doubt, publishing played a role in these nations as they underwent significant transformations since their encounter with the industrialized West and they took the acquisition of new Western knowledge very seriously. Publishing provided an effective platform for the transfer and dissemination of new knowledge in the late nineteenth and the early twentieth centuries.<sup>8</sup>

Textbooks played a timely role in Meiji Japan and late Qing China where the old educational systems were abolished and reforms were undertaken emulating Western models of education and introducing compulsory elementary education for the general public. They served as an effective tool for transmitting Western knowledge as well as traditional values to students, even though learning the old and the new world at the same time could be full of contradictions and dilemmas. The impact of other types of publication such as newspaper, magazines and books for the general reader also played an important role. However, school textbooks caught a much wider readership and their contents were far more standardized. Thus, a comparative examination of the textbook publishers of Meiji

- 5 For discussion on the context of China, see Billy K.L. So and Albert S. Lee, "Legalization of Chinese corporation, 1904–1929", in Billy K.L. So and Ramon H. Myers (eds), *The Treaty Port Economy in Modern China* (Berkeley, CA: Institute of East Asian Studies, University of California at Berkeley, 2011), 186–90. For a survey of corporate law and development of corporation in Japan, see Hiroshi Oda, *Japanese Law*, 3rd ed. (Oxford: Oxford University Press, 2009), 218–21; Harold Baum and Eiji Takahashi, "Commercial and corporate law in Japan", in Wilhelm Röhl (ed.), *History of Law in Japan Since 1868* (Leiden: Brill, 2005), 330–401.
- 6 John Feather, *A History of British Publishing* (London: Routledge, 1988); Roger Chartier (ed.), *The Culture of Print*, Lydia G. Cochrane (trans.) (Princeton, NJ: Princeton University Press, 1989); Robert Darnton and Daniel Roche (eds), *Revolution in Print* (Berkeley, CA: University of California Press, 1989).
- 7 Giles Richter, "Entrepreneurship and culture", in Helen Hardacre and Adam L. Kern (eds), *New Directions in the Study of Meiji Japan* (Leiden: Brill, 1997), 590–602; J. Thomas Rimer, "Iwanami Shigeo's Meiji education", in Hardacre and Kern, *New Directions in the Study of Meiji Japan*, 136–50. There is also a substantial body of Chinese-language literature on the Commercial Press as well as other major Chinese publishers, e.g. Zhou Qihou 周其厚, *Zhonghua shuju yu jindai wenhua* 中華書局與近代文化 (Beijing: Zhonghua shuju, 2007).
- 8 Giles Richter, "Marketing the word" (PhD diss., Columbia University, 1999); Ye Zaisheng 葉再生, *Zhongguo jindai xiandai chuban tongshi* 中國近代現代出版通史 (Beijing: Huawen chubanshe, 2002), vol. 2; Wang Yuguang 王余光 and Wu Yonggui 吳永貴, *Zhongguo chuban tongshi – minguo juan* 中國出版通史—民國卷 (Beijing: Zhongguo shuji chubanshe, 2008); Reed, *Gutenberg in Shanghai*.

Japan and early twentieth-century China promises to advance understanding of the complexity of the publishing business in modern East Asia at its incipient stage.

In this article we will first provide brief accounts of the two companies and then compare their divergent trajectories in the areas of educational context, paper-making, printing machinery manufacturing, financing, distribution, and relations with the state.<sup>9</sup> Lastly we will highlight the differences and present our interpretations.

## 2. Two cases: Kinkōdō and the Commercial Press

It is understood that Kinkōdō and the Commercial Press both established a prominent presence in the textbook industry in their respective countries. From 1903 to 1914 the former made a direct investment in the latter, which has attracted scholarly interest. However, the nature and process of their ten-year business relationship remain unclear and controversial.<sup>10</sup> Thus, it is mentioned only in passing in this article.

### 2.1. Kinkōdō

Kinkōdō was founded by Hara Ryōsabrō (原亮三郎) in 1875.<sup>11</sup> A son of a low-ranked samurai family in the southern part of present-day Gifu

9 These accounts are largely based on the existing scholarship but also include our own findings through archival search. Japanese and Chinese personal names in the accounts are written with their family names first, followed by their given names, following the conventions in Japan and China.

10 For instance, see Reed, *Gutenberg in Shanghai*, 197–8. His explanation of their joint partnership is based on Ip Manying, *The Life and Times of Zhang Yuanji, 1867–1959* (Beijing: Shangwu yinshuguan, 1985), which was commissioned by the Beijing Commercial Press in the early 1980s (Ip’s book, written in English, has never been circulated widely and its Chinese translation is more accessible); Ye Song Manying 葉宋曼瑛, *Cong Hanlin dao chubanjia* 從翰林到出版家, Zhang Renfeng 張人鳳 and Zou Zhenhuan 鄒振環 (trans.), (Hong Kong: Shangwu yinshuguan, 1992), 105–11. After the publication of Ip’s book, an alternative explanation began to appear; cf. Douglas R. Reynolds, *China, 1898–1912* (Cambridge, MA: Council on East Asian Studies, Harvard University, 1993), 121–2; Tarumoto Teruo 樽本照雄 (ed.), *Shōmuinshokan kenkyū ronshū* 商務印書館研究論集 (Ōtsushi: Shinmatsu shōsetsu kenkyūkai, 2006), 7–42; and his *Shoki Shōmuinshokan kenkyū* 初期商務印書館研究, rev. ed. (Ōtsushi: Shinmatsu shōsetsu kenkyūkai, 2004), 160–212. More recent discussion on the subject can be found in Yu Yiwen 尤怡文, Chih Wong Ming-chu 遲王明珠, Su Jilang (Billy K.L. So) 蘇基朗 and Sufumi So 蘇壽富美, “Jingangdang yu Shangwu yinshuguan 金港堂與商務印書館”, in Wu Weiming 吳偉明 (ed.), *Cong jinxindai Zhong-Ri jiaoliushi kan xiandaixing ji shenfen rentong* 從近現代中日交流史看現代性及身份認同 (Hong Kong: The Chinese University Press, 2012), 205–22.

11 The most detailed account is found in Inaoka Masaru 稲岡勝, “Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei 明治檢定期の教科書出版と金港堂の経営”, *Tōkyō toritsu chūō toshokan kenkyū kiyō* 東京都立中央図書館研究紀要 24, 1994, 1–144; see also his “Kinkōdō shōshi 金港堂小史”, *Tōkyō toritsu chūō toshokan kenkyū kiyō* 東京都立中央図書館研究紀要 11, 1980, 63–135; “Meiji zenki kyōkasho shuppan no jittai to sono ichi 明治前期教科書出版の實態とその位置”, *Shuppan kenkyū* 出版研究 16, 1985, 72–125; “Meiji zenki monbushō no kyōkasho shuppan jigyō 明治前期文部省の教科書出版事業”, *Shuppan kenkyū* 出版研究 18,

Prefecture, Ryōsabarō received some education at a traditional rural school there and then spent two years in a French school in the neighbouring city of Nagoya before moving in 1872 at age 24 to Tokyo, Japan's capital since 1868, in order to study Confucian texts. Running out of money, the young Ryōsabarō took up a junior position in a local post office in Kanagawa Prefecture with a monthly salary of about 2.5 yen, possibly equivalent to 50,000 yen today but far lower than the salary for an entry-level position as elementary school teacher or police officer in those days.<sup>12</sup> In 1874 he was appointed administrative head of a small urban district in Yokohama with responsibilities including the supervision of newly established elementary schools in the district, a duty that connected him to the business of elementary school textbooks. His salary had increased to 15 yen by then. The following year, aged 27, Ryōsabarō resigned from his job and started his own publishing house called Kinkōdō in Yokohama. A year later he relocated the Kinkōdō office to Nihonbashi in the central business district in Tokyo. From then on he singlehandedly embarked on growing his company as a textbook publisher. He commissioned eminent scholars and educators to write textbooks in a wide range of academic disciplines from science to humanities. Many of these textbook authors taught at newly established teachers' colleges, including Miyake Yonekichi (三宅米吉) who was later counted among the most eminent Meiji historians.<sup>13</sup> The company had its own editorial department and produced high-quality textbooks. It amassed a fortune and was incorporated in 1893 when the Meiji government implemented some parts of the commercial code, which provided rules for establishing incorporated companies.

