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A Case of Business Failure*

The Netherlands Trading Company (NHM) in Japan, 1859 to 1881

ABSTRACT:

In late December 1880 the Nederlandsche Handel-Maatschappij N.V. (Netherlands Trading Company Ltd. hereafter: NHM) closed its last remaining sales office in Japan. The NHM was probably one of the largest and most successful Dutch trading houses from the mid-1850s. Why did the NHM fail and decided to pull out of Japan? I will argue that the failure was mainly due to the loss of old and profitable networks after the Meiji Restoration of 1868 and the inability of the NHM to establish the same kind of links with the new Japanese government. The exit of the NHM mirrors the decline of Dutch economic relations with Japan after 1859. The once prominent position of the Dutch was lost to other western countries, notably Great Britain, the United States, France and Germany. The failure of the NHM can hardly be attributed to only exogenous or endogenous factors.

The revolutionary changes introduced after the Meiji Restoration could not have been foreseen by any businessmen. The NHM sales offices may have failed in Japan, but the company as a whole continued to prosper in the Dutch East Indies and other markets. Business history is mainly concerned with investigating and explaining the successes of entrepreneurs and shows relatively little interest in business failures creating an unbalanced view of the history of business. The history of the NHM in Japan provides an opportunity to investigate a case of business failure and the many factors that influence entrepreneurship. Entrepreneurs often try out new products and probe new markets. When the results are disappointing, they pull out. Failed investments can provide valuable lessons and a company may try to enter the same market again as the NHM did successfully in the 1920s when it opened offices in Kobe, and after the Second World War in Osaka and Tokyo.

Introduction

Each banker and trader looks at the future with confidence, because trade has recovered from the bad period 77/8, and several new trading houses have been established in the past few months. Only the Nederlandsche Handel Maatschappij has a different opinion and disappears from the stage, right at the moment when it could have recovered the losses in Japan by adapting its rules and policy somewhat.1

In late December 1880, the Nederlandsche Handel-Maatschappij N.V. (Netherlands Trading Company Ltd., hereafter NHM) closed its last remaining sales office in Japan. The NHM was probably one of the largest and most successful Dutch trading houses in the mid-1850s.2 Why did the NHM pull out in Japan, and what factors explain the fail-

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1 Inv. no. 5101, NHM Agent Yokohama Annual Report 1879-1880, in: National Archives [hereafter NA], The Hague, the Netherlands, Archive Collection 2.20.01.

ure of the NHM in that country? The quote above suggests that the NHM agents in Japan felt that it was a wrong decision, but the Board of Directors in Amsterdam ultimately decided against their wishes. The failure of the NHM in Japan has received little interest from historians. Fierce competition from British, American, French and German trading firms certainly contributed to the failure of the NHM in Japan. However, I will argue that the failure was mainly due to the loss of contacts with Japanese officials after the Meiji Restoration of 1868 and the inability to establish equally profitable links with the new government. While the NHM was seen as a valuable partner for the Japanese after the opening of the country in 1858, after the Meiji Restoration of 1868 that view quickly disappeared. The NHM was not able to deliver what the new government wanted and was furthermore strongly associated with the feudal past. The Japanese instead turned to British, American, French and German businesses for their needs.

This article uses the case study method or more specifically a within-case analysis of a single case. Within the case a comparison is made between two periods, before and after the Meiji Restoration. This method reduces some, but not all limitations of a single case study. The main purpose is to investigate business failure and the conditions under which it occurs. Although the NHM made other investments in Asia, including some that failed, the activities in Japan were different because they involved a much larger investment and involved several agencies over a longer time period. This article will focus on the actions of persons (i.e. the agents of the NHM) set against the historical backdrop of revolutionary changes in Japan in the 1860s and 70s. This will allow us to investigate how the NHM agents responded to the changes in the external environment and why they decided to leave at the end of 1880. The history of the NHM in Japan thus offers an opportunity to investigate a case of business failure or a failed investment. Business failure is a common element in the history of business. Although the number of failures usually increases during recessions and economic crises, failures also occur during periods of rapid economic growth. Marius Pretorius believes that «failure is probably the one thing that almost all entrepreneurs will face somewhere in their endeavours». Business history is mainly concerned with investigating and explain-

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ing the successes of entrepreneurs and shows relatively little interest in business failures.\textsuperscript{7} Patrick Fridenson, however, argues that business historians need to address the issue of business failure, because to focus only on creation and success without discussing failures creates an unbalanced view of business history. He furthermore points out that failures are sometimes followed by a successful attempt.\textsuperscript{8} Philip Ollerenshaw adds that business historians should not only investigate the failure of large businesses, «we also need to consider small- and medium-sized business, where the transience of many firms, although empirically established, has never been adequately reflected in the business history literatures».\textsuperscript{9}

Business failure is primarily studied in business schools to develop models that enable predictions on future results.\textsuperscript{10} Adrian Wilkinson and Kamel Mellahi, however, believe that «organizational failure is still terra incognita compared with other management topics».\textsuperscript{11} Research on failure falls in three groups:

- Determinist: stressing external factors over which management has little control;
- Voluntarist: stressing internal factors, including managerial strategies;
- Integratist: combining exogenous and endogenous factors.\textsuperscript{12}

Business success and failure are not so easy to define. Peter Jennings and Graham Beaver define business success very broadly as «[…] the sustained satisfaction of principal stakeholder aspirations».\textsuperscript{13} Business failure is logically the opposite. They note that «there is no single criterion, label or definition of success or failure».\textsuperscript{14} Success is usually measured by profit, expansion and growth, but none of these criteria consider the goals of an entrepreneur or the enterprise as Jennings and Beaver mention. If the goal is to provide a sufficient income and the entrepreneur succeeds in that, it can hardly be called a failure even if the company remains small and does not contribute to major innovations. John Watson and Jim Everett present four definitions of business failure ranging from broad to more narrow: discontinuance for any reason (e.g. health reasons or retire-
ment); any business that did not make an adequate return or met the owner’s expectations; firms that are sold or liquidated to prevent further losses; and bankruptcy. Sheppard and Chowdhurry define business failure more generally as «the misalignment of the organization to the environment’s realities». They believe that failure is essentially the result of a failing business strategy and can be avoided by turning a company around: realigning the business to its environment. Their model of a business turnaround contains four distinct phases. In phase one managers notice a decline in performance and financial results, and this initiates the second phase: a management response (e.g. a new strategy). In phase three this strategy is implemented, and in phase four the outcomes become clear: either success or failure. In the history of the NHM in Japan it is possible to distinguish these four phases, although the sequence is somewhat different, and it is hard to precisely pinpoint the beginnings of each successive phase. More importantly, the model offers no possibility for «partial failures», including agencies, business units or divisions or failed investments. The most obvious and also best recorded case of business failure is bankruptcy, but modern research has shown that only a small percentage of firms, about four per cent, actually go bankrupt. According to Brian Headd almost one-third of all U.S. firms that closed between 1989 and 1992 stopped operations although they were profitable. Whether the results of studies on business success and failure in the late 20th century can be applied to the 1860s and 70s is debatable.

