

Title: A case of business failure.

Subtitle: The Netherlands Trading Company (NHM) in Japan, 1859-1881.

Author: Ferry de Goey

Abstract

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 links with the new Japanese government.

The failure can hardly be attributed to only exogenous or only 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 Asian markets. The scholarly literature on business turnarounds offers no possibility for «partial failures» (e.g. failures of agencies, business units or divisions). 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 successfully did in the 1920s, opening offices in Kobe and later in Osaka and Tokyo.

Business history is mainly concerned with investigating and explaining the successes of entrepreneurs and shows relatively little interest in business failures. Patrick Fridenson has argued that to focus only on creation and success creates an unbalanced view of business history. The history of the NHM in Japan provides an opportunity to investigate a case of business failure or rather failed investment in a new market.

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1. 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 somewhat adapting its rules and policy».¹

Late December 1880 the Nederlandsche Handel-Maatschappij N.V. (Netherlands Trading Company Ltd., hereafter: NHM) closed its last remaining sales office in Japan.² The NHM was probably one of the largest and most successful Dutch trading houses from the mid-1850s.³ Why did the NHM pull out of Japan? What explains the failure of the NHM in Japan? The quote above suggests that the NHM agents in Japan felt that it was a wrong decision, but the Board of Directors in Amsterdam decided against their wishes. Except for one publication, no archival research has been conducted on the history of the NHM in Japan.⁴ Strong competition, particularly from British, American, French and German firms, certainly contributed to the decline of the NHM in Japan. However, I will argue that their failure was mainly due to the loss of ties with Japanese officials after the Meiji Restoration of 1868 and their inability to establish profitable links with the new government. The NHM was not able to deliver what the new government wanted and was strongly associated with the feudal past.

The history of the NHM in Japan provides an opportunity to investigate the history of a business failure or failed investment in a new market. Business history is mainly concerned

¹ National Archives, The Hague, The Netherlands (hereafter: NA) 2.20.01, Inv. no. 5101, NHM Agent Yokohama Annual Report 1879-1880.

² W.M.F. Mansvelt, *Geschiedenis van de Nederlandsche Handel-Maatschappij*, Haarlem 1924. This company history is now replaced by the PhD of Ton de Graaf, *Voor Handel en Maatschappij. Geschiedenis van de Nederlandsche Handel-Maatschappij, 1824-1964*, Amsterdam 2012.

³ Joost Jonker en Keetie Sluyterman, *Thuis op de wereldmarkt. Nederlandse handelshuizen door de eeuwen heen*, Den Haag 2000.

⁴ P.W. Klein, *Op de klippen van een Nieuwe Tijd. De Nederlandsche Handel-Maatschappij en de ondergang van de traditionele Nederlandse handel in Japan tussen 1870 en 1880*, in: J.F.E. Bläsing en H.H. Vleesenbeek (red.), *Van Amsterdam naar Tilburg en toch weer terug*, Leiden en Antwerpen 1992, 85-96. The sparsely referenced contribution of Klein is based on the finished papers written by undergraduate students of Leiden University. Klein has apparently not done any research in the NHM archive himself for this publication.

with investigating and explaining the successes of entrepreneurs and shows relatively little interest in business failures.⁵ Business failure is, however, a common element in the history businesses in industry and services.⁶ Although the number of failures increases during recessions and economic crisis, failures can 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».⁷ Patrick Fridenson argues that business historians must address the issue of business failure. To focus only on creation and success without discussing failures creates an unbalanced view of business history. He furthermore pointed out that failures were sometimes followed by a successful attempt.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 literature».⁹ Following Fridenson, this article will focus on the actions of persons (i.e. the agents of the NHM) set against the background of larger societal changes in Japan. This allows us to investigate how the NHM agents responded to the changes in the external environment.

Business failure, mostly using the juridical criterion of bankruptcy, is primarily studied in management and business schools to develop models that enable predictions on future results.¹⁰ Adrian Wilkinson and Kamel Mellahi, however, conclude that «[...] organizational failure is still terra incognita compared with other management topics».¹¹ Research on company failure falls in three groups:

- Determinist: stressing external factors over which management has little control;

⁵ A query of the last ten volumes of *Business History* (2001-2011) yielded only about 15 articles on «failure», not all business failures; *Business History Review* (2001-2011) just 4, again not all business failures.

⁶ Simon Bridge et al., *Understanding Enterprise. Entrepreneurship and Small Business*, Basingstoke 2003² 164-167, 189-191; John Gill, *Factors affecting the survival and growth of the smaller company*, Aldershot 1985. Large businesses: Leslie Hannah, *Survival and Size Mobility among the World's Largest 100 Industrial Corporations, 1912-1995*, *The American Economic Review* 2 (May, 1998), 62-65.

⁷ Marius Pretorius, *Defining business decline, failure and turnaround: a content analysis*, *The Southern African Journal of Entrepreneurship and Small Business Management* 1 (2009), 1-17.

⁸ Patrick Fridenson, *Business Failure and the Agenda of Business History*, *Enterprise and Society: The International Journal of Business History* 4 (2004), 562-583.

⁹ Philip Ollerenshaw, *Innovation and Corporate Failure: Cyril Lord in U.K. Textiles, 1945-1968*, *Enterprise and Society: The International Journal of Business History* 4 (2006), 777-811.