However, the company's significant shareholders consisted of the founder's family members. In 1899, for instance, Kinkōdō was a company with a capital of 500,000 yen, divided into 10,000 shares of 50 yen each. But there were only 12 shareholders, more than half of whom were either members of the Hara family or the company's staff members. Moreover, Ryōsabarō and his wife together held more than 90 per cent of the company's stock. This is unmistakably a family corporation with little appetite for impersonal public investment. In comparison, another major textbook publisher Dai Nippon Tosho Company Limited (*dai nippon tosho kabushiki gaisha* 大日本図書株式会社; literally "great Japan book company limited") had capital of 100,000 yen, divided into 2,000 shares, and had 141 shareholders. Its largest shareholder, with around 300 shares, was, in fact, Kinkōdō as a corporate shareholder. This type of shareholding pattern was apparently far more open to the public than the Kinkōdō pattern.<sup>14</sup>

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1986, 1–53. For the early life of Ryōsabarō, our account is also based on one of his biographies: Segawa Mitsuyuki 瀬川光行, "Hara Ryōsabarō den 原亮三郎伝", in his *Shōkaieiketsuden* 商海英傑伝 (Tokyo: Fuzanbō, 1893), 9/52–6.

- 12 *Shūkan Asahi henshūbu* 週刊朝日編集部, *Nedan no Meiji, Taishō, Shōwa fūzoku shi* 階段の明治・大正・昭和風俗史 (Tokyo: Asahi shimbunsha, 1981).
- 13 Takeda Shingo 竹田進吾 and Tonoike Satoshi 外池智, "Miyake Yonekichi no rekishi kyōikuron to Kinkōdō no rekishi kyōkasho 三宅米吉の歴史教育論と金港堂の歴史教科書", *Nihon kyōikushi kenkyū* 日本教育史研究 26, 2007, 1–37.
- 14 Tōkyō Kōshinjo 東京興信所, *Ginkō kaisha yōroku* 銀行会社要録, 3rd ed. (Tokyo: Tōkyō Kōshinjo, 1912), 413–4 and 418.

Kinkōdō continued to grow until the late 1890s, but the company hit a setback in 1903 due to a major bribery scandal involving employees of some textbook publishers including Kinkōdō. Those employees were convicted on bribery charges along with over 100 government officials and local school principals and teachers. Although Kinkōdō was, at this point, managed by Hara Ryōichirō (原亮一郎, the eldest son of Ryōsaborō), Ryōsaborō was also indicted as the de facto head of the company. While Ryōsaborō was not convicted in the bribery case, the company's fortunes began to dwindle after this incident.<sup>15</sup> According to Inaoka, the company survived the crisis but gradually lost its influence in the textbook publishing industry.<sup>16</sup> In the 1910s the Hara family began to reduce their holdings of the company. Some former employees acquired Kinkōdō stores and managed them as their own business while retaining the original name (e.g. Sendai Kinkōdō). These new Kinkōdō branch stores operated only locally and Kinkōdō was less influential in the national textbook market than it once had been.

While it is true, as Inaoka argues, that Kinkōdō started to decline in the early 1900s,<sup>17</sup> the company still ranked fourth in sales of high school textbooks in 1910.<sup>18</sup> In fact, Ryōichirō was still the director of three corporations including Kinkōdō and his father Ryōsaborō remained the president of Kinkōdō at that time.<sup>19</sup> The company's name was still listed in business directories in 1939 when Hara Ryōshichirō (原亮七郎), one of Ryōsaborō's sons, was its president.<sup>20</sup> Thus, the company continued to operate its business in the decline stage of more than 30 years since the turn of the century. For the purpose of our study, however, we look only at the first 30 years of the company's history through the early 1900s.

## 2.2. The Commercial Press

The Commercial Press in China, which has been widely studied,<sup>21</sup> was a Chinese counterpart of Kinkōdō in Meiji Japan. According to the literature, it

- 15 Hara Ryōsaborō was indicted in the first round of 88 prosecutions in this bribery case in January 1903. See Iyama Magoroku 井山孫六, *Meiji minshūshi o aruku* 明治民衆史を歩く (Tokyo: Shin jinbutsu ōrai sha, 1980), 213–5. We thank Inaoka for bringing our attention to Iyama's work.
- 16 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 117–21.
- 17 Inaoka Masaru, "Kinkōdō shōshi", 119–31.
- 18 Yahagi Katsumi 矢作勝美, *Dai-nippon tosho hyakunen-shi* 大日本図書百年史 (Tokyo: Dai Nippon tosho kabushiki gaisha, 1992), 287.
- 19 Takano Yoshio 高野義夫, *Meiji Taishō Shōwa Tōkyō jinmeiroku jōkan* 明治大正昭和東京人名録上卷 (Tokyo: Nippon tosho sentā, 1989), 78.
- 20 Teikoku himitsu tanteisha 帝國秘密探偵社, *Taishū jinjiroku* 大衆人事録, 13th ed. (Tokyo: Teikoku himitsu tanteisha, 1939), 623.
- 21 There is a growing body of literature in Chinese on the Commercial Press and its major figures including Zhang Yuanji and Wang Yunwu. Substantive monographic studies include Ye Song Manying, *Cong Hanlin dao chubanjia*; Wang Jiarong 汪家熔, *Shangwu yinshuguan shiji qita* 商務印書館史及其他 (Beijing: Zhongguo shuji chubanshe, 1998); Zhou Wu 周武, *Zhang Yuanji* 張元濟 (Shanghai: Shanghai jiaoyu chubanshe, 1999); Yang Yang 楊揚, *Shangwu yinshuguan* 商務印書館 (Shanghai: Shanghai jiaoyu chubanshe, 2000); and Li Jiaju 李家駒, *Shangwu yinshuguan yu jindai zhishi wenhua de chuanbo* 商務印書館與近代知識文化的傳播 (Hong Kong: Xianggang zhongwen daxue chubanshe, 2007), among others. Apart from Reed,



was first established in Shanghai in 1897 by a small group of Chinese Christians, who knew one another through friendship and family ties, as a printing workshop to produce religious literature and office supplies such as business cards and account books, with an initial capital of a few thousand  *yuan*. These co-founders – Xia Ruifang (夏瑞芳) who ran the company as its general manager, Bao Xianen (鮑咸恩), Bao Qianchang (鮑咸昌) and Gao Fengchi (高鳳池) – previously worked in a missionary printing house and acquired the skills to operate modern printing machines there. In 1898 the company enjoyed great success when they printed a version of an Indian English-language textbook with Chinese annotations for Chinese learners of English. It subsequently evolved into a printing and publishing business enterprise with the three divisions to manage editing and translation, printing, and bookselling respectively. In 1902, with new investments by Zhang Yuanji (張元濟), an established scholar, and Yin Youmo (印有模), an industrialist, the Commercial Press that had been a partnership firm became a joint-stock company with limited liability without registration and amassed capital of 50,000  *yuan*.

Also in 1902 Zhang Yuanji joined the editorial and translation division – this has been widely regarded as a turning point for the company; he became its head the following year. He was an elite intellectual who earned the  *jinshi* degree in the imperial civil service examination or  *keju* (科舉) in 1892. He was superbly trained in classical Chinese texts and also well-versed in modern Western knowledge. He had worked for the central government during the 1890s and participated in the ill-fated Hundred Days Reform of 1898 before moving to Shanghai to join the recently established Nanyang College ( *Nanyang gongxue* 南洋公學), a premier modern educational institution founded by Sheng Xuanhuai (盛宣懷), a high-ranking official and entrepreneur who believed in the benefits of Western knowledge and business practices. Soon Zhang headed the college's School of Translation, which produced Chinese translations of Western books in politics, social studies and technology. His subsequent publishing career at the Commercial Press was seen as a logical extension of his ambition to modernize China through the spread of new knowledge. With his intellectual background and through his connections that included such influential figures as Cai Yuanpei (蔡元培) and Wu Dingfang (伍廷芳), Zhang was well equipped for turning the Commercial Press, still a modest publishing house, into a major vehicle of cultural transformation in China.