The research for this article is mainly based on primary sources, including the company archive of the NHM at the Dutch National Archive in The Hague. The article is divided into six sections. The second section, which follows this introduction, will discuss the trading relations between the Netherlands and Japan before 1858, including the development of the NHM between 1824 and 1858. Section three presents the development of the NHM in Japan between 1858 and 1868, while section four continues the history until late 1880. The fifth section discusses the various explanations for the failure of the NHM in Japan offered by the agents and the directors of the NHM in Amsterdam. This is followed in the final section, which makes some concluding remarks about the failure of the NHM in Japan and business failure in general.

Dutch trade with Japan before 1858

Portugal, Spain, Great Britain and the Netherlands all traded with Japan throughout the early 17th century, but from 1639 until 1859 the Dutch were the only western traders that were allowed to remain in Japan. In 1641, the Dutch East India Company (VOC)
was ordered to move its trading post from Hirado to Deshima, a small man-made island in the harbour of Nagasaki. Besides the Dutch, there was a much larger number of Chinese traders residing in their own mercantile quarter in Nagasaki and on a similar artificial island called Tojin Yashiki. The concentrating of foreign trade in Nagasaki followed a number of edicts that effectively limited and regulated foreign trade. The Japanese themselves were barred from international trading activities. For more than two centuries Japan was «a closed» or «selectively open» country for all western or non-Dutch traders. In this policy Japan was hardly original, because Siam (Thailand), Cochin China (Vietnam), China and Korea all had similar policies. During the first decades after 1641 Dutch trade with Japan was very profitable, but from the mid-18th century their trade was more and more restricted and profits declined. By the 1780s, the Dutch were allowed to send only one or two merchant ships each year from Batavia to Deshima. After the VOC was dissolved in 1795, the Dutch government took over all its possessions, including the trading post in Japan to preserve the Dutch monopoly in Japan. From the late 18th century, the Dutch monopoly was attacked by merchants from other western states that wanted similar privileges, including Russia, England, France and the United States. Until 1854, Japan successfully rejected all attempts to establish political and economic relations with other western countries. After some unsuccessful official missions in 1831, 1838, 1846, and 1849, the United States ordered a small naval fleet to Japan to open the country, by force if necessary. Commodore Matthew C. Perry (1794 to 1858) made history by succeeding where others before him had failed. After his short visit in July 1853, Perry returned in March 1854 and the United States and Japan concluded a «wood and water treaty» that did not allow trade, but which is nevertheless seen as the beginning of «the opening of Japan». The treaty did allow the appointment of consuls and consular-agents; the first consul was the American Townsend Harris (1804 to 1878). Following the American success in 1854, other western countries dispatched their navies and diplomats to Japan. Between 1854 and 1858, Japan signed commercial treaties with the United States, Russia, Great Britain, France.
and the Netherlands.  These treaties (called the Ansei Treaties) opened three ports for western traders on 1 July 1859: Nagasaki, Yokohama and Hakodate. After several years, other ports and major trading cities would be opened: Osaka and Hyogo/Kobe on 1 January 1863 (but later postponed until January 1868), Niigata and Edo (after 1868 called Tokyo) in January 1869. The Ansei Treaties included the principle of free trade, a most-favoured-nation clause, tariff rates on imports and exports set by the western powers, and allowed freedom of worship. Westerners could lease a site to build a house and warehouse in the Foreign Settlements that were constructed in the open ports. To protect the stipulations in the commercial treaties and their subjects, the western countries were allowed to appoint an ambassador and consuls. In the Foreign Settlements the westerners enjoyed extraterritoriality: criminal cases between westerners were handled by their consuls and settled according to their laws. The Treaty Port System, first developed in China after the Opium War (1839 to 1842) and later exported to other Asian countries, provided western merchants the necessary protection and security to live and trade in foreign countries. They furthermore included important commercial advantages. Although the commercial treaties were based on the principle of free trade, on the Japanese side foreign trade remained monopolized by the Tokugawa government. This frustrated the more entrepreneurial domains in southern Japan, notably Satsuma, Chōshū and Tōsa. These three domains became the main rivals of the Tokugawa government and eventually succeeded in overthrowing it in 1868.

The NHM was established in 1824 on the initiative of King William I (1772 to 1843, r. 1814 to 1840) the first king of the United Kingdom of the Netherlands. Its main purpose was to revitalize the Dutch economy after the devastating Napoleonic Wars. During these wars, British and American traders had increased their trade with the Dutch East Indies that was a British colony between 1811 and 1816. British dominance in the region became even more noticeable after the founding of Singapore in 1819 which developed into a major competitor of Batavia.

The NHM was supervised by a President and Board of Directors, supported by a Board of Commissioners representing the shareholders. Until 1831 the head office was in The Hague, but thereafter in Amsterdam. In Batavia the NHM established a sales office in 1826 (the Factorij) to oversee trade in Asia. The NHM was to be primarily a trading company, but it was normal in those days to facilitate trade with certain financial transactions, including short-term loans and credit. The existing charter of the NHM prohibited the company from engaging in banking activities, i.e. keeping deposits and providing loans against interest. In the Dutch East Indies, the NHM became an important company investing in plantations, while in the Netherlands it established close relations with manufacturing companies. In 1830 the Dutch government introduced a system of forced production of agricultural products in the Dutch East Indies, called Cultivation System. Between 1830 and the early 1850s, the NHM dominated the ex-
port trade of these agricultural products: shipping them to the Netherlands and organizing their sale through auctions. The English navigator and writer George Winsor Earl (1813 to 1865), visited the Dutch East Indies between 1832 and 1834, and he noted that there were few Dutch traders in Java and most of them traded only with the Indian archipelago. «The trade carried on between Java and Holland is principally in the hands of the Nederlandsche Handel Maatschappij, or Dutch Commercial Society, which, like the generality of public companies, is very detrimental to individual enterprise». 31 Although the NHM had a privileged position in the Dutch East Indies thanks to its close relations with the Dutch government and dominated the trade in agricultural products, private businesses remained important. These included British, American, German and Dutch companies.