¹⁰ Sofie Balcaena and Hubert Ooghe, *35 years of studies on business failure: an overview of the classic statistical methodologies and their related problems*, *The British Accounting Review* 1 (2006), 63-93; Edward I. Altman, *The success of business failure prediction models: An international survey*, *Journal of Banking & Finance* 2 (June 1984), 171-198. Balcaena and Ooghe note that bankruptcy is chosen by researchers because it is objective allowing firms that failed to be clearly marked and it can be objectively dated.

¹¹ Adrian Wilkinson and Kamel Mellahi, *Organizational Failure: Introduction to the Special Issue*, *Long Range Planning* 3 (2008), 233-238.

- Voluntarist: stressing internal factors, including managerial strategies;
- Integratist: combining exogenous and endogenous factors.¹²

Like business success, failure is not easy to define. Peter Jennings and Graham Beaver define business success very broadly as «[...] the sustained satisfaction of principal stakeholder aspirations».¹³ Business failure is logically the opposite. They note that «[...] there is no single criterion, label or definition of success or failure».¹⁴ Success is usually measured by profit, expansion and growth, but these criteria do not consider the goals of an entrepreneur or enterprise. If the goal is simply to provide an income for the family and the entrepreneur succeeds in that, it can hardly be called a failure even if the company remains small or does not contribute to major innovations. John Watson and Jim Everett present four definitions of business failure: discontinuance for any reason (e.g. old age, health reasons, or retirement), bankruptcy, firms that are sold or liquidated to prevent further losses, and any business that did not make an adequate return or met the owner's expectations.¹⁵ Jerry Paul Sheppard and Shamsud Chowdhury define business failure more generally as «[...] the misalignment of the organization to the environment's realities».¹⁶ They believe that it is closely related to the company's strategy and failure is basically the result of a failing business strategy and can be avoided by turning a company around or 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 (e.g. a new structure, business turnaround) and in phase four the outcomes become clear: either success or failure.¹⁷

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.¹⁸ According to Brian Headd almost one-third of all U.S. firms that closed

¹² Tom McGovern, *Why do successful companies fail? A case study of the decline of Dunlop*, *Business History* 6 (2007), 886-907; Jerry Paul Sheppard and Shamsud D. Chowdhury, *Riding the Wrong Wave: Organizational Failure as A Failed Turnaround*, *Long Range Planning* 3 (2005), 239-260, here cf 240.

¹³ Peter Jennings and Graham Beaver, *The Performance and Competitive Advantage of Small Firms: A Management Perspective*, *International Small Business Journal* 15 (1997), 63-75, here cf 67-69.

¹⁴ Jennings and Beaver, *The Performance*, 68.

¹⁵ John Watson and Jim Everett, *Defining Small Business Failure*, *International Small Business Journal* 11:3 (1993), 35-49, here cf 37-40.

¹⁶ Sheppard and Chowdhury, *Riding the Wrong Wave*, 240.

¹⁷ *Ibid*, 243-245.

¹⁸ Watson and Everett, *Defining Small Business Failure*, 39.

between 1989 and 1992 stopped operations although they were profitable.¹⁹ Whether the results of studies on business success and failure in the late twentieth century can be applied to the 1850s and 1870s is debatable.

The article is mainly based on primary sources, including the company archive of the NHM at the Dutch National Archive in The Hague, and is divided in four sections. The second section will briefly 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 will continue the history of the NHM agencies between 1868 and 1881. The fifth section discusses the various explanations for the exit of the NHM. This is followed by some concluding remarks.

2. Dutch trade with Japan before 1858

From 1639 until 1859 the Dutch were the only western traders in Japan.²⁰ Besides the Dutch there were large numbers of Chinese traders in Japan.²¹ In 1641, the Dutch East India Company (VOC) was ordered to transfer its trading post from Hirado to Deshima, a small artificial island in the harbour of Nagasaki. The Chinese traders resided in their own mercantile quarter in Nagasaki and on a similar artificial island called Tojin Yashiki. A number of edicts were promulgated after 1616 that effectively limited and regulated foreign trade. For more than two centuries Japan was «a closed» or «selective open» country for all western or non-Dutch traders.²² In this policy Japan was hardly original, because Siam (Thailand), Cochin China (Vietnam), China and Korea had all similar policies. During the first decades Dutch trade with Japan was very profitable, but from the mid-eighteenth century trade was more and more restricted and profits began to decline.²³ By the 1780s The Dutch were allowed to send one or two merchant ships each year from Batavia to Deshima. After the VOC was dissolved in 1795, the Dutch government took over its possessions, including the Deshima trading post. The Dutch were not yet willing to surrender their monopoly.

¹⁹ Brian Headd, *Redefining Business Success: Distinguishing Between Closure and Failure*, *Small Business Economics* 1 (2003), 51–61.

²⁰ Books on Japanese history in English: Andrew Gordon, *A Modern History of Japan. From Tokugawa Times to the Present*, New York and Oxford 2009²; James L. McClain, *Japan: A Modern History*, New York 2002; L.M. Cullen, *A History of Japan, 1582-1941. Internal and External Worlds*, Cambridge 2003.

²¹ Marius B. Jansen, *China in the Tokugawa World*, Cambridge Mass. 2000.

²² For the debate on Japanese seclusion: Robert I. Hellyer, *Defining Engagement. Japan and Global Contexts, 1640-1868*, Cambridge Mass 2009; Arano Yasunori, *The Entrenchment of the Concept of 'National Seclusion'*, in Mark Caprio and Matsuda Koichirō (eds.), *Japan and the Pacific, 1540-1920*, Farnham 2006, 87-109.

²³ Kees Camfferman and Terence E. Cooke, *The Profits of the Dutch East India Company's Japan Trade*, 40:1 *Abacus* (2004), 49-76.