In 1903 the Commercial Press created a joint venture with Kinkōdō. This new business entity retained the name of the Commercial Press and was registered, under the Company Law of 1904, with a Commercial Bureau created by the

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*Gutenberg in Shanghai*, 161–225, monograph theses in European languages on the Commercial Press include Jean-Pierre Drège,  *La Commercial Press de Shanghai, 1897–1949* (Paris: Institut des hautes études chinoises, Collège de France, 1978) and Florence Chien, “The Commercial Press and modern Chinese publishing 1987–1949”, (MA thesis, University of Chicago, 1970). Robert Culp,  *Articulating Citizenship* (Cambridge, MA: Harvard University Asia Center, 2007), 19–54 provides a succinct account of the early history of the Commercial Press largely based on Reed.

Qing court as joint-stock company with limited liability based in Shanghai.<sup>22</sup> The company rapidly expanded from 200,000 *yuan* in capital in 1903 at the time of creation of the joint venture to 400,000 in late 1905. The shareholders had also increased in number and diversity since 1906, and by 1913, when its capital reached 1.3 million *yuan*, there were more than 130 shareholders.<sup>23</sup> However, the shareholders were mostly the company's employees, commissioned writers, and existing and potential business contacts. In other words, the company open to public investment did not really become more impersonal as its shareholders increased in number.

In 1914 the Commercial Press and Kinkōdō decided that all shares held by Japanese be acquired by Chinese shareholders at once. Afterwards, the Commercial Press was solely owned by Chinese nationals and became the largest publishing house in modern China. The company would soon lead the advancement of educational, scholarly and literary endeavours through the publication of school textbooks, reprints of rare classical Chinese texts, original Chinese works of literature, Chinese translations of Western and Japanese works of literature, and other original Chinese and translated works on subjects in social and natural sciences. Shortly after the buyout of Kinkōdō, Xia Ruifang was mysteriously assassinated.<sup>24</sup> Yin Youmo, Zhang Yuanji, Bao Qianchang and Gao Fengchi, as well as Wang Yunwu (王雲五) from 1930, had since successively taken the helm of the company and ran the business in a highly competitive manner. By the late 1920s the company had one of the best libraries in the country and its editorial and translation division was particularly resourceful. It also diversified its business by producing educational equipment, printing paper currency for modern banks, manufacturing printing machinery, and so on. Books were directly distributed to retail stores in more than twenty major cities across the country. The company also ran a range of popular educational institutions including vocational and correspondence schools.<sup>25</sup>

Although the Commercial Press suffered devastating losses because of a majority of property damaged by the Japanese army during the Shanghai Incident in early 1932, it managed to maintain production elsewhere including Hong Kong and resumed normal business later in the year. It had since

- 22 Prior to its registration with the Qing Commercial Bureau in Shanghai, the company may have attempted to register in Hong Kong in 1905; see Su Jilang (Billy K.L. So) 蘇基朗, and Sufumi So 蘇壽富美, "Zaoqi Shangwu yu Xianggang 早期商務與香港", *Shanghai xue* 上海學 4, forthcoming. Cf. Wang Fei-hsien, "Creating new order in the new knowledge economy" (PhD diss., University of Chicago, 2012), 178, n.16.
- 23 Chang Zhou 長洲, "Shangwu yingshuguan zaoqi gudong 商務印書館的早期股東", in Shangwu yinshuguan 商務印書館 (ed.), *Shangwu yinshuguan jiu shiwu nian* 商務印書館九十五年 (Beijing: Shangwu yinshuguan, 1992), 642–55, esp. 650; Shangwu yinshuguan 商務印書館, "Shangwu yingshuguan chengji gailüe 商務印書館成績概略 (1914)", in Wu Yonggui 吳永貴 (ed.), *Minguo shiqi chubanshiliao huibian* 民國時期出版史料彙編 (Beijing: Guojia tushuguan chubanshu, 2013), 1/3–4; Shanghai newspaper *Shenbao* 申報, 1 February 1914.
- 24 Although the assassin was arrested and convicted, the case remained unresolved as the Xia family dropped their pursuit of its mastermind when the assassin was executed. For a brief account of the complexity of the case, see Reed, *Gutenberg in Shanghai*, 216.
- 25 The company's own booklet *Shangwu yinshuguan zhilüe* 商務印書館志略 (Shanghai: Shanghai Shanghai Shangwu yinshuguan, 1928) explains these undertakings.



continued to maintain its dominant position in the book publishing industry in China, albeit not so robust as the pre-1932 time, until the outbreak of the Second Sino-Japanese War in 1937.<sup>26</sup> After 1949 it was split into two separate entities, one in Taiwan and the other on the Mainland. Our discussion on the Commercial Press in this article is confined to the first 30 or so years of its history in order to perform meaningful comparison between the two publishers under study.

### 3. One model, two trajectories

#### 3.1. Academic authority and educational policies

In this section Kinkōdō and the Commercial Press are compared on their publishing business fronts. The former was more focused on textbook publishing than the latter. Kinkōdō did publish other types of books such as literary works and magazines at different stages: this helped boost the company's reputation at the beginning, but did not help to achieve a stable and profitable business structure. The Commercial Press, on the other hand, took a diversified approach, publishing a wide range of books including school textbooks, literary works, classical Chinese texts, books on new Western knowledge in science, humanities, social sciences and business management, as well as magazines and dictionaries. In their textbook undertakings, both companies engaged and employed eminent academic elites.<sup>27</sup>

Both companies had their own business competitors in their own countries. As a textbook publisher, Kinkōdō had to compete with well-funded and diversified companies such as Maruzen Company Limited (maruzen kabushiki gaisha 丸善株式会社) established in 1869, and the government-supported Dai Nippon Tosho Company Limited incorporated in 1893 as initiated by the Ministry of Education.<sup>28</sup> For non-textbook publishing, the company faced strong competition from Hakubunkan Publishers Limited (hakubunkan 博文館; literally "boundless learning house"), which, after its opening in 1887, quickly became an undisputed leader in magazines, literary works, and books on Western culture for the general reader.<sup>29</sup> The Commercial Press was challenged only by Zhonghua Book (*zhonghua shuju* 中華書局; literally "China book company"), the second largest bookstore, in the mid-1910s, the owner of which was formerly

26 Florence Chien, "The Commercial Press", holds the view that in the years between 1933 and 1936 the company experienced its most productive phase (p. 42), mainly based on the sheer number of books being published each year. However, more than 1.6 million copies of a single history textbook were printed in the 1930s, for instance. Cases such as this could have boosted the number of publications on record; see Bi Yuan 畢苑, *Jianzao changshi: jiaokeshu yu jindai Zhongguo wenhua zhuanxing* 建造常識：教科書與近代中國文化轉型 (Fuzhou: Fujian jiaoyu chubanshe, 2010), 158–9. The company's dominant position against its competitors in 1930 is discussed later in this article.

27 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 39–64; Li Jiaju, *Shangwu yinshuguan yu jindai zhishi wenhua de chuanbo*, 49–82, 161–71; Culp, *Articulating Citizenship*, 43–52.

28 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 76–8. Regarding competition among the three companies, see Yahagi Katsumi, *Dai-nippon tosho hyakunen-shi*, 39–52, 313.

29 Richter, "Entrepreneurship and culture".

with the Commercial Press as a chief textbook editor.<sup>30</sup> While these two companies did compete in the textbook market in China, the Commercial Press was always ahead and its status as leading publisher was never threatened during the first few decades of the twentieth century. For instance, in 1930 the turnover of the Commercial Press reached 12 million *yuan*, three times higher than that of Zhonghua, and the company held no less than 60 per cent of the market share.<sup>31</sup>

Kinkōdō had to cope with unique situations where frequent changes were made to the textbook publishing policies by the Ministry of Education in accordance with successive educational reforms during the Meiji period. Policy changes were dependent on who was in charge of educational policymaking, what educational philosophies they embraced, what they saw as the nation's educational needs, and what educational objectives they thought should be introduced. Changes were coherent at any one time but opportunity structures shifted from time to time.<sup>32</sup> Kinkōdō was apparently able to adjust its business operations in response to new textbook policies and their accompanying opportunities. From 1875 through 1885, under the "printing permission" policy, the Ministry of Education gave certain designated printers permission to print school textbooks whose content was determined by the ministry. Kinkōdō was one of them; it was equipped with high-quality paper and printing technology and was also well connected to the ministry.