The Cultivation System was abolished in 1853 (completed by the early 1870s), and the government decided to liberalize the economy. This new policy threatened the privileged position of the NHM. Already in 1860 the private mercantile firms handled, in terms of value, 46 per cent of the total export trade of the Dutch East Indies.32 No longer secure of government orders and facing growing competition from private businesses in the Dutch East Indies, the company was forced to seek new means of income from other activities and in other regions. Potential new markets included the United States, Siam, China, the Philippines and Japan. However, except for Japan, the NHM enjoyed little success in entering these markets.33

The NHM in Japan: the Tokugawa period (1859 to 1868)

Most of the early western businesses that arrived in Japan after the opening in July 1859 were highly speculative ventures, and the majority failed within a few years: the traders wanted to make a quick buck and get out of Japan as soon as possible. The British consul in Kanagawa, F.G. Myburgh (1838 to 1868), reported: «The success attending the opening of the ports in China and Japan brought into the commercial field a larger number of adventurous men with little or no capital, eager to make rapid fortunes and quit the scene».34 The entry and exit rates between 1859 and 1868 were very high. As Sugiyama remarks on Nagasaki: «[...] out of the 13 more firms founded in the period 1865-1870, only 2 survived in 1871».35 The number of western trading firms in Nagasaki increased from 18 in 1864 to 26 in 1869, but thereafter fell to twelve in 1871. The

31 George Winsor Earl, The Eastern Seas, or voyages and adventures in the Indian Archipelago in 1832-33-34 ... comprising a tour of the island of Java, visits to Borneo [etc.] also an account of the present state of Singapore, with observations on the commercial resources of the Archipelago, London 1837, cf. 32.
33 Mansvelt, De Nederlandsche Handel-Maatschappij (cf. n. 3), Vol. 2, 383-386. In the United States the NHM opened a sales office in 1879, but it failed and was closed only two years later.
35 Ibid., cf. 132.
majority of these firms were simple partnerships with fewer than five employees. Others, however, were well-established trading houses, including Dent & Co, Jardine Mathesons & Co and the NHM, that operated in many parts of Southeast and East Asia.

In 1857, while Japan was in the process of signing commercial treaties with other western countries, the Dutch government gave up its trade monopoly and the trading post in Deshima. This allowed private Dutch companies to set up business in Japan, and one of the companies interested in this opportunity was the NHM. Given the long history of Dutch-Japanese relations and the privileged position of the Dutch in Japan, the NHM expected to gain considerable profit from trade with this country, particularly in the trade between the Dutch East Indies and Japan. A few months before the official opening in July 1859, the NHM sales office in Batavia had decided to send a cargo to Japan to probe the market. They selected their employee Albertus Johannes Bauduin (1829-1890), who had been to China in 1857 on a similar undertaking, to take charge of the mission. According to his instructions, he was supposed to investigate whether the Japanese had any interest in products from the Dutch East Indies and the Netherlands and what commodities they produced that could be exported. He should also examine whether the Dutch were still a preferred trading partner for the Japanese. Before Bauduin departed, the NHM head office in Amsterdam discussed establishing their own permanent agency or use other firms as commission agents. The latter option was cheaper, but the directors were aware of its drawbacks: the problem of agency and information asymmetry. The directors noted that many Dutch and foreign trading houses were already active in Japan « [...] and if we wish to compete, it seems in our interest to establish an office to attend to our businesses ». For the moment the decision was postponed until the first reports of Bauduin had arrived. Bauduin was assisted by the German scientist Philipp Franz von Siebold (1796-1866), who presented himself as « the greatest expert on Japan in Europe ». Von Siebold worked as physician and scientist from 1823 on Deshima. In 1829 the Japanese discovered that he had illegally copied some maps of the country, and they banished him for life. After the ban was revoked in 1858, von Siebold desperately wanted to return to Japan and he eventually accepted a post as adviser to the NHM. This allowed him to continue his scientific work. His contract strictly prohibited him from engaging in any kind of business activity on his own account or working for third parties.

In September 1859, the NHM directors in Amsterdam informed Bauduin that they had finally decided to establish a permanent sales office. Bauduin hired some of the
former VOC buildings on Deshima that became his office until the NHM moved to the Foreign Settlement in Nagasaki in 1875. Almost immediately after his arrival in Japan, von Siebold contacted Japanese officials to promote the sale of Dutch products. However, contrary to his instructions he opened his own printing shop and offered his services to other countries. In October 1859 the NHM directors in Amsterdam asked Bauduin to investigate rumours that von Siebold was helping the Belgian government to sell weapons to the Japanese. This investigation did not disclose any facts that would compromise von Siebold, but in June 1861 the directors concluded that a «continuance of his temporary service as advisor would be wrong».42 They had to admit though, that his advice and contacts with Japanese officials had secured the NHM with many profitable contracts.

**Flourishing trade of the NHM in Japan before 1868**

The initial choice of Deshima as the place of residence of the NHM agents is understandable. Nagasaki had been Japan’s port for international trade since the 1640s, and it provided excellent connections with the Ryukyu Islands, Korea and China.43 It seems, however, that this choice was mainly motivated by tradition: it was the location where the Dutch had resided from 1641 onwards. It proved to be an erroneous decision because Nagasaki was soon surpassed by Yokohama which became the main international port of Japan after 1868.44 Until the NHM established its own agents in Yokohama and the other open ports and cities, Bauduin employed Dutch firms, including Textor & Co. and Carst, Lels & Co., as commission agents. They not only sold and bought products on behalf of the NHM, but furthermore informed Bauduin about market conditions, the political situation and other relevant news. Bauduin also used the Dutch firm of T. Kroes & Co in Shanghai as their agents for the Chinese market. The firm of Theodorus Kroes (1822 to 1889), who also worked as Dutch vice-consul, was established in 1860 or 1861 and taken over by the British firm Maclean, Thorburn & Co. in 1871, but that did not affect relations with the NHM in Japan. It would normally include the latest telegraphic news in correspondence with Bauduin.45

The main Japanese clients of the NHM in the period before 1868 were the government (the Shōgun and bakufū), the local lords (daimyō) and some wealthy samurai. Initially they favoured doing business with the Dutch and placed large orders for many items in the Netherlands, including steam engines, machinery and steamships. Imports

42 Received letters NHM Head Office Secret 1859-1864, 23 June 1861, in: NA 2.20.01, Inv nr. 11347. After termination of the contract, Von Siebold entered in the service of the Shōgun and moved to Edo (after 1868: Tokyo) where he continued his machinations until he was ordered by the Dutch government to return to Batavia in late 1861. Herman Moeshart, *Von Siebold’s Second Visit to Japan*, in: Peter Lowe/Herman Moeshart (eds.), *Western Interactions with Japan: Expansion, the armed forces & readjustment 1859-1956*, Folkstone 1990, 13-26.