From the late eighteenth century, however, the Dutch monopoly in Japan was attacked by merchants and whalers from other western states that sought similar privileges. Until 1854, Japan successfully resisted all attempts to establish economic and political relations with other western countries besides the Netherlands.²⁴ After some unsuccessful missions, the United States ordered a small fleet to Japan to open the country, by force if necessary. Commodore Matthew C. Perry (1794-1858) made history by succeeding where others before him had failed.²⁵ In March 1854 the United States and Japan concluded a «wood and water treaty» that did not allow trade, but is nevertheless seen as the beginning of «the opening of Japan».²⁶ The treaty did allow to appointment of consuls and consular-agents; the first consul general was the American Townsend Harris (1804-1878). Following the American success, other western countries dispatched their navy and diplomats to Japan.²⁷ Between 1854 and 1858, Japan signed commercial treaties with the United States, Russia, Great Britain, France and the Netherlands.²⁸ These treaties (called the Ansei Treaties) opened three ports in Japan 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 postponed until January 1868), Niigata and Edo (after 1868 called Tokyo) in January 1869. The articles of the Ansei Treaties and additional treaties with other countries included the principle of free trade, a most-favoured-nation clause, tariff rates on imports and exports set by the western powers, and arranged freedom of worship. Westerners were not allowed to own real estate but they could lease a site in the Foreign Settlements to build a house and warehouse. To protect free trade, the western countries were allowed to appoint an ambassador and consuls. In the settlements the foreigners enjoyed extraterritoriality: criminal cases between westerners were handled by their own consuls and settled according to the laws of their own country. This Treaty-Port System provided western merchants the necessary protection and security, along with important commercial advantages. Although the treaties

²⁴ Minori Kogure, *National Prestige and Economic Interest. Dutch Diplomacy toward Japan 1850-1863*, Maastricht 2008; Amry Vandenbosch, *Dutch Foreign Policy since 1815. A Study in Small Power Politics*, The Hague 1959.

²⁵ W. McOmie, *The opening of Japan 1853-1855. A comparative study of the American, British, Dutch and Russian Naval Expeditions to compel the Tokugawa Shogunate to conclude treaties and open ports to their ships*, Kent 2006. For a Japanese perspective see H. Mitani, *Escape from impasse. The Decision to open Japan*, Tokyo 2006; M. Itoh, *Globalization of Japan. Japanese sakuko mentality and U.S. efforts to open Japan*, New York 1998.

²⁶ Mario Cosenza (ed.), *The Complete Journal of Townsend Harris. First American Consul and Minister to Japan*, Vermond 1959², 7-8. The idea of «opening Japan» assumes that it was completely closed, which it wasn't. See note 22.

²⁷ M.R. Auslin, *Negotiating with imperialism: the unequal treaties and the culture of Japanese diplomacy*, Cambridge 2004.

²⁸ For English translations of original documents, including the treaties see W.G. Beasley (ed.), *Select Documents on Japanese Foreign Policy 1853-1868*, London 1954.

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 feudal Tokugawa government and eventually succeeded in overthrowing them in 1868.

The NHM was established in 1824 by King William I (1772-1843, r. 1814-1840) 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 were able to increase 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 that developed into a major competitor of Batavia.²⁹

The NHM was supervised by a President and Board of Directors, supported by a Board of Commissioners to represent the shareholders. Until 1831 the head office was in The Hague, but thereafter in Amsterdam. In Batavia the NHM established an office in 1826 (called de Factorij) to oversee trade in Southeast Asia. The NHM was to be primarily a trading company, but it was normal in those days to support trade with some financial transactions, including short term loans and credit to clients and other traders. The original charter, however, prohibited the NHM from engaging in pure banking activities (e.g. keeping deposits and providing loans). In the Dutch East Indies the NHM invested in plantations, while in the Netherlands it established close links with manufacturing companies (e.g. textiles). In 1830 the Dutch government introduced a system of forced production of agricultural products in the Dutch East Indies, called Cultivation System.³⁰ Between 1830 and the early 1850s, the NHM dominated the export trade of these agricultural products: shipping them to the Netherlands and organizing their sale on auctions. The English navigator and writer George Winsor Earl (1813–1865), who visited the Dutch East Indies between 1832 and 1834, 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

²⁹ Anthony Webster, *Gentlemen Capitalists. British Imperialism in Southeast Asia 1770-1890*, London 1998, cf. Chapter 4: Anglo-Dutch Relations and the Treaty of London 1819-1824.

³⁰ Ulbe Bosma, *The Cultivation System (1830-1870) and its private entrepreneurs on colonial Java*, *Journal of Southeast Asian Studies* 2 (2007), 275-291; C. Fasseur, *Purse or Principle: Dutch Colonial Policy in the 1860s and the Decline of the Cultivation System*, *Modern Asian Studies* 1 (1991), 33-52.

hands of the Nederlandsche Handel Maatschappij, or Dutch Commercial Society, which, like the generality of public companies, is very detrimental to individual enterprise».³¹

The decision of the government in 1853 to phase out the Cultivation System (completed by the 1870s) and further liberalize the economy, threatened the position of the NHM. Already in 1860 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, the NHM was forced to seek new means of income in other activities and areas. Potential new areas included the United States, Siam, China, Philippines and Japan. Except for Japan, the NHM was unsuccessful in entering these other Asian markets.³³

3. The NHM in Japan: the Tokugawa period (1858-1868)

Most of the early western businesses in Japan were highly speculative ventures and the majority failed within a few years leaving few traces. The British consul in Kanagawa, F.G. Myburgh (1838-1868), noted in his report: «The success attending the opening of the ports in China and Japan brought into the commercial field a larger number of adventurous man with little or no capital, eager to make rapid fortunes and quit the scene».³⁴ The entry and exit rates for western businesses in Japan 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 12 in 1871. The majority of these firms had fewer than five employees. These traders established simple partnerships and were no more than adventurers with little business experience: they wanted to make a quick buck and get out of Japan as soon as possible. Others, however, were well-established trading companies operating in Southeast Asia (India, Bengal, Singapore, and the Dutch East Indies) and East Asia (Siam and China). One of the larger trading companies that came to Japan was the NHM.