Under the new policy from the mid-1880s through the early 1890s, publishers were required to produce textbooks on their own but the textbooks had to be approved by the Ministry of Education for use in schools and reviewed by local school board members for the final selection. This decentralized decision-making mechanism demanded high-quality textbooks and good reputations of textbook authors. In response to this change, Kinkōdō established an editorial department and hired a team of highly reputable scholars teaching at top teachers' colleges that commanded authority in pursuing educational reforms at the time. As a result, the publisher was able to maintain its status as a leader in textbook publishing and enjoyed the largest market share.

As competition intensified after the First Sino-Japanese War in 1895, business practices became increasingly corrupt in the textbook publishing industry to the point at which hundreds of publishers' staff members, educators, and government officials were implicated or convicted in notorious textbook bribery scandals in 1902 and 1903. Those implicated in the bribery cases included some of Kinkōdō's employees. This incident marked the beginning of the company's decline. Despite its tarnished image, Ryōichirō, the eldest son of its

30 Culp, *Articulating Citizenship*, 43–52.

31 Shanghai Municipal Archives (SMA), file no. 313-1-128-67.

32 For the educational reforms and textbook system in the Meiji era, see Kokumin kyōiku shōreikai 国民教育奨励会 (ed.), *Kyōiku gojūnenshi* 教育五十年史 (Tokyo: Nihon tosho sentā, 1982), 223–48; Yahagi Katsumi, *Dai-nippon tosho hyakunen-shi*, 13–38; Karasawa Tomitarō 唐澤富太郎, *Kyōkasho no rekishi* 教科書の歴史 (Tokyo: Sōbunsha, 1956), 146–90, 191–201; Byron K. Marshall, *Learning to Be Modern* (Boulder, CO: Westview, 1994); Mark E. Lincicome, *Principle, Praxis, and the Politics of Educational Reform in Meiji Japan* (Honolulu, HI: University of Hawaii Press, 1995); Benjamin Duke, *The History of Modern Japanese Education* (New Brunswick, NJ: Rutgers University Press, 2009).

founder Hara Ryōsaburō, was still entrusted with the task of founding a new textbook publishing corporation under the name of Tokyo Shoseki Company Limited (Tōkyō shoseki kabushiki gaisha 東京書籍株式会社; literally “Tokyo book company limited”) in 1909 together with a few other major textbook publishers.<sup>33</sup> Ryōichirō became the president of the new corporation in 1910 and the Hara family appears to have been in good control of this new family venture with public company structure. However, he resigned from the position of president six years later and ceased to be a director from 1933.<sup>34</sup> Although Tokyo Shoseki prospered through the war into the post-war era, and remains one of the major textbook publishers in Japan today (its in-house library is considered the best in the country), the Hara family’s influence over this new company turned out to be short-lived.

In China, following the abolition of the imperial civil service examinations in 1905, a new education system was adopted.<sup>35</sup> Textbook policies modelled on their Western and Japanese counterparts were gradually developed.<sup>36</sup> It was the time when the nation experienced political uncertainties and upheavals as a result of the deterioration in governance under the late Qing regime that eventually led to the fall of the imperial order in 1911. The Beijing regime passed into the hands of warlords in the subsequent years until the establishment of the Guomindang (GMD, Chinese Nationalist Party) regime as China’s central government in Nanjing in 1928. Despite political instability in China from 1905 to 1928, the nation’s textbook policies were relatively stable and consistent during this period.<sup>37</sup> This was probably because the shifting central governments were all weak and preoccupied with their own political agendas. As a result of this situation, the textbook business was able to operate freely without much

33 Yahagi Katsumi, *Dai-nippon tosho hyakunen-shi*, 195; Karasawa Tomitarō, *Kyōkasho no rekishi*, 201–27.

34 Tōkyō shoseki kabushiki gaisha 東京書籍株式會社 (ed.), *Kyōkasho no henshen 教科書の變遷* (Tokyo: Tōkyō shoseki kabushiki gaisha, 1959), 551–63.

35 For an overview of China’s education reform, see Shu Xincheng 舒新城, *Zhongguo jindai jiaoyushi ziliao 中國近代教育史資料* (Beijing: Renmin jiaoyu chubanshe, 1961); Jin Linxiang 金林祥 and Yu Shusheng 于述胜, *Zhongguo jiaoyu zhidu tongshi 中國教育制度通史* (Jinan: Shandong jiaoyu chubanshe, 2000).

36 Wang Jianjun 王建軍, *Zhongguo jindai jiaokeshu fachen yanjiu 中國近代教科書發展研究* (Guangzhou: Guangdong jiaoyu chubanshe, 1996), 105–27; Lee Huaxing 李華興, *Minguo jiaoyushi 民國教育史* (Shanghai: Shanghai jiaoyu chubanshe, 1997), ch. 6; Gang Ding, “Nationalization and internationalization”, in Glen Peterson, Ruth Hayhoe, and Yongling Lu (eds), *Education, Culture, and Identity in Twentieth-Century China* (Hong Kong: Hong Kong University Press, 2001), 161–92; Culp, *Articulating Citizenship*, 20–43; Wang Jiarong 汪家熔, *Minzuhun 民族魂* (Beijing: Shangwu yinshuguan, 2008); Bi Yuan, *Jiangzao changshi*; Wu Xiao’ou 吳小鷗, *Zhongguo jindai jiaokeshu de qimeng 中國近代教科書的啟蒙價值* (Fuzhou: Fujian jiaoyu chubanshe, 2011); Kawakami Norimasa 川上哲正, “Shinmatsu minkokuki ni okeru kyōkasho 清末民國期における教科書”, in Namiki Yorihisa 並木頼寿, Ōsato Hiroaki 大里浩秋 and Sunayama Yukio 砂山幸雄 (eds), *Kindai chūgoku kyōkasho to Nippon 近代中国教科書と日本* (Tokyo: Kenbun shuppan, 2010), 23–65.

37 The normal practice was that private publishers were granted permission to publish school textbooks and local school boards authorized to choose from an array of textbooks on an open market.

hindrance from the central authorities during this period.<sup>38</sup> Textbook publishers based in Shanghai, such as the Commercial Press and Zhonghua Book, dominated the textbook market nationally.

Textbook decisions were made at each school or local school board in China. Thus they differed greatly from locale to locale, representing a wide range of educational interests and orientations and creating a diverse textbook market structure. To fare well in such a market, publishers had to establish themselves as authoritative voices in education and command the trust and respect of textbook decision makers in different parts of the country. A company's reputation in the industry mattered more than its connections. The Commercial Press published trade books as well as textbooks as its business strategy. It was as if Japan's Kinkōdō's strength in textbook publishing was combined with Hakubunkan's strength in trade books. This approach apparently helped the company to position its brand in the national textbook market and expand its market share.<sup>39</sup> To combat the Commercial Press's success, rival company Zhonghua Book took an offensive and negative advertising strategy and launched a media campaign to highlight the Commercial Press's partnership with Japan's Kinkōdō. Through this campaign, Zhonghua Book appealed to anti-Japanese sentiments and nationalist feelings in the early 1910s to create a negative image of the Commercial Press. Consequently, in 1914, in order to protect its brand, the Commercial Press severed its ties with Kinkōdō completely, even if that would incur costly corporate governance changes.<sup>40</sup>

After 1928, under the GMD government in Nanjing, the procedures of selecting textbooks gradually moved away from a market-driven system and increasingly came under the control of the government with the intention of indoctrinating schoolchildren in certain political ideologies.<sup>41</sup> By the early 1930s, even in Shanghai, the Nanjing government exerted considerable influence over textbook content.<sup>42</sup>

### 3.2. The paper manufacturing industry

Towards the end of the nineteenth century, reasonably priced and durable paper was in great demand for mass production of textbooks used by schoolchildren in a compulsory education system. In 1887 Kinkōdō's founder Hara Ryōsaburō

38 There is an essay on the textbook review system of the Republican Era written by Zheng Hesheng 鄭鶴聲, "Sanshi'nianlai zhongyang zhengfu dui bianshenjiaokeshu de jiantao 三十年來中央政府對編審教科書的檢討", in Wu Yonggui, *Minguo shiqi chubanshiliao huibian*, 1935, 16/1–48.