45 Kroes Shanghai NHM received letters; NHM letters to Kroes Shanghai, in: NA 2.20.01, Inv. No. 11370 and 11391. See also Joshua Vogel, *Articulating the Sinosphere. Sino-Japanese relations in space and time*, Cambridge 2009.
furthermore included textiles and drugs, while raw silk, porcelain, lacquer ware and hemp were exported from Japan. The NHM regularly acted as intermediary for Dutch manufacturing companies in their contacts with Japanese clients, for which it charged a commission of five per cent. One of the companies was the Nederlandsche Stoomboot Maatschappij Feyenoord from Rotterdam that had delivered several steam engines and other machinery for the factory in Nagasaki established by the Dutch in 1855 for the Japanese government.46 Several other factories delivered products to Japan, including the firm of Paul van Vlissingen & Dudok van Heel in Amsterdam. The Dutch had also established a naval training school in Nagasaki and constructed a slip dock at Aka no Ura in Nagasaki. In 1857, before the opening of Japan, the government bought a screw-driven steamship in the Netherlands, the Kanrîn-maru, constructed by the shipyard of Fop Smit at Kinderdijk. It complemented the Kankô Maru, which was a gift of the Dutch government to the Shôgun in 1855. In 1863, the Japanese government ordered another steamship for its navy. This ship, later called Kaïô-maru, was built between 1863 and 1867 in the Netherlands by Cornelis Gips & Sons in Dordrecht. During its construction, several Japanese were trained in the Netherlands as civil engineers. The same shipyard would later build the Nîts Sin and Kiu Siu between 1867 and 1870. 

These examples show that in the period after the opening, the Netherlands was still seen as a trustworthy and valuable partner for the Japanese. The NHM also benefitted from this, not just because it acted as an intermediary for contracts. After two years, sales of the NHM in Japan had reached one mn Dutch guilders. By 1866 exports from the Netherlands and Dutch East Indies to Japan had increased to about six mn Dutch guilders.47 Business boomed and the NHM opened new offices in Yokohama (1864), Hyogo/Kobe and Osaka (after these two were opened for foreigners on 1 January 1868). Later it expanded even further and appointed agents in Tokyo and Niigata. The Tokyo agency was, however, a disappointment and closed its doors already on 15 October 1869.48

The excellent results did not remain unnoticed in Amsterdam and Batavia. In January 1865, Bauduin was informed that «as a token of your excellent services following the important expansion of our business after the opening of the agency in Yokohama», he would receive an annual bonus on top of his fixed salary of 8,000 Dutch guilders.49 Confidence of the NHM in its operations in Japan was high. In June 1865, the capital allocated to the Japanese agencies for their business transactions was raised to two mn Dutch guilders. The NHM directors reported to Bauduin that they wanted to become a major trading house in Japan. «We are convinced that this amount will be sufficient for us to ensure a substantial share in the export trade of Japan».50

46 Received letters NHM head office Secretary Confidential 1859-1864, NHM to Bauduin, 24 March 1859, in: NA 2.20.01, Inv nr. 11347.
47 Mansvelt, De Nederlandsche Handel-Maatschappij (cf. n. 3), Vol. 2, 381ff.
48 Allard W. Mees/Rudolf S.H. Mees, Japanese women and foreigners in Meiji Japan. Japanese roots of the Dutch family Mees, Noderstedt 2006, 23f. In Tokyo and other cities opened after 1859, foreign merchants were not allowed to reside permanently, but only enter the city to trade. This did not apply to consuls and ambassadors.
49 Received letters Factorij Batavia 1859-1871, 28 January 1865, in: NA 2.20.01, Inv nr. 11351.
50 Received letters Factorij Batavia 1859-1871, 14 June 1865, in: NA 2.20.01, Inv nr. 11351.
In the mid-1860s, annual profits of the NHM in Japan reached between twelve and 15 per cent. However, these profits were to a large extent achieved not by trading, but by lending money to Japanese and foreigners. After the opening in 1859, Japan’s foreign trade suddenly exploded and this created financial chaos. Interest rates in the 50s and 60s were very high: between twelve and 18 per cent. This allowed the NHM to charge high interest rates on the credit it offered to other traders. According to Peter Klein these advances and credit arrangements were fully repaid before 1868, but this is incorrect. Several loans, often provided against deficient collateral, remained unpaid even after the NHM had left Japan. To stimulate their business and expand their network of clients, NHM agents had been too generous in providing credit to the Japanese and other western firms.

Western businesses in the Foreign Settlements not only traded with the Japanese, but also with each other. One of the western traders with whom the NHM would become intimately involved was Thomas Blake Glover (1838 to 1911). The Scotsman Glover came to Japan in September 1859 at the age of 21, working as an agent for the British trading house Jardine Matheson to assist Kenneth Ross Mackenzie (1801 to 1873). He stayed in Japan until his death. After Mackenzie returned to Shanghai in May 1861, Glover took over his business, including the agencies for Dent & Co. and Sassoon & Co. In February 1862 he established his own firm Glover & Co. in Nagasaki. Glover & Co. was initially a regular trader, handling silk and refined tea. In Nagasaki, Glover established a tea refinery that employed several hundred Chinese and Japanese workers. In October 1862, he acquired the firm of Blain Tate & Co. in Nagasaki and by 1864, Glover & Co. had branches in Shanghai and Yokohama and two years later the firm acquired agencies for Lloyds, besides several insurance companies and western banks in China.

Glover was a keen businessman and adapted well to the changing external environment. The growing political tension between the Shogun and the southern domains allowed him to sell large quantities of weapons, ammunition, warships and second-hand steamers. The Japanese paid for their purchases in kind (e.g. rice) or used loans from other western trading houses. Glover played an important role during the Japanese civil war or Boshin War (1866 to 1868) and the Meiji Restoration of 1868. He continued to trade with the Shōgun and bakufu until their downfall, although in the later stages he more openly supported the rebellious domains of southern Japan. British Consular Reports on trade for 1865 to 1868 registered about 170,000 imported rifles in Nagasaki, worth about 2.4 mn dollars. Between 1864 and 1867, Glover & Co. would sell twenty