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.

³² Vincent J.H. Houben, *Private Estates in Java in the Nineteenth Century: A Reappraisal*, in Thomas J. Lindblad (ed.), *New Challenges in the Modern Economic History of Indonesia*, Leiden 1993, 47-65, cf. 52.

³³ Mansvelt, *De Nederlandsche Handel-Maatschappij* (cf. n. 2), volume 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.

³⁴ Shinya Sugiyama, *Thomas B. Glover: a British merchant in Japan, 1861-70*, *Business History* 2 (1984), 115-139.

³⁵ Sugiyama, *Thomas B. Glover*, cf. 132.

In 1857, when Japan was in the process of signing treaties with other western countries, the Dutch government decided to give up its trade monopoly with Japan. This allowed private Dutch companies to set up their own business activities in Japan. One of the companies interested in this opportunity was the NHM. Given the long history of Dutch-Japanese relations, the NHM expected to gain much profit from trade with this country, particularly in the trade between the Dutch East Indies and Japan. In the months before the official opening of the Japanese ports, the NHM office in Amsterdam and the Factorij in Batavia decided to send a cargo to Japan to first probe the market. The Factorij selected their employee Albertus Johannes Bauduin (1829-1890) to take charge of this mission. According to his instructions he should investigate whether the Japanese had any interest in products from the Dutch East Indies and what commodities Japan produced for export.³⁶ The NHM head office in Amsterdam contemplated to establish a permanent agency in Japan because 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’.³⁷ Bauduin was assisted by the German scientist Philipp Franz Von Siebold (1796-1866), who presented himself as «the greatest expert on Japan in Europe».³⁸ Von Siebold was employed by the Dutch government as physician and scientist in 1823 to work at Deshima. When the Japanese discovered that he had illegally copied some maps they expelled him for life in 1829. After the ban was revoked in 1858 Von Siebold accepted a post as adviser to the NHM and returned to Japan to continue his scientific work.³⁹

In September 1859, the NHM Directors in Amsterdam informed Bauduin that they had decided to establish a sales office in Japan.⁴⁰ Bauduin hired one of the former VOC buildings on Deshima that became his office until the NHM office moved to the Foreign Settlement in Nagasaki in 1875. Almost immediately after his arrival in Japan, Von Siebold contacted the Japanese officials to promote the sale of Dutch products. Contrary to his instructions he opened a printing shop and offered his services to other countries. In October 1859 the NHM Directors in Amsterdam asked Bauduin to investigate rumours about Von Siebold helping the Belgium 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». They had to admit

³⁶ NA 2.20.01, Inv nr. 11351 Received letters Factorij Batavia 1859-1871, Batavia, 5 February 1859.

³⁷ NA 2.20.01, Inv nr. 11347 Received letters NHM Head Office Secret 1859-1864, 24 March 1859.

³⁸ Herbert Plutschow, *Philipp Franz von Siebold and the opening of Japan: a re-evaluation*, Folkeston 2007,33; Arlette Kouwenhoven en Matthi Forrer, *Siebold en Japan. Zijn leven en werk*, Leiden 2000.

³⁹ NA 2.20.01, Inv nr. 11347 Received letters NHM Head Office Secret 1859-1864, 24 March 1859.

⁴⁰ NA 2.20.01, Inv nr. 11347 Received letters NHM Head Office Secret 1859-1864, 8 September 1859.

though, that his advice and good contacts with Japanese officials had secured the NHM with many profitable contracts.⁴¹

Flourishing trade of the NHM in Japan before 1868

The initial choice of Deshima as the first place of residence of the NHM is understandable. Nagasaki had been Japan's port for international trade since the 1630s and it provided excellent connections with the Ryukyu Islands, Korea and China.⁴² It seems, however, that this choice was mainly motivated by tradition: it was the location where the Dutch VOC had resided since 1641. This was perhaps an erroneous decision because Nagasaki was soon surpassed by Yokohama that became the main international port of Japan after 1868. Until the NHM established its own agents in Yokohama and other Japanese ports, Bauduin used Dutch firms, included 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.

The main Japanese clients of the NHM in the period before 1868 were the government (the Shōgun and bakufu), the local lords (daimyō) and samurai. Initially they favoured doing business with the Dutch and placed large orders in the Netherlands, including steam engines, machinery, and steam vessels to establish a modern navy. Imports from the Netherlands included textiles and drugs, while raw silk, porcelain, lacquer ware and hemp were exported from Japan. After two years sales of the NHM had reached the amount of 1 million Dutch guilders. By 1866 exports from the Netherlands and Dutch East Indies to Japan had increased to about 6 million Dutch guilders.⁴³ 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 on it expanded even further and appointed agents in Tokyo and Niigata. The Tokyo agency was, however, a disappointment and already closed its doors on 15 October 1869.⁴⁴

⁴¹ NA 2.20.01, Inv nr. 11347 Received letters NHM Head Office Secret 1859-1864, 23 June 1861. 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 and Herman Moeshart (eds.), *Western Interactions with Japan: Expansion, the armed forces & readjustment 1859-1956*, Folkstone 1990, 13-26.