39 Shangwu yinshuguan 商務印書館, *Shangwu yinshuguan shilüe* 商務印書館史略 (Shanghai: Shangwu yinshuguan, 1929); Wu Xiang 吳相, *Cong yinshua zuofang dao chuban chongzhen* 從印刷作坊到出版重鎮 (Nanning: Guangxi jiaoyu chubanshe, 1999).

40 Tarumoto Teruo, *Shōmuinshokan*, 318–85; Sawamoto Ikuma 沢本郁馬, "Shōmuinshokan to Kinkōdō no gōben kaiyaku sho 商務印書館と金港堂の合併解約書", *Shinmatsu shōsetsu* 清末小説 27, 2004, 93–133.

41 Culp, *Articulating Citizenship*, 50–52.

42 For instance, in 1931 the Shanghai Municipal Bureau of Education issued a directive calling on the publishing trade associations to include the GMD ideology in the textbooks published in Shanghai, which was reportedly carried out faithfully by the member publishers of the associations (SMA, file no. 313-1-161).

and a few other businessmen established a papermaking company with limited liability, Fuji Paper Company Limited (Fuji seishi yūgensekinin gaisha 富士製紙有限責任会社), which enjoys continued success to this day. Hara became one of its three managing directors and remained one of its six largest shareholders until 1900. In the early 1890s Fuji Paper became the sole supplier of paper to Kinkōdō, which had previously relied on paper imported from the West. There is a record that in 1891 Hara, then a member of the Diet of Japan, campaigned successfully for raising the import tariff on paper made in the West in order to protect domestic paper manufacturers, which was implemented beginning in 1898.<sup>43</sup>

Initially a small printing house, as its textbook and trade book publishing business took off, the Commercial Press gradually began using large amounts of paper for the mass production of printed materials. It is understandable that the company relied heavily on the market supply of paper. In particular, it needed paper sturdy enough to withstand modern printing technology. The Chinese papermaking industry prior to the Second Sino-Japanese War was not able to meet such demand, particularly in a publishing hub like Shanghai. The modern Chinese printing industry, therefore, relied mainly on imported paper.<sup>44</sup> The Commercial Press did not get involved in papermaking but acted as a wholesaler of imported paper. Regarding the purchase, pricing, stockpiling, redistributing and internal allocation, there is documentary evidence that the Commercial Press handled paper from different foreign sources and that its senior managers, including Zhang Yuanji, engaged in the process as routine management practice in the 1900s and 1920s.<sup>45</sup> In fact, the company reported to the Social Affairs Bureau of the Shanghai Municipal Government in the early 1930s about the supply of paper being scarce and the price of imported paper fluctuating.<sup>46</sup> In the mid-1930s the Commercial Press took part in the Nanjing regime's effort to develop a national industry of modern papermaking, but that venture was short-lived due to the outbreak of war in 1937.<sup>47</sup>

43 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 72–5, 85–6. For an account of the keen competition between Fuji Paper and its rival Ōji Paper Company Limited (Ōji seishi yūgensekinin gaisha 王子製紙有限責任会社) of Mitsui Zaibatsu, and their subsequent concerted efforts at co-ordination that created a competitive Japanese paper-making industry to compete in international paper markets, see Shinomiya Toshiyuki 四宮俊之, *Kindai nihon seishigyo no kyōsō to kyōchō* 近代日本製紙業の競争と協調 (Tokyo: Nihon keizai hyōronsha, 1997).

44 This situation is succinctly mentioned in the Commercial Press's report to the Shanghai Municipal Government in the early 1930s. SMA, file no. 313-1-128-79.

45 Zhang Yuanji 張元濟, *Zhang Yuanji riji* 張元濟日記 (Beijing: Shangwu yinshuguan, 1981).

46 SMA, file no. 313-1-128-79.

47 Quanguo jingji weiyuanhui 全國經濟委員會 (ed.), *Zhizhigongye baogaoshu* 製紙工業報告書 (Nanjing: Quanguo jingji weiyuanhui, 1936); Wenxi zhichang choubei weiyuanhui 溫溪紙廠籌備委員會 (ed.), *Zhongguo zaozhi gufenyouxiangongsi jihuishu* 中國造紙股份有限公司計劃書 (Nanjing: Wenxi zhichang choubei weiyuanhui, 1935). Wang Yunwu was named director of this proposed company to be set up in Wenzhou, Zhejiang. For more information on this company and its dissolution, see the Institute of Modern History Archives (IMHA, Academia Sinica), file no. 18-23-01-72-08-040.

### 3.3. Printing machinery and educational equipment

Both Kinkōdō and the Commercial Press ran their own printing shops printing their publications in-house instead of outsourcing the job to other printers. Neither company spared any expense in acquiring the best possible modern printing machines and frequently updating them to ensure they maintained a competitive advantage in printed products.<sup>48</sup> There was, however, a difference between the two companies in their approach to the printing aspect of the business. Kinkōdō's founder Hara Ryōsabrō was directly involved in setting up a machinery manufacturing firm, Tokyo Kikai Seizo Company Limited (Tōkyō kikai seizō kabushiki gaisha 東京機械製造株式会社; literally "Tokyo machinery manufacturing company limited"), while no record exists suggesting any move by the Commercial Press to work in partnership with a major manufacturer of printing machinery and equipment.

Originally a government-owned machinery workshop, Tokyo Kikai was incorporated in 1888 and began drawing private investment. The elder Hara was one of the 13 largest shareholders, many of whom had a strong background in government or banking.<sup>49</sup> Although he did not hold a senior management position at Tokyo Kikai, Hara could be considered an insider. The company became a major supplier of printing machines for Kinkōdō and of instructional and medical equipment including special tools for science experiments. Apparently its popularity and reputation were not confined domestically. For instance, over 172 items of science equipment made by Tokyo Kikai were advertised in a Chinese high school textbook published in 1907, with two different prices listed for each item, one of which was for Chinese clients placing a direct mail order.<sup>50</sup> Kinkōdō's close ties to Tokyo Kikai must have helped the publishing firm to maintain a competitive advantage in the textbook market. In 1897 the printing house of Kinkōdō became an independent corporation named Imperial Printing Company Limited (teikoku insatsu kabushiki gaisha 帝国印刷株式会社).

As in the case of paper, unlike Kinkōdō, no record suggests that the Commercial Press tried to incorporate a separate major machinery manufacturer

48 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 76–85. On the Commercial Press's printing operations from its early years, see Li Jiaju, *Shangwu yinshuguan yu jindai zhishi wenhua de chuanbo*, 29; Ye Song Manying, *Cong Hanlin dao chubanjia*, 145–6. Reed provides a detailed account of technology transfer and expansion of the Commercial Press's printing operation. See Reed, *Gutenberg in Shanghai*, 128–60.

49 The lead founder of Tokyo Kikai was Nakamura Michita (中村道太), who was also one of the key founders and the first president of Yokohama Specie Bank in 1880 as well as the founder of No. 8 National Bank in 1877. Nakamura was close to Fukuzawa Yukichi and had earlier joined Maruya Trading Company (Maruya shōsha 丸屋商社) in Yokohama, which later turned into the renowned, long-lasting publisher Maruzen, one of the major textbook publishers, as mentioned earlier in this article. See Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 76–8. For Nakamura's banking career, see Takagaki Torajirō 高垣寅次郎, "Fukuzawa Yukichi no mittsu no shokan 福沢諭吉の三つの書翰", *Mita shōgaku kenkyū* 三田商學研究 4/4, 1961, 1–18.