51 Klein, Op de klippen van een Nieuwe Tijd (cf. n. 3), 86.
52 Mansvelt, De Nederlandsche Handel-Maatschappij (cf. n. 3), vol. 2, 385.
54 McKay, Thomas Blake Glover (cf. n. 52); Sugiyama, Thomas B. Glover (cf. n. 34), 115-139; Robert Blake, Jardine Matheson. Traders of the Far East, London 1999; Geoffrey Jones, Merchants to Multinationals. British Trading Companies in the Nineteenth and Twentieth Centuries, Oxford 2000, 29-45. The Scottish born Mackenzie formed a partnership in Shanghai with his brother in c. 1850, and in August 1858 became agent of Jardine, Matheson & Co. in Nagasaki. He returned to China in 1861, but came back to Nagasaki in 1867 as partner in Glover & Co. serving as its agent in Osaka. He died in Nagasaki in November 1873.
55 McKay, Thomas Blake Glover (cf. n. 52), 74. Dollars are in silver Mexican Dollars, unless otherwise noted.
ships, valued at about 1.2 mn dollars. Some of these ships were newly built in Aberdeen. By the end of 1866, Glover & Co. had become a large trading house directly employing about 100 people, and including the tea refinery more than 1,000. Because of its rapid growth Glover & Co. had large debts, about 150,000 Mexican dollars to Jardine Matheson alone, and increasing difficulties in recovering loans and unsettled bills from its Japanese clients.

The NHM in Japan: the Meiji period (1868 to 1881)

The rapid and manifold changes occurring in Japan after the Meiji Restoration did not escape the attention of the Board of Directors of the NHM in Amsterdam. Their agents reported frequently on the developments because it affected their business. After 1868 the most important clients of the NHM had gone (Shōgun and bakufu) or had become financially weak (daimyō and samurai). In August 1871, the Meiji emperor announced the abolishment of the old domains which were to be replaced by prefectures with salaried governors. This left most of the now defunct landlords with no means to repay their debts to foreign traders, including the NHM.

In 1871 the NHM directors in Amsterdam wrote a report after consulting Bauduin (who was on leave in the Netherlands) about the conditions in Japan. The financial results in 1868 to 1869 were still excellent, but the future had become most uncertain. Trade between the Dutch East Indies and Japan was less important than direct trade between the Netherlands and Japan. Transport by steamship and communication by telegraph had much improved, allowing more direct supervision of the agents by the NHM directors in Amsterdam. All these changes necessitated a restructuring of the NHM business in Japan and the directors decided to appoint a Chief-Agent (Hoofd Agent) to supervise the agencies. He would report directly to Amsterdam and no longer to Batavia. The NHM furthermore raised available capital for trading activities from one, to 1.5 to later 1.6 mn dollars. The directors (again) explicitly excluded their agents from engaging in banking activities. They furthermore restricted the agents from drawing money on accounts in western banks because this would make supervision from Amsterdam virtually impossible and, more importantly, threatened the prestige of the NHM as one of the largest trading houses in Japan.

The first Chief-Agent appointed by the directors was Bauduin, their most experienced NHM agent in Japan. By 1871, he had moved from Nagasaki to the bustling port of Yokohama. In his first annual report covering the period July 1871 to June 1872, Bauduin applauded the changes because interference of the Factorij in Batavia was henceforth excluded. This soon proved to be wishful thinking because the Factorij continued to direct agents and monitored their business transactions, particularly those related to credit arrangements. The annual report showed poor financial results that did not meet the directors' expectations.

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57 Chief-Agent received letters 1871-1880, Nota betrekkelijk eene veranderende rege-
ing van sommige aangelegenheden bij de vestigingen der Nederlandschen Handel Maatschappij in Japan, Amsterdam 1871, in: NA 2.20.01, Inv.no. 11292.
not meet with the high expectations of the directors. According to Bauduin, the meagre results were mostly «unforeseen and the outcome of many unexpected changes in the government of Japan: the Meiji Revolution [sic]». A major concern for Bauduin until his retirement as Chief Agent in 1874 was the Takashima mine which became the responsibility of the NHM after the bankruptcy of Glover & Co.

The bankruptcy of Glover & Co in 1870 and the NHM

After the Meiji Restoration, the highly profitable sale of weapons and ships declined sharply and Glover & Co., like other western enterprises in Japan, was forced to explore new business activities. Glover acquired a slip-dock in Nagasaki, opened a new office in Osaka in January 1868 and in June that same year bought a 50 per cent share in a coal mine. The mine was located on Takashima Island near Nagasaki and owned by Nabeshima Naomasa (1815 to 1871), the Prince of Hizen (Saga domain). With the slip-dock and coal mine, Glover was shifting his business interests to manufacturing. He reckoned that, because of the growth in steam shipping in Japanese and Chinese waters, the demand for ship-repair facilities and coal would increase, making both investments

Table 1: Financial results and staff of the NHM in Japan (1871 to 1880)

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<th>Period</th>
<th>Profit (-loss) in Mexican silver dollars</th>
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<tbody>
<tr>
<td>1871-1872</td>
<td>35,473.47</td>
<td>1 Chief-Agent, 4 agents, 7 employees</td>
</tr>
<tr>
<td>1872-1873</td>
<td>26,259.58</td>
<td></td>
</tr>
<tr>
<td>1873-1874</td>
<td>121,931.67</td>
<td>1 Chief-Agent, 3 agents, 5 employees</td>
</tr>
<tr>
<td>1874-1875</td>
<td>-169,388.27</td>
<td>1 Chief-Agent, 2 agents, 3 employees</td>
</tr>
<tr>
<td>1875-1876</td>
<td>-254,254.93</td>
<td></td>
</tr>
<tr>
<td>1876-1877</td>
<td>-102,184.76</td>
<td></td>
</tr>
<tr>
<td>1877-1878</td>
<td>-33,094.49</td>
<td>1 Chief-Agent, 1 agent, 2 employees</td>
</tr>
<tr>
<td>1878-1879</td>
<td>15,332.16</td>
<td></td>
</tr>
<tr>
<td>1879-1880</td>
<td>-24,818.46</td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports Chief-Agent in Japan, 1871–1880, in: NA, 2.20.01, Inv. no. 5096. The number of staff indicated does not include Japanese employees.

58 Chief Agent in Japan, 1871–1880, Rapport aan de Directie der Nederlandsche Handel Maatschappij van het Hoofdagentschap in Japan dier Maatschappij, handelende over het 23e Bockjaar, begonnen op den 1e Junij 1871 en eindigende op Ultimo Junij 1872, in: NA 2.20.01, Inv. no. 5096.

valuable assets. Glover was, however, always short on cash and was forced to sell the slip-dock in March 1870 to the government for 60,000 dollars in an attempt to raise sufficient capital for new investments in the Takashima mine.60 Because his Japanese partner was equally heavily indebted, Glover loaned him money (48,000 dollars), but this only increased Glover’s debt with Jardine Matheson. The mining contract would last for seven years and after 1875 the mine would become the property of his Japanese partner, while profits were to be shared equally, after the Prince of Hizen had repaid Glover the loan.