⁴² Leonard Blussé, *Visible Cities. Kanton, Nagasaki, and Batavia and the coming of the Americans*, Cambridge Mass. 2008; Brian Burke-Gaffney, *Nagasaki. The British Experience, 1854-1945*, Kent 2009.

⁴³ Mansvelt, *De Nederlandsche Handel-Maatschappij* (cf. n. 2), volume 2, 383-386.

⁴⁴ A.W. Mees and R.S.H. Mees, *Japanese women and foreigners in Meiji Japan. Japanese roots of the Dutch family Mees*, Noderstedt 2006, 23-24.

The good results of the NHM in Japan 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.⁴⁵ Confidence of the NHM in its operations in Japan was high. In June 1865 the capital allocated to the Japanese agencies to buy products for the European market was raised to 2 million Dutch guilders. «We are convinced that this amount will be sufficient for us to ensure a substantial share in the export trade of Japan».⁴⁶

In the mid-1860s profits of the NHM in Japan reached between 12 and 15 per cent.⁴⁷ However, these profits were to a large extent achieved not by trading, but by lending money to Japanese and foreigners. After the opening, foreign trade of Japan suddenly exploded and this soon led to financial chaos. Interest rates in the 1850s and 1860s were very high: between 12 and 18 per cent.⁴⁸ This allowed the NHM to charge high interest rates on credit to other traders. According to P.W. Klein all these advances and credit arrangements were fully repaid between 1858 and 1868, but this is incorrect. Several loans, often provided against insufficient collateral, remained unpaid even after the NHM had left Japan. In the interest of stimulating their trade and business, the NHM agents had been too generous in providing credit to their clients, including other western firms.

Western businesses 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 the Scotsman Thomas Blake Glover (1838-1911).⁴⁹ Glover came to Japan at the age of 21 as an agent for the British trading house Jardine, Matheson & Co. and would remain in Japan until his death.⁵⁰ In September 1859 Glover sailed from the Jardine Matheson office in Shanghai to Nagasaki to assist Kenneth Ross Mackenzie (1801-1873).⁵¹ When 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 Glover & Co. in Nagasaki. Glover & Co.

⁴⁵ NA 2.20.01, Inv nr. 11351 Received letters Factorij Batavia 1859-1871, 28 January 1865.

⁴⁶ NA 2.20.01, Inv nr. 11351 Received letters Factorij Batavia 1859-1871, 14 June 1865.

⁴⁷ Klein, *Op de klippen van een Nieuwe Tijd* (cf. n. 4), 86.

⁴⁸ Mansvelt, *De Nederlandsche Handel-Maatschappij* (cf. n. 2), volume 2, 385.

⁴⁹ Alexander McKay, *Thomas Blake Glover 1838-1911. Scottish Samurai*, Edinburgh 1997.

⁵⁰ McKay, *Thomas Blake Glover*; Sugiyama, *Thomas B. Glover*, 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.

⁵¹ 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.

was initially a regular trader selling silk and refined tea. For this Glover constructed a refinery in Nagasaki that employed several hundred Chinese and Japanese workers. Glover's business boomed and in October 1862 he expanded further after acquiring the firm of Blain Tate & Co. in Nagasaki. In 1864, Glover & Co. opened branches in Shanghai and Yokohama. By 1866 the firm had 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. They paid for their purchases in kind (e.g. rice) or used loans from western trading houses. Glover played an important role during the Japanese civil war or Boshin War (1866-1868) and the Meiji Revolution of 1868. He would continue to trade with the Shōgun and bakufu until their downfall, although at the later stages he more openly supported the rebellious domains of southern Japan. British Consular Reports on trade for 1865-1868 registered about 170,000 imported rifles in Nagasaki, worth about \$2.4 million (c. £ 500,000).⁵² Between 1864 and 1867, Glover & Co. would sell twenty ships, worth about \$1.2 million. Some of these ships were newly built in Aberdeen. By the end of 1866, Glover & Co. had become a large trading house in Japan employing about 100 people, and including the tea refinery, even more than 1,000. At the same time, because of its rapid growth Glover & Co. had large debts (about 150.000 Mexican dollars to Jardine, Matheson & Co. alone) and increasing difficulties in recovering loans and unsettled bills from its Japanese clients.

3 – The NHM in Japan: the Meiji period (1868-1881)

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

⁵² McKay, *Thomas Blake Glover* (cf. n. 49), 74. Dollars are in silver Mexican Dollars, unless otherwise noted.