50 The total could come to more than 1,500 yen. Chen Wenzhe 陳文哲, *Putong yingyong wulijiazokeshu* 普通應用物理教科書 (Shanghai or Tokyo: Changming gongsi, 1907; available in the National Library in Beijing), 1–18.



in China. Rather, the company built an in-house machine manufacturing factory to produce printing machines for its own use and also to sell its machines to other printing enterprises of smaller publishers through the Commercial Press's retail bookstore chain. This in-house factory also produced instructional equipment for school use such as tools for science experiments, as well as small machines like Chinese typewriters and a wide range of miscellaneous products including toys. In 1929 this machinery factory was registered as a subsidiary of the Commercial Press named the East China Machine Manufacturing Company (*huatong zhiqi zhizao chang* 華東機器製造廠) and began to do business on its own.<sup>51</sup> The Commercial Press invested in research and development by hiring eminent scientists and engineers to invent new and efficient models for production.<sup>52</sup> According to the company's promotional materials, machinery products developed in-house had won prizes in national and international competitions.<sup>53</sup> However, there is no evidence that the Commercial Press's machinery factory, or the East China Machine after 1929, ever became a leading corporation in China like Tokyo Kikai in Japan. In other words, machine manufacturing had probably never been part of the core business strategies of the Commercial Press. Its printing house, on the other hand, remained an important part of the company's business through the early 1930s. It had as many as 1,200 printing machines and 3,500 workers before the 1932 Shanghai incident while there were only 200 machines and 627 workers for Zhonghua Book that ran the second largest printing business in Shanghai after the Commercial Press.<sup>54</sup> The printing house printed not only large volumes of books and other materials but also, as mentioned earlier, a considerable amount of paper currency for modern banks in China at their request. However, it appears that the business failed to generate significant revenue for the Commercial Press.<sup>55</sup>

### 3.4. Financing the textbook industry

The costs of textbook production were very high, and included direct and indirect costs such as machines, land, labour and paper, where price fluctuations were

- 51 Shangwu yinshuguan, *Shangwu yinshuguan shilüe*, 43–47. Amagai Kenzaburō 天海謙三郎 *Chūkaminokoku jitsugyōmeikan* 中華民國實業名鑑 (Shanghai: Tōa dōbunkai kenkyū hensanbu, 1934), 1115.
- 52 For instance, one of the company's advertisements highlighted the recent high-profile hiring of a seasoned engineer, Zhou Hougun (周厚坤), who was educated at Massachusetts Institute of Technology in the United States and worked in a US aircraft manufacturing industry; see *Nongshang gongbao* 農商公報 [An Official Bulletin on Agriculture and Business], 15 May 1916 and 15 October 1919.
- 53 The Chinese typewriter was one of the award-winning products in the late 1920s, although the machine generated little profit in the 1930s and barely survived thanks to tax exemption that the government granted in protecting local industries. See IMHA, file no. 17-22-030-01.
- 54 Amagai Kenzaburō, *Chūkaminokoku jitsugyōmeikan*, 1115 and 1105 respectively. The Commercial Press also had a printing ink factory as its subsidiary but no more than 20 per cent of the total production was sold at least until 1927 (p. 738).
- 55 For the currency printing deal with Zhejiang Xingye (浙江興業) Bank, see SMA, file no. 6-268-1-606; for the one with Siming (四明) Bank, see SMA, file no. 6-4279-1-265-44; for the one with Yanye (鹽業) Bank and three other smaller banks, see SMA, file no. 3-4267-1-26-82.

common. It also took a long time to receive reasonable returns on investment in the textbook business in those days because of the lengthy process from placing an order to receiving a shipment and then selling the books to make money. Thus, the industry had to rely on bills of exchange and other credit instruments and needed a stable supply of money and credit.<sup>56</sup> Kinkōdō's founder, Hara Ryōsaborō, handled the company's finances through his own investment and management practices.<sup>57</sup> He acquired a majority stake in a national bank called the Ninety-Fifth National Bank (*kokuritsu kyūjūyūgo ginkō* 国立九十五銀行) in 1886 and became its president. Furthermore, he founded Tokyo Discount Bank (*Tōkyō waribiki ginkō* 東京割引銀行) together with a few others in 1888 and became the bank's supervisor. He and the owner of Kawasaki Bank (*Kawasaki ginkō* 川崎銀行) were the two largest shareholders of Tokyo Discount Bank. It should also be mentioned that Kawasaki Bank's owner was one of the 13 largest shareholders of the aforementioned Tokyo Machinery. In 1897 the government-initiated Japan Bank of Business Promotion (*Nihon kangyō ginkō* 日本勸業銀行), an incorporated entity, was established with its ownership highly diffused so as to encourage commerce and support industries in local areas and to prevent competition from other nations. The elder Hara was, once again, one of its founding members and one of its largest shareholders. Kinkōdō was also a corporate shareholder. Furthermore, at a shareholders' meeting in 1900, Hara was elected supervisor of the Bank of Japan, a financial institution that has been operating as the nation's central bank since 1882 when the Bank of Japan Act was promulgated. He was one of the ten largest private shareholders of the Bank of Japan, with over 300 shares at the initial stage of its establishment.<sup>58</sup>

According to Inaoka, Hara's active involvement in the nation's banking industry was vital to the sound business development of Kinkōdō as it helped to secure the provision of necessary credit resources to finance the businesses of the publisher and its retail agents.<sup>59</sup> Hara also made use of the corporate banking model to finance Kinkōdō through the banks. The insider knowledge he could access would also have been an asset. Moreover, Tokyo Discount Bank issued discounted drafts as bills of exchange for small businesses, including retail bookstores that sold Kinkōdō textbooks. Financial returns of such

56 For Japanese banking history in the Meiji era, see Akashi Teruo 明石照男 and Suzuki Norihisa 鈴木憲久, *Nihon kin'yūshi* 日本金融史 (Tokyo: Tōyō keizai shinpōsha, 1957–58); Norio Tamaki, *Japanese Banking* (Cambridge: Cambridge University Press, 1995), 28–136. For Chinese banking and its relationship with local corporations, see Du Xuncheng 杜恂誠, *Zhongguo jinrong tongshi*, vol. 3: *Beiyang zhengfu shiqi* 中國金融通史第3卷: 北洋政府時期 (Beijing: Zhongguo jinrong chubanshe, 2002); Li Yixiang 李一翔, *Jindai Zhongguo yinhang yu qiye de guanxi: 1897–1945* 近代中國銀行與企業的關係: 1897–1945 (Hong Kong: Haixiao chuban shiye youxian gongsi, 1997); Linsun Cheng, *Banking in Modern China: Entrepreneurs, Professional Managers, and the Development of Chinese Banks, 1897–1937* (Cambridge: Cambridge University Press, 2003); Brett Sheehan, *Trust in Troubled Times* (Cambridge, MA: Harvard University Press, 2003).

57 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 65–71.

58 *Shinbun kiji bunko nippon* 新聞記事文庫日本 (23-043) *jiji-shinpō* 時事新報, 13 March 1931–18 April 1931, [http://www.lib.kobe-u.ac.jp/das/jsp/ja/ContentViewM.jsp?METAID=00484669&TYPE=IMAGE\\_FILE&POS=1](http://www.lib.kobe-u.ac.jp/das/jsp/ja/ContentViewM.jsp?METAID=00484669&TYPE=IMAGE_FILE&POS=1) (retrieved 27 October 2013).

59 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 68–70.

businesses were slow and Kinkōdō bookstores needed continued support from the banking sector. Although Kinkōdō had a stylish and impressive main office in Nihonbashi in central Tokyo, the business of each of its branch offices and retailing partners outside Tokyo was small in scale and the company's distribution network was never turned into an integrated retail programme that could have helped maintain the stores' financial stability. Therefore, Hara's influential position in Japan's banking industry was crucial to the success not only of Kinkōdō but also its retailing partners. Although it is not clear whether any particular bank was directly behind the publishing company, Hara could have had little trouble receiving support from the banks that he influenced.