Operating the mine proved very costly and, on 22 August 1870 Glover & Co. was forced to file for bankruptcy. The failure of Glover & Co. was neither the first nor the last; as we have already seen, exit rates of western businesses were high. After the Meiji Restoration several smaller and larger western businesses failed, including one of the first Dutch firms in Japan, Textor & Co., in 1873 and the American firm of Heard & Co.61 In the months before the bankruptcy, Glover had contacted the NHM to inquire about potential investment in Glover & Co. According to John McMaster, the NHM was «the most powerful financial interest at Nagasaki and had invested heavily in Glover and Company».62 Sugiyama notes that the NHM would in total invest 462,462 dollars in Glover & Co., and a bankruptcy was consequently not in their interests.63 The NHM took over Glover & Co.’s debts, mostly to Jardine Matheson, and provided an additional 20,000 British pounds to settle the account for a newly built Japanese naval corvette, the Jho Sho Maru.64 As collateral, Glover & Co. offered all its assets including the share in the Takashima mine.

After the bankruptcy of Glover & Co., the NHM became the trustee of the Glover & Co. Estate, and its primary goal was to recover as much of the debt as possible. Thomas Glover offered to manage the mine for a small salary, hoping that the increased production of coal would allow him to repay his debts.65 The NHM expected the mine to produce sufficient good quality coal to turn a profit before the end of the lease contract in 1875, although the August 1870 report on the mine showed many deficiencies in its lay-out and management. To solve these problems, in January 1871 the NHM appointed the English mining engineer Frederick Anthony Potter. Difficulties with the mine continued for some time. In mid-1871, the price of coal fell sharply, while the wages of the miners continuously rose between 1871 and 1873. Work on a second shaft had begun in mid-1872, requiring substantial additional investment from the NHM. Income from the sale of coal allowed the NHM to recover about 300,000 dollars, still leaving 94,747.71 dollars of indebtedness at the end of 1872.66 The new Japanese government was, however, willing to buy the mine, but the negotiations did not result in an agreement.

61 Thomas Franklin Waters, Augustine Heard and his friends, Salem 1916, in: http://www.library.hbs.edu/hc/heard/augustine-heard.html [last access 8 January 2013].
62 McMaster, The Takashima Mine (cf. n. 60), 222.
63 Sugiyama, Thomas B. Glover (cf. n. 34), 129.
64 http://www.aberdeenships.com/single.asp?index=100182 [last access 8 January 2013].
65 Glover succeeded in doing so by 1877.
66 McMaster, The Takashima Mine (cf. n. 60), 224.
In 1873 the Meiji government proclaimed the Japanese Mining Law which nationalized all mineral resources. The negotiations for the sale of the mine were handed over by the NHM to political representatives of the Netherlands, United States and Great Britain. On 31 January 1874, the government purchased the Takashima coal mine for 400,000 dollars.\textsuperscript{67} It took more than a year however, before the directors in Amsterdam were convinced that the deal would cover all outstanding debts of Glover & Co., not just those of the mine, and in the end it even produced a profit. But the sale also meant that revenues from the mine would no longer accrue to the NHM.\textsuperscript{68} The coal mine had been a «rich source of income for the NHM, mainly the interests on advances and commission on the sale of coal».\textsuperscript{69} This is reflected in the profit made between 1871 and 1873 (see table 1).

After his appointment as Chief Agent and successor of Bauduin in June 1874, Willem Conrad Korthals (b. 1842) wanted to establish new contacts with western and Chinese merchant houses in China to stimulate the trading activities of the NHM.\textsuperscript{70} His mission was not very successful because many «trading houses have recorded large losses and this lessened their entrepreneurial spirit».\textsuperscript{71} In Japan, too, trade conditions worsened according to the Annual Report of 1874 to 1875. Because of the bankruptcy of several western trading houses after the Meiji Restoration, the NHM was unable to recover some debts, and this added to the negative results. Korthals was optimistic about the book-year 1875 to 1876, but his optimism proved wrong and the NHM again recorded huge losses (see table 1). He attributed this to debts of Japanese and western businesses that would probably never be reimbursed.

Meanwhile, the Board of Directors in Amsterdam had decided to dispatch Willem Martinus van der Tak (1838 to 1899) to Japan to inspect the agencies and make recommendations to improve their performance. Van der Tak was an agent in Yokohama between 1865 and 1873 and he was thus well-acquainted with local conditions. In early 1876, the acting NHM agent at Hyogo, C.H.A. Rappard, was suspended for prioritizing his private trade and neglecting the interests of the NHM.\textsuperscript{72} This incident along with the many personnel changes in these years hint at the steady deterioration of the activities of the NHM in Japan.

\begin{itemize}
  \item \textsuperscript{67} Chief-Agent 1871-1880, Annual Report 1873-1874. McMaster mentions 15 November 1874 as purchase date, in: NA, 2.20.01, Inv. no. 5096; McMaster, \textit{The Takashima Mine} (cf. n. 63), 224.
  \item \textsuperscript{68} Chief-Agent received letters 1871-1880, 14 January 1875, in: NA, 2.20.01, Inv no. 11292.
  \item \textsuperscript{69} Chief-Agent 1871-1880, Annual Report 1874-1875, in: NA, 2.20.01, Inv. no. 5096.
  \item \textsuperscript{70} According to Klein, Korthals was dismissed as agent of the NHM on 30 November 1875 on suspected fraud, although the charge was never proved. There are, however, no archival sources to confirm the dismissal of Korthals. Klein, \textit{Op de klippen van een Nieuwe Tijd} (cf. n. 3), 87. Korthals was indeed relieved from his post as agent of the NHM in Yokohama on 30 November 1875 and succeeded by Van der Pot. Chief-Agent 1871-1880, Annual Report 1875-1876, Supplement with personnel changes and statistics, in: NA, 2.20.01, Inv no 5096.
  \item \textsuperscript{71} Chief-Agent 1871-1880, Annual Report 1874-1875, in: NA, 2.20.01, Inv. no. 5096.
  \item \textsuperscript{72} Klein mistaken calls him: C.H.A. van Rappard. Klein, \textit{Op de klippen van een Nieuwe Tijd} (cf. n. 3), 87.
\end{itemize}
In the Annual Report of 1875 to 1876, the acting Chief-Agent Joannes Jacobus van der Pot (1843 to 1905) mentioned a number of problems to explain the negative financial results: numerous unrecovered and probably unrecoverable debts; insufficient working capital; loss of prestige of the NHM; lack of direct connections with Europe; and restrictions on working as an agent for other foreign trading houses (especially those in Shanghai). The Board of Directors responded to these accusations in March 1877 in a long and detailed report. They disagreed with most complaints of Van der Pot. They did agree that the lack of direct connections with Europe, in particular England, was a major problem, but considered that this could be remedied by appointing a «knowledgeable agent of the NHM» in London or elsewhere.