In 1871 the Directors in Amsterdam wrote a report, after consulting Bauduin who was on leave in the Netherland, about the conditions in Japan. The financial results in 1868-1869 were still excellent (see table 1), but the future was most uncertain. Trade between the Dutch East Indies and Japan had become less important relative to direct trade between the Netherlands and Japan. Transport by steamships and communication via telegraph had much improved allowing a more direct supervision of the agents in Japan by the NHM Directors in Amsterdam.⁵³ All these changes necessitated a restructuring of the NHM in Japan. The NHM decided to appoint a Chief-Agent (Hoofd Agent) to supervise the other agencies in Japan.⁵⁴ In the new organizational structure the Chief-Agent would report annually and directly to the Directors of the NHM in Amsterdam and no longer to the Factorij in Batavia. The NHM furthermore raised the available capital for trading activities in Japan from \$1,000,000 to \$1,500,000, and later to \$1,600,000. The Directors in Amsterdam (again) explicitly banned the NHM agents from engaging in banking activities in Japan. They furthermore restricted the agents from drawing money on accounts by western banks, because this would make supervision from Amsterdam impossible and, more importantly, threatened the prestige of the NHM as one of the largest trading houses in Japan.⁵⁵

The first Chief-Agent was Bauduin, the most experienced NHM agent in Japan. By 1871 he had moved from Nagasaki to the bustling port of Yokohama. In his first annual report for the Board of Directors in Amsterdam, covering the period July 1871 to June 1872, Bauduin applauded the changes because interference of the Factorij in Batavia was henceforth excluded. This was wishful-thinking, because The Factorij continued to direct the Japanese agents from Batavia and restricted their business transactions, particularly those related to lending money and other credit arrangements. The report of the Chief-Agent showed only poor financial results that didn't met with the expectations. According to Bauduin the poor results were mostly «unforeseen and the outcome of many unexpected changes in the government of Japan: the Meiji Revolution». A major concern was the Takashima mine that became the responsibility of the NHM after the bankruptcy of Glover & Co.

After the Meiji Revolution the highly profitable sale of weapons declined sharply and Glover was forced to explore new business activities. He acquired a slip-dock in Nagasaki,

⁵³ S. Sugiyama, *Japan's industrialization in the world economy 1859-1899*, London 1988, 36-37.

⁵⁴ NA 2.20.01, Inv. no. 11292, Chief-Agent Received letters 1871-1880, 'Nota betreffende eene veranderende regeling van sommige aangelegenheden bij de vestigingen der Nederlandschen Handel Maatschappij in Japan', Amsterdam 1871.

⁵⁵ NA 2.20.01, Inv. no. 11292, Chief-Agent Received letters 1871-1880, 'Nota betreffende eene veranderende regeling van sommige aangelegenheden bij de vestigingen der Nederlandschen Handel Maatschappij in Japan', Amsterdam 1871.

opened a new office in Osaka in January 1868 and in June 1868 bought a fifty per cent share in a coal mine. The mine was located on Takashima Island near Nagasaki and owned by Nabeshima Naomasa (1815-1871), the prince of Hizen (Saga domain).⁵⁶ With the slip-dock and coal mine, Glover was shifting his business interest to industry. 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 valuable assets. Glover was, however, always short on cash and sold the slip-dock in March 1870 to the government for \$60,000 in an attempt to raise sufficient capital for investments in the Takashima mine.⁵⁷ Because his Japanese partner in the mine was equally heavily indebted, Glover loaned him money (\$48,000), but this only increased Glover's debt with Jardine, Matheson & Company. The mining contract would last for seven years, after 1875 the mine and all its equipment would fall in the hands of the Japanese partner, while profits were shared equally, after the prince of Hizen had first repaid Glover the loan.

Operating the mine proved very costly and on 22 August 1870 Glover & Co. was declared bankrupt. Before this, Glover had contacted the NHM to invest 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».⁵⁸ Sugiyama notes that the NHM would invest \$462,462 in Glover & Co and a bankruptcy was consequently not in their interests.⁵⁹ The NHM took over Glover & Co.'s debt to Jardine, Matheson & Co. and provided an additional £20,000 to cover a debt related to a newly built Japanese naval corvette, the Jho Sho Maru.⁶⁰ As collateral, Glover & Co. offered all its assets including the share in the Takashima mine.

The NHM became the trustee of the Glover & Co. estate and took on the role of its administrator. The primary goal was to recover as much as possible of the debts. Thomas Glover himself offered to manage the mine for a small salary, hoping that the increased production of the mine would allow him to repay his debts.⁶¹ The NHM expected the coal mine to produce sufficient good quality coal to turn up a profit before the end of the lease in 1875, although the August 1870 report on the mine showed many deficiencies in its lay-out and operation. To solve these problems, the NHM in January 1871 appointed Frederick

⁵⁶ Olive Checkland and Sydney Checkland, *British and Japanese economic interaction under the early Meiji: the Takashima coal mine 1868-1688*, Business History 2 (1984), 139-156.

⁵⁷ John McMaster, *The Takashima Mine: British Capital and Japanese Industrialization*, Business History Review 3 (1963), 217-239.

⁵⁸ *Ibid.*, 222.

⁵⁹ Sugiyama, *Thomas B. Glover*, 129.

⁶⁰ <http://www.aberdeenships.com/single.asp?index=100182>

⁶¹ Glover succeeded in doing so by 1877.

Anthony «ter, an English mining engineer. Difficulties with the mine continued to mount. In mid-1871 the price of coal had fallen sharply, while the wages of the miners rose sharply between 1871 and 1873. Work on a second shaft had begun in mid-1872. Income from the sale of coal allowed the NHM to recover more than \$300,000, still leaving \$94,747.71 at the end of 1872.⁶² The new government was, however, willing to buy the mine from the NHM but the negotiations did not result in an agreement and the matter was apparently handed over to the political representatives of the Netherlands and Great Britain.