Unlike Kinkōdō, the Commercial Press was financed mainly with its investors' money, without relying on financial assistance from the banking sector. Chinese and foreign banks operating in Shanghai offered business loans and credit and they would have been happy to render such financial services to the Commercial Press, given its business success, should the publisher so desire. Moreover, there is little indication that senior managers of the Commercial Press were active investors, with the exception of Xia Ruifang, the co-founder and general manager, who later fell victim to assassination. It is said that in around 1910 Xia appropriated some of the company's funds to invest unsuccessfully in a rubber business and, as a result, the company suffered huge losses and was brought to financial crisis. It was saved from bankruptcy by a large cash injection from the Japanese shareholders and loans from Chinese money-lenders. This episode shows that Xia, unlike Hara of Kinkōdō, participated in the stock market merely as a speculator. It appears that he had no intention of investing in the banking sector or establishing himself as banker.<sup>60</sup> Prior to the mid-1930s, most leaders of the Commercial Press were not active in the banking business in the same way as Hara Ryōsabrō of Kinkōdō. There were, nonetheless, directors with a strong banking background. For instance, Ye Kuichu (葉葵初), who had a position in the Commercial Press since 1913, was the chairman of Zhejiang Industrial Bank (Zhejiang xingye yinhang 浙江興業銀行). However, he played little role in the company's decision-making processes and was not remotely comparable to Hara as a banker or publisher.<sup>61</sup>

Following the common practice of major corporations of the time, the Commercial Press's retail stores did perform banking services for their customers, allowing them to create an interest-bearing deposit account with a store.<sup>62</sup> This system, in addition to bank loans, corporate bonds and public investment, helped to finance the business operations of the Commercial

60 Li Jiaju, *Shangwu yinshuguan yu jindai zhishi wenhua de chuanbo*, 28–9; Zhou Wu, *Zhang Yuanji*, 99–104.

61 Regarding Ye's role as director of the Commercial Press from 1913 to 1932, see Liang Changzhou 梁長洲, "Shangwu yinshuguan lijie dongshi minlu 商務印書館歷屆董事名錄", in Song Yuanfang 宋原放 (ed.), *Zhongguo chuban shiliao* 中國出版史料近代部分 (Wuhan: Hubei jiaoyu chubanshe, 2004), 3/35–7. For a recent work on Zhejiang Industrial Bank, see Li Guosheng 李國勝, *Zhejiang xingye yinhang yanjiu* 浙江興業銀行研究 (Shanghai: Shanghai cailing daxue chubanshe, 2009).

62 Wu Xiang, *Cong yinshua zuofang*, 340. This practice was common among major Republican-era Chinese corporations; see Li Yixiang, *Jindai Zhongguo yinhang yu qiye de guanxi*, 211–3.

Press. It should be noted that the Commercial Press's customers with deposit accounts did not need to be shareholders or investors in the company and bore no responsibility for the business management or finances of the Commercial Press or its retailers. They simply collected interest.

### 3.5. Wholesaling or retailing

Retailing played a part in business of both Kinkōdō and the Commercial Press. Kinkōdō had a large outlet in central Tokyo and several branch stores in other cities including Osaka, Japan's then second-largest city after Tokyo.<sup>63</sup> To meet the demands of the textbook market as it spread across the nation, Kinkōdō used a supply chain system by creating a network of retailers that sold Kinkōdō books on consignment,<sup>64</sup> just as did its rival Hakubunkan, which had a highly efficient retailing system including a mail-order programme for its retail stores and its individual customers in remote areas of Japan. However, Kinkōdō's retailing system was less effective than Hakubunkan's, possibly because having such a system was less important for Kinkōdō, a publisher of textbooks for schools, than for Hakubunkan, a publisher of trade books for individuals. In other words, Kinkōdō was able to sustain its business largely by using its connections: schoolteachers, school board administrators, and other individuals who were in a position to make decisions on textbooks. Once those decisions were made, textbooks could be distributed through school systems without having to be sold to students and teachers individually. Thus, the bookselling business of Kinkōdō could be better characterized as wholesale, rather than retail, trade.

The Commercial Press, on the other hand, appeared to be more actively engaged in retail business and opened large numbers of branch stores around the country. The publisher was also active and successful in its retail advertising and marketing.<sup>65</sup> While little is known about how books were distributed in rural areas, in large cities the Commercial Press maintained its own network of independent retail stores following the traditional Chinese model. In other words, the company's headquarters in Shanghai stood at the top of its hierarchy, with around 30 branch stores directly under the control of the headquarters, and then other retailing partners at the bottom. As the company continued to focus on its retail, rather than wholesale, business, the system facilitated a network of nationwide marketing for all of its products, including printed materials such as textbooks, magazines, dictionaries, and other books on new and traditional knowledge as well as other products such as stationery and equipment for schools, toys, and not to mention, money deposit services.

63 Inaoka Masaru, "Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei", 18–28, 86–93.

64 A sample retailing contract between a bookstore and Kinkōdō can be found in Inaoka Masaru, "Zukai shuppan no rekishi (5) Meiji kentei kyōkasho no kyōkyūmō to Kinkōdō 函解・出版の歴史 (5) 明治検定教科書の供給網と金港堂", *Nihon shuppan shiryō* 日本出版史料 9, 2004, 107–27. For the textbook supply chain system through designated local retail bookstores, see Yahagi Katsumi, *Dai-nippon tosho hyakunen-shi*, 266–88.

65 Li Jiaju, *Shangwu yinshuguan yu jindai zhishi wenhua de chuanbo*, 173–205.

### 3.6. State and business

Both Kinkōdō and the Commercial Press maintained close ties with state authorities, but in different manners. Despite his humble background, Kinkōdō's founder Hara Ryōsabrō began associating with influential individuals in the Meiji government in the mid-1880s, only a decade or so after founding the business.<sup>66</sup> For instance, he was a close friend of Mori Arinori (森有禮), the reformist Minister of Education from 1885 to 1889. Because of this friendship, Hara was able to engage members of the reform-minded Meirokusha group (明六社; literally “the society [formed] in the sixth year of Meiji” founded by Mori and several other prominent intellectuals) in editorial work on Kinkōdō textbooks. Hara also knew officials in the government's banking and financial sector. One of his daughters was married to an eminent businessman who later became Minister of Finance of the Meiji government. Hara himself served as a member of the Diet as mentioned earlier. The close ties Hara built with the Meiji government helped Kinkōdō not only to solidify its business but also to establish its business entity as a vehicle for transmitting new knowledge to the next generation and cultivating moral virtues. In fact, moral cultivation was a major concern of the Meiji government and Kinkōdō worked closely with the government to produce highly regarded textbooks on self-cultivation (*shūshinsho* 修身書) based on both Western and traditional Japanese values.

In Republican China, too, textbooks played an important role in facilitating the state effort to build modern China's national identity.<sup>67</sup> Some of the Commercial Press's senior managers maintained ties with government officials until the 1930s, but those officials were not necessarily influential within the government. Hu Shi (胡適) and Cai Yuanbei were both influential figures, but mainly in academia, although Cai served the Nanjing provisional government as the first minister of education after the 1911 revolution. Zhang Yuanji was never close to any of the power centres of the regime and also fell victim to the ill-fated reforms in 1898 as mentioned earlier.<sup>68</sup> Other directors with strong political connections, such as Zheng Xiaoxu and Wu Digfang, were with the company when they were not in power.<sup>69</sup> The fact that the Commercial Press refused to publish Sun Yat-sen's works immediately after the 1911 Revolution could point to its disaccord with the political elites of Republican China.<sup>70</sup> The situation remained the same until Wang Yunwu took up the

66 Inaoka Masaru, “Meiji kenteiki no kyōkasho shuppan to Kinkōdō no keiei”, 35–64; also Karasawa Tomitarō, *Kyōkasho no rekishi*, 146–90.

67 See, for instance, Axel Schneider, “Nation, history, and ethics: the choices of post-imperial historiography in China”, in Brian Moloughney and Peter Zarrow (eds), *Transforming History* (Hong Kong: The Chinese University Press, 2011), 271–302; Peter Zarrow, “Discipline and narrative”, in Moloughney and Zarrow, *Transforming History*, 169–207.

68 On Zhang Yuanji's reformist association and his distancing himself from government appointments, see Zhou Wu, *Zhang Yuanji*, 42–53. On his relationship with GMD, see 84–92, 200–05.

69 Zheng Xiaoxu 鄭孝胥, *Zheng Xiaoxu riji* 鄭孝胥日記 (Beijing: Zhonghua shuju, 1993), vols 2–3.

70 Ye Song Manying, *Cong Hanlin dao chubanjia*, 84–92.

company's leadership in 1930.<sup>71</sup> Wang gained access to Chiang Kai-shek and the Commercial Press's ties to the state became closer. Like Kinkōdō, the Commercial Press was also committed to playing a role in the moral education of schoolchildren. However, it was at the time when traditional values came to be widely criticized in China.<sup>72</sup> The Commercial Press also had close ties with such vocal advocates of anti-Confucianism as Hu Shi and Lu Xun (魯迅). Thus, it is not surprising that the publisher focused more on promoting modern and scientific values imported from the West such as the theory of evolution.

#### 4. Global model and local entrepreneurial choices

In this article we have compared Kinkōdō of Meiji Japan and the Commercial Press of early twentieth-century China, the major players in the textbook publishing industry of an era when their respective nations faced a sudden influx of new ideas and institutions from the West. Both companies adopted a Western-style corporate model. The entrepreneurial skills and business acumen of their founders and managers were equally remarkable. They also actively engaged in fulfilling their role in transforming society while running profitable business through new business practice. As presented above, however, there were significant differences between the two companies.