The reorganization of 1871 certainly did not produce the anticipated results. While the Directors in Amsterdam had increased the available capital for the agents in Japan and hoped that it would allow the NHM to become a major trading house, after 1874 they began to cut the budget, shutting down sales offices and reducing the staff to economize on expenses (see table 1). From 1874, there was no longer an NHM agent in the once important port of Nagasaki, but only an employee managing the business. The NHM closed the sales office in Osaka in 1874, followed in 1878 by the offices in Hyogo and Nagasaki. Closing down the offices could not be done straightaway, however, because of the time lag in transactions. The affairs of the office in Nagasaki were temporarily entrusted to the German firm of A. Reddelien & Co., although «they had no knowledge of the East Indies market or trade in Japanese lacquer ware and porcelain», while in Hyogo the Dutch firm Scheuten & Co, and thereafter the British firm Cornes & Co., were engaged.

Although the Annual Report of 1878 to 1879 showed a small profit, the Chief-Agent Van der Pot explained that this was a mere coincidence and the result of collecting insurance money after the loss of a cargo of petroleum on board the steamship Eureka. Van der Pot, however, expressed his feeling that there was a future in Japan for the NHM. «Prospects for the agency in Yokohama are not unfavourable», he wrote, but this required the NHM to give the Chief-Agent much more latitude of action. Van der Pot explained that before 1868, Dutch companies had received lucrative contracts from the Japanese, including the construction of new steamships (see above). This was no longer the case, because the larger ships were now ordered in Great Britain, while Japanese shipyards constructed smaller vessels. His suggestion to establish a plant for processing Japanese tea for export to America was rejected. Van der Pot felt that the sale of filament, petroleum and sugar could produce good results and pointed to banking as a possible future business. «Banking activities should not be dismissed at first hand, and

73 Report Board of Directors Amsterdam, 15 March 1877, in: NA, 2.20.01, Inv.no. 5096.
74 Chief-Agent 1871–1880, Annual Report 1877–1878, in: NA, 2.20.01, Inv.no. 5096.
76 Chief-Agent 1871–1880, Annual Report 1878–1879, in: NA, 2.20.01, Inv.no. 5096.
the positive results of the Hong Kong & Shanghai Bank are considerable*.\(^77\) The number of western banks in Japan had increased from three to five in 1879 and included the Comptoir d’Escompte de Paris, the Oriental Bank Corporation, the Chartered Mercantile Bank of India London and China and the Chartered Bank of India, Australia and China.\(^78\) Whether these or other activities mentioned by Van der Pot would have been profitable can never be known, but even in the 1870s and 80s, during the worldwide Great Depression, there were «frequent bankruptcies, often of well-established firms» in Japan.\(^79\)

In June 1880, Van der Pot wrote his last Annual Report as Chief-Agent. He concluded that without a thorough reorganization of the business, «keeping the agencies in Japan open would be postponing their demise, and it was better to close an agency that has no future».\(^80\) His expectation that business would become profitable again proved wrong. The losses in the period 1879/80 were 24,818 dollars and this prompted the Board of Directors in Amsterdam to shut down operations in Japan. On the last day of December 1880, the final remaining sales office in Yokohama was closed, and trade of the NHM with Japan was henceforth handled by other western firms. Some NHM employees were transferred to agencies in Asia, while others retired and returned to the Netherlands. A few agents, however, decided to stay in Japan. Rudolf Adriaan Mees (1837 to 1903), who worked rather unsuccessfully in the NHM sales offices in Edo, Niigata and Yokohama, remained in Japan after 1880. He continued to work for several businesses until he committed suicide in 1903 in Yokohama.\(^81\) Van der Pot, the last Chief-Agent also stayed and eventually became Dutch Minister Resident (ambassador) in 1881 until 1889 when he returned to The Hague in the Netherlands.

What explains the failure of the NHM in Japan?

The directors in Amsterdam and the agents in Japan offered different explanations for the failure of the NHM in Japan. This is perhaps not surprising. Although the correspondence was frequent, there was always the problem of information asymmetry and agency that could not be resolved easily and, in the end much depended on mutual trust. When profits turned into losses after 1874, trust became even more important. The Board of Directors believed that the agents had been too generous in providing loans and credit against deficient security. The losses prompted the directors to monitor their agents more closely. The agents, however, argued that the restrictions imposed by the directors frustrated their business. They furthermore accused the directors and the Factorij in Batavia for a general indecisiveness regarding the agencies in Japan.

According to Bauduin, the difficulties of the NHM in Japan were directly related to changes introduced after the Meiji Restoration. «The abolition of the domains marks the end of profitable transactions and in the future new sources of income must be

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\(^{77}\) Ibid.
\(^{78}\) Ibid.
\(^{80}\) Chief-Agent 1871-1880, Annual Report 1879-1880, in: NA, 2.20.01, Inv. no. 5096.
\(^{81}\) Mees/Mees, *Japanese women and foreigners* (cf. n 47).
found in Japan. The NHM, wrote Bauduin, was forced to deal with the new bureaucrats of the government, but that proved rather difficult. «Developing relations with the Mikado-government (Meiji government, FdG) would under the present conditions, now that the income from transactions with the landlords have been lost, be very pleasant and welcome. I am sorry to conclude that our relations with the Japanese government are not as extensive as I would have liked before and after 1868 [...], this being the result of the more powerful influence of England and America, which has had a negative effect of our performance.»

In his Annual Report to the Chief-Agent covering the period July 1877 to June 1878, the acting agent in Yokohama noted that before 1868 agents of the NHM were often consulted by the Japanese government because of their high status. After 1868, English, American and German influence in Japan grew, while Dutch prestige declined. He attributed this chiefly to the refusal of the Factorij to approve a substantial loan to the Japanese government for the railway between Tokyo and Yokohama. The Japanese next turned to the Oriental Bank Corporation, which was quite eager to establish good relations with the Meiji government. This loan proved not only very profitable for the bank, but allowed British firms to establish better contacts with the Japanese government, which resulted in more business deals. This not only enraged the Dutch business community, but also some American and German companies, and the latter gained support from their diplomats in establishing contacts with the Meiji government. The NHM lacked strong diplomatic support in Japan after 1868.