In 1873 the Meiji government proclaimed the Japanese Mining Law nationalizing all mineral resources. On 31 January 1874 the government purchased the Takashima coal mine for \$400,000.⁶³ 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. and even produced a profit. But the sale also meant that revenues from the mine would no longer accrue to the NHM.⁶⁴ 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».⁶⁵

After his appointment as the Chief-Agent in Japan in June 1874, Willem Conrad Korthals (b. 1842) went to China in an attempt to establish new contacts with western and Chinese merchant houses and increase the trading activities of the NHM.⁶⁶ His mission was not very successful because many «trading houses have recorded large losses and this had lessened their entrepreneurial spirit».⁶⁷ In Japan too trade conditions worsened according to the Annual Report of 1874-1875. Because of the bankruptcy of several western trading houses, the NHM was unable to recover some debts and this only added to the negative results. Korthals was optimistic about the book-year 1875-1876, but his optimism proved wrong and the NHM again recorded huge losses (see table 1). He attributed this to debts of Japanese officials and business and western business that would probably never be reimbursed.

⁶² McMaster, *The Takashima Mine*, 224.

⁶³ NA, 2.20.01, Inv. no. 5096, Chief-Agent 1871-1880, Annual Report 1873-1874. McMaster mentions 15 November 1874 as purchase date. McMaster, *The Takashima Mine*, 224.

⁶⁴ NA, 2.20.01, Inv. nr. 11292, Chief-Agent Received letters 1871-1880, 14 January 1875.

⁶⁵ NA, 2.20.01, Inv. no. 5096, Chief-Agent 1871-1880, Annual Report 1873-1874.

⁶⁶ According to P.W. 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, *Op de klippen van een Nieuwe Tijd* (cf. n.4), 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. NA, 2.20.01, Inv. nr. 5096, Chief-Agent 1871-1880, Annual Report 1875-1876, Supplement with personnel changes and statistics.

⁶⁷ NA, 2.20.01, Inv. no. 5096, Chief-Agent 1871-1880, Annual Report 1874-1875. Korthals did succeed in concluding a contract to dredge the Yang Tze near Shanghai. This work was completed by the engineers George Arnold Escher (1843-1939) en Johannes de Rijke (1842-1913), who were working in Japan on similar projects.

Meanwhile, the Board of Directors in Amsterdam had decided to send Willem Martinus van der Tak (1838-1899) to inspect the agencies and make recommendations to improve the performance of the NHM agencies in Japan. Van der Tak had been NHM agent between 1865 and 1873 and he was thus well-acquainted with local conditions. 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.⁶⁸ This incident and many personnel changes in these years hint at the steady decline of the activities of the NHM in Japan.

In the Annual Report of 1875-1876, the acting Chief-Agent Joannes Jacobus van der Pot (1843-1905) mentioned a number of problems that could explain the negative financial results: numerous unrecovered and unrecoverable debts, insufficient working capital, loss of prestige, 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 rather severe accusations in March 1877.⁶⁹ They disagreed with most complaints. They did agree with Van der Pot that the lack of direct connections with Europe, in particular England, was a real problem that could be remedied by appointing a «knowledgeable agent of the NHM» in London or elsewhere.

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

Period	Profit (- loss) in Mexican silver dollars	Staff
1871-1872	35.473,47	1 Chief-Agent, 4 agents, 7 employees
1872-1873	26.259,58	
1873-1874	121.931,67	1 Chief-Agent, 3 agents, 5 employees
1874-1875	- 169.388,27	1 Chief-Agent, 2 agents, 3 employees
1875-1876	- 254.254,93	
1876-1877	- 102.184,76	
1877-1878	- 33.094,49	1 Chief-Agent, 1 agent, 2 employees
1878-1879	15.332,16	
1879-1880	- 24.818,46	

Source: NA, 2.20.01, Inv. no. 5096, Annual Reports Chief-Agent in Japan, 1871-1880.

The final years saw a steady decline of trading activities of the NHM in Japan. The reorganization of 1871 had certainly not produced the anticipated results. While in 1871 the

⁶⁸ Klein mistakenly calls him: C.H.A. van Rappaard. Klein, *Op de klippen van een Nieuwe Tijd* (cf. n. 4), 87.

⁶⁹ NA, 2.20.01, Inv. no. 5096, Report Board of Directors Amsterdam 15 March 1877.

Directors in Amsterdam had increased the available capital for the agents in Japan, after 1874 they began to cut it, shutting down sales offices and reducing the staff to economize on expenses (see table 1). From 1874-1875, there was no longer an NHM agent in the once important port of Nagasaki, but only an employee managing the dwindling business. In 1874 the NHM closed the sales office in Osaka, 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 entrusted to the German firm A. Reddelien & Co., although «they had no knowledge of the East Indies market or trade in Japanese lacquer ware and porcelain»⁷⁰, while in Hyogo the firm Scheuten & Co, and thereafter the British firm Cornes & Co., were engaged.⁷¹

Although the Annual Report of 1878-1879 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 of the steamship Eureka.⁷² Van der Pot, however, expressed as his feeling that there was a future in Japan for the NHM. «Prospects for the agency in Yokohama are not unfavourable», but this required the NHM to give the Chief-Agent more latitude of action. Van der Pot explains that in the past, before 1868, lucrative contracts were placed by the Japanese at Dutch companies, including the construction of new steam ships. This was no longer the case, because these contracts were now placed in Great Britain, while Japanese shipyards build the smaller vessels. His suggestion to establish a plant for processing Japanese tea and export it 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 the positive results of the Hong Kong & Shanghai Bank are considerable».⁷³ According to the annual report of the Chief-Agent of 1879-1880 the number of western banks in Japan had risen from 3 to 5 by 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.⁷⁴ Whether these or other activities would have been profitable is unknown, but even in the 1870s and 1880s,

⁷⁰ NA, 2.20.01, Inv. no. 5096, Chief-Agent 1871-1880, Annual Report 1877-1878.