First, in terms of industrial integration, Kinkōdō was more vertically integrated while the Commercial Press was more horizontally integrated. The former prospered through its founder's connections and influences in the upstream (paper and machine manufacturing, banking) and downstream (textbook retail) industries. As he became an eminent leader in not only the textbook industry but also the financial sector, Hara Ryōsabrō tried to diversify his investments into different industries, most of which were connected with the company's core business of textbook publishing.<sup>73</sup> Nonetheless, Kinkōdō's decision to diversify its products came a little too late and never got off the ground.

In contrast, the Commercial Press expanded horizontally by creating large numbers of branch stores and succeeded in product diversification by publishing a wide range of printed products for varied readerships. The company undertook related industries such as machine manufacturing and deposit services. However, these were never strategically integrated into the core business of publishing. Unlike Kinkōdō, the Commercial Press's strategy was to develop its business as a versatile publisher capable of editing and printing all kinds of publications without diversifying into other industries.

71 Yang Yang, *Shangwu yinshuguan*, 83–5.

72 Regarding textbooks and state building, see Yvonne Schula Zinder, "Propagating new 'virtues' – 'patriotism' in late Qing textbooks for the moral education of primary students", in Michael Lackner and Natascha Vittinghoff (eds), *Mapping Meanings* (Leiden: Brill, 2004), 687–710; Tsuchiya Hiroshi 土屋洋, "Shinmatsu no shūshin kyōkasho to Nippon 清末の修身教科書と日本", in Namiki Yorihisa et al., *Kindai Chūgoku kyōkasho to Nippon*, 286–328.

73 Hakubunkan also used a vertical integration model as its shipping and transportation businesses contributed significantly to the efficient distribution of its books and magazines; see Richter, "Entrepreneurship and culture".



In short, Kinkōdō adopted the Western-style corporate model to strengthen its core business of textbook publishing through diversification into closely related but different businesses. The Commercial Press applied the same model, but expanded its core business of publishing to include not only the textbook sector but also other printed materials through reinvestment within the same industry. It should be noted, however, that such differences were relative: Kinkōdō did attempt to publish books and printed materials other than textbooks. The Commercial Press eventually ventured into papermaking, machine-manufacturing and banking industries, but these were undertaken too late or yielded little impact on their respective core businesses. Despite the differences, both companies built an enterprise that integrated publishing with bookselling, which was not typically the case with their British counterparts. This shows how differently the same corporate model was used to run publishing businesses in Britain and the East Asian countries of Japan and China in the late nineteenth to the early twentieth century, which may merit further investigation.<sup>74</sup>

Second, through riding the massive wave of Japanese investment in China after the First Sino-Japanese War ended in 1895, Kinkōdō launched its China venture and became a joint incorporator of the Commercial Press in Shanghai. The former's involvement in the business operations of the latter was significant, sending senior editors and technicians from Japan to Shanghai to help improve production and productivity at a time when the newly incorporated Commercial Press was struggling to meet surging demand for textbooks in China. The Commercial Press had made no such investment overseas before the end of the Second World War, except for retail businesses in some Overseas Chinese communities in the Straits Settlements.

Third, there was a notable difference in how the two companies handled the seemingly contradictory concepts and approaches that emerged from the role of close-knit family bonds in business and that of a newly adopted corporate culture. The crux of the matter here is ownership versus management control. Kinkōdō was incorporated in 1893 but it remained largely family owned (over 90 per cent) until their fortunes began to wane in the early 1900s, although Hara Ryōsabrō used a corporate governance model and a legal framework extensively for the vertically integrated companies, particularly those in the banking sector, which he founded or co-founded. Thus, his decision to keep his core business of textbook publishing family owned cannot be fully explained by the suggestion that he was too conservative to embrace the idea of public ownership of the Western-style corporate model and see Kinkōdō go public. He must have known well that there were growth opportunities in doing so. We believe that his ultimate decision was a result of his entrepreneurial choices.

The Commercial Press took a different path. Unlike Kinkōdō, which was established singlehandedly by Hara Ryōsabrō, it started as a partnership among relatives and friends and continually expanded its ownership. By 1903 it was turned into an equal partnership joint venture with Kinkōdō, which marked a significant turning point in the company's ownership structure. As

74 Frank Arthur Mumby, *Publishing and Bookselling*, fifth ed. (London: Jonathan Cape, 1974), Part Two, authored by Ian Norrie, 235; cited in Reed, *Gutenberg in Shanghai*, 339, n. 82. We thank an anonymous reviewer for bringing this point to our attention.

its ownership was diffused, the company increasingly resembled a Western model of corporate governance. In around 1905 the Commercial Press had more than 100 shareholders and became more like a “publicly traded” company. The company’s business was managed under the direction of the board of directors. The top executives, such as Zhang Yuanji and Wang Yunwu, were just two among many large shareholders. Thus, their roles were significantly different from that of Hara Ryōsaborō who had absolute control of the business of Kinkōdō. In any event, we believe that what happened to the Commercial Press was the result of contingency. It appears that the company’s successive executives made decisions, reacting to opportunity structures of the time as they occurred, without careful strategic planning.

Our fourth point concerns the two companies’ decision making in textbook publishing. It is true that both Kinkōdō and the Commercial Press followed their respective governments’ education policies closely and engaged actively in advancing the national agenda for an education of future generations of people equipped with the scientific knowledge and skills needed for the modern world. Because of the founder’s connections, however, Kinkōdō had close ties with the government of Meiji Japan, which sought to balance traditional and Western values and ideologies in shaping the moral fabric of its people. Accordingly, Kinkōdō demonstrated a strong commitment to children’s moral development and civic mindedness following the lead of the Meiji state. The Commercial Press, on the other hand, was more successful in promoting new and modern ideas and values brought from the West while struggling to incorporate conflicting traditional ideas and values, not always following the leads of the succeeding regimes through the end of the 1920s.

Our fifth and final point concerns the companies’ reputations.<sup>75</sup> Kinkōdō, once a well-established brand name, was closely tied to the Hara family. When the aforementioned major setback occurred in 1903, the image and name of the company were tarnished and the Hara family gradually reduced their holdings. The eldest son Hara Ryōichirō, meanwhile, formed a new corporation in 1909 to restart a textbook publishing business under the new name of Tokyo Shoseki as mentioned earlier. However, the Hara family began losing control of the company around the mid-1920s. It appears that the Hara family intended to dispose of the Kinkōdō brand and develop a new brand associated with the family, but without success. For the Commercial Press, an incorporated business with multiple owners, the company name had to be retained regardless of who owned its shares. It was never a family-owned business; rather, people at the Commercial Press were united by the brand, from printing workers to editors to executives, and they worked like a family up until the 1920s because of the sense of pride and identity they felt in the company name. A number of eminent people were associated with the company. However, no one individual could represent the Commercial Press in the way in which the members of the Hara family did Kinkōdō. In other words, what brought the employees together was the very name of the Commercial Press (i.e. the employees’ loyalty to

75 For a succinct review of the literature on the idea of reputation in business history, see C. Kobrak, “The concept of reputation in business history”, *Business History Review* 87, Winter 2013, 763–86.

the company), whereas the Hara family was the unifying force for Kinkōdō (i.e. the employees' loyalty to the family).

### **Concluding remarks**

In sum, the founder of Kinkōdō, a new-age entrepreneur, was proactive and successful in embracing a newly transplanted system of corporate governance as well as a legal framework of business diversification while retaining his personal wealth. He was able to do so by creating a mutually constitutive relationship between traditional values and new business practice and between nationalistic commitment and profit-making. The same corporate governance system and legal framework were also embraced by the leaders of the Commercial Press. However, the latter focused on building and maintaining its brand reputation for profit by highlighting at once its modern outlook of striving for economic efficiency and labour productivity and its commitment to benevolent nationalistic causes, that is, modernization of China. These characteristics of the companies led to our description of Kinkōdō, after being incorporated in the 1890s, as a vertically integrated business entity retaining the family legacy; and of the Commercial Press until the early 1930s as a horizontally integrated company that went public, albeit not in an impersonal manner as might be expected.