According to Jacobus Martens (b. 1839), NHM agent in Hyogo, the attitude towards the Japanese was wrongly based on one-sided knowledge («eenzijdig inzigt»). The Dutch had accepted the humble and subservient position of trader so as not to jeopardize their monopoly between 1641 and 1854. This attitude was continued by the NHM after 1859. Martens, however, believed that the NHM should have been more proactive. Repeated requests from the Japanese governments for loans were rejected, but these would have resulted in many profitable contracts for Dutch manufacturers. Instead, the directors decided to stick with their trading business, and as a consequence the Dutch status had suffered, while England, America and Germany had gained in prestige.

The Annual Report of 1877 to 1878, written by the Chief-Agent Van der Pot, added some interesting remarks about the characteristics of the Japanese people that could explain the failure of the NHM. Van der Pot wrote: «The Japanese are of a whimsical nature and very interested in new business and new friends. When the French, English and Americans arrived, they brought with them these new businesses and ideas, and only because they were new, the Japanese were much inclined to accept them». England, France and America could furthermore make a good impression because of their...
strong diplomats and the presence of their navy in Japanese ports like Yokohama. Van der Pot went on to mention that the British ambassador Sir Harry Parkes (1828 to 1885) had much influence on the Japanese government and this contributed to the success of English firms. Van der Pot also hinted at some corruption in the Japanese government: «To receive large orders from the government, it seems necessary to bend the rules a bit. Japanese civil servants are not perfect, and those who want to win their favour should provide some money as a loan, but without asking for a repayment».86 In his last annual report Van der Pot concluded that in his view the NHM was never really committed to the business in Japan. The indecisiveness is perhaps partly explained by the transformation of the NHM from trader in bank during which it was «walking on two legs».87 In general, Van der Pot believed that the NHM, in particular the Factorij in Batavia, had prevented the agencies to conduct business adapted to local conditions. Instead the NHM preferred to do business after 1868 as it had done before.

Following J. Pfeffer and G. R. Salancik’s Resource Dependence Theory (RDT), one could argue that in the feudal period (1859 to 1868) the old elites constituted a critical trading partner in the external environment of the NHM. The Meiji Restoration swept away these groups, forcing the NHM to adapt to the new environment.88 One way to reduce dependency, according to RDT, is political action.89 Given the dominant economic and political role of the Japanese government after 1868, having close ties with the centre of political power was of paramount importance for the success of any foreign businesses. But why was the NHM unable to establish connections with the new government? Part of the explanation comes from the NHM itself, but perhaps another part comes from the Japanese government: first, the NHM did not deliver what the new government demanded and, secondly it was seen as belonging to the old feudal regime. This relates to the other side to this history: the Japanese relationship with the Netherlands and their view of Dutch business. After the opening in 1859, Japan still regarded the Netherlands as an important trading partner and trusted friend. They placed orders for machinery and ships, besides sending students to Dutch universities and factories. But the Japanese soon discovered, for instance during their first mission to Europe in 1862, that the Netherlands was in many ways a small country compared to Great Britain, France, Germany or the United States. Politically it had become a second-rate power, although it possessed the Dutch East Indies.90 Economically, the Neth-
erlands was lagging well behind these great powers. By the 1860s, industrialization in the Netherlands was just gathering pace.91 The Japanese furthermore discovered that the Dutch language was not very helpful in their dealings with the other great powers and foreign businessmen because they seldom spoke Dutch.92 These factors may explain why the NHM had so much difficulty in establishing links with the Meiji government after 1868.

Concluding remarks

The NHM sales offices in Japan achieved excellent results in the period 1858 to 1868. Factors contributing to this included the high status and prestige enjoyed by the Dutch and the good relations of NHM with the feudal Tokugawa government, local landlords and samurai. In the period before 1868, the NHM came to depend on contracts from the old elites. From the Japanese perspective, the NHM was a trustworthy partner (or resource) which provided essential goods and knowledge (e.g. steam engines and education for a navy). After 1868, the financial results of the NHM in Japan were rather poor and eventually turned into huge losses. The reorganization of the business and the appointment of a Chief-Agent in 1871 had no lasting positive effects. Factors contributing to this were: the loss of prestige of the Dutch; growing competition with businesses from other western countries; and insufficient diplomatic support. The most important factor was the elimination of old elite groups and the difficulty in establishing links with the new Japanese government. The feudal regime was replaced by new leaders who wanted to modernize the country along western lines, although without becoming completely western. It may well be that the Japanese cultural preference for making new friends and contacts further contributed to the decline of the NHM. From a Japanese perspective, it seems that the NHM was no longer able to deliver what the government most wanted. The NHM was in addition strongly associated with the feudal period that the new government wanted to leave behind.

The failure of the NHM in Japan can hardly be attributed to only exogenous or endogenous factors. An integratist perspective (see p. 107), combing exogenous and endogenous factors, offers a more convincing explanation. Although what ultimately became the Meiji Restoration started several years before as a civil war, neither the outcome of the war nor the revolutionary changes introduced after 1868 could have been foreseen by any businessmen. Is this then a case of business failure? When the directors of the NHM in Amsterdam increased the available capital for its agents in Japan in 1865 and again in 1871 and later years, accompanied by a reorganization of the agencies and the appointment of a Chief-Agent, the goal was to become a major trading house and the autobiography of Yukichi Fukuzawa, The Autobiography of Yukichi Fukuzawa, Revised translation by Eiichi Kiyooka, with an introduction by Shinzo Koizumi, Tokyo 1960. Fukuzawa was a member of the first Japanese mission to Europe in 1862 that also visited the Netherlands.

92 For a Japanese perspective on the Netherlands during the Meiji Restoration period see

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capture a large share of the import and export market. This goal was not achieved and therefore the investment in Japan was a failure. However, although the NHM sales offices may have failed in Japan, the company as a whole continued to prosper in the Dutch East Indies and other Asian markets. The scholarly literature on business failure and business turnarounds, like the Sheppard and Chowdhurry model, offers no possibility for «partial failures». Entrepreneurs often try out new products or probe new markets, usually without committing all their resources and jeopardizing the future of the whole company. When the results are disappointing, they pull out. Entrepreneurship is therefore essentially a dynamic process of continuous investments and divestments, or entry and exit. The history of the NHM contains several other examples of failed investments besides Japan: China, South America and North America (New York). Failed investments can provide valuable lessons and a company may try to enter the same market again. The NHM successfully re-entered Japan in the 1920s, but this time as a merchant bank. It opened an office in Kobe and after the Second World War expanded further, opening offices in Osaka and Tokyo.

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