⁷¹ The textile merchant Frederick Cornes (1837-1927) established the firm Aspinall, Cornes & Company in partnership with the tea trader, William Gregson Aspinall in 1861 in Yokohama. When Aspinall left the firm the name was changed in Cornes & Co. The firm still exists and operates in Japan. See Peter N. Davies, *Frederick Cornes, 1837-1927: Founder and Senior Partner of Cornes and Company (1873-1911)*, in Hugh Cortazzi (ed.), *Britain & Japan: Biographical Portraits*, London 2002, volume 4, 118-130.

⁷² NA, 2.20.01, Inv. no. 5096, Chief-Agent 1871-1880, Annual Report 1878-1879.

⁷³ *Ibid.*

⁷⁴ *Ibid.*

during the worldwide Great Depression, there were «frequent bankruptcies, often of well-established firms» in Japan.⁷⁵

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».⁷⁶ His expectation that business would become profitable again proved wrong. The NHM losses in the period 1879-80 were \$24,818 and this convinced the Board of Directors in Amsterdam shut down operations in Japan. On the last day of December 1880 the remaining sales office in Yokohama was closed. Trade of the NHM with Japan was henceforth handled by other business firms. Some NHM employees had been relocated to other agencies in Asia, while others had retired and returned to the Netherlands. A few agents decided to stay in Japan. Rudolf Adriaan Mees (1837-1903) worked rather unsuccessfully in the NHM sales offices in Edo, Niigata and Yokohama, but decided to stay in Japan after 1880. He committed suicide in 1903 in Yokohama.⁷⁷ Van der Pot, the last Chief-Agent also decided to stay in Japan and eventually became Dutch Minister Resident (ambassador) in 1881 until 1889 when he returned to The Hague in the Netherlands.

4 – What explains the failure of the NHM in Japan?

Directors in Amsterdam and agents in Japan offered different explanations for the failure of the NHM in Japan. The correspondence between the agents in Japan and the Directors in the Netherlands was frequent, but it was clear that there was a problem of information asymmetry and agency that could not be resolved easily and much depended on trust. The Board of Directors believed that the agents had been too generous before 1868 in providing loans and credit against deficient securities. These losses prompted the Directors to restrict and monitor their agents more closely after 1871. The agents, however, argued that the restrictions frustrated their business activities. They furthermore accused the Board of Directors and the Factorij in Batavia for a general indecisiveness regarding its business in Japan.

According to Bauduin, the difficulties of the NHM in Japan were directly related to changes introduced after the Meiji Revolution. «The abolishment of the domains marks the end of profitable transactions and in the future new sources of income must be found in Japan». The NHM was forced to deal with the new bureaucrats of the government, but that

⁷⁵ J.E. Hoare, *Japan's Treaty Ports and Foreign Settlements. The Uninvited Guests 1858-1899*, Sandgate 1994, 129.

⁷⁶ NA, 2.20.01, Inv. no. 5096, Chief-Agent 1871-1880, Annual Report 1879-1880.

⁷⁷ Mees and Mees, *Japanese women and foreigners* (cf. n. 44).

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 report to the Chief-Agent covering the period July 1877-June 1878, the acting agent in Yokohama Martin Dames noted that before 1868, agents of the NHM were often consulted by the Japanese government because they enjoyed an enormous respect. 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 advance the Japanese government money for a new railway between Tokyo and Yokohama. The Japanese then turned to the Oriental Bank Corporation who was eager to establish good relations with the Meiji government. This loan was not only very profitable for the bank, but allowed British firms to increase their contracts with the Japanese government. This enraged some American and German companies and they gained support from their diplomats in establishing contacts with the Meiji government.⁷⁸ The NHM lacked this kind of 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 inzicht»). The Dutch had accepted the humble and subservient position of trader in order 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 pro-active. Repeated Japanese requests for loans to build new railways and other projects were rejected, but these would have resulted in profitable contracts for Dutch manufacturers. Instead, the Directors decided to stick with their trading business and as a consequence Dutch prestige had suffered, while England, America and Germany gained in prestige.⁷⁹

The Annual Report of 1877-78, written by the Chief-Agent J.J. van der Pot, added some remarks about the characteristics of the Japanese people. Van der Pot writes: «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

⁷⁸ NA, 2.20.01, Inv. no. 5101, Agent Yokohama, Annual Report 1877-1878.

⁷⁹ NA, 2.20.01, Inv. no. 11319, Report to His Majesty Tokio 1878, Hiogo, 29 April 1878.

accept them».⁸⁰ 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 goes on to mention that the British ambassador Sir Harry Parkes (1828–1885), had much influence on the Japanese government and English firms thus stood a better change in Japanese court rooms than other foreign companies. Van der Pot next hints 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».

In his last annual report Van der Pot added the remark that in his view the NHM was never really committed to its 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’.⁸¹ In general, Van der Pot believed that the NHM, in particular the Factorij in Batavia, had hindered the agencies to conduct business adapted to the local conditions. Instead the NHM preferred to do business as it had done before 1868.

Following J. Pfeffer and G.R. Salancik’s Resource Dependence Theory (RDT) one could argue that in the feudal period the old elite had become 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 revolutionary environment.⁸² One way to reduce its dependency according to RDT is political action.⁸³ Given the dominant economic and political role of the Japanese government after 1868, having close ties with the political centre was of paramount importance for the success of foreign businesses. But why was the NHM unable to establish connections with the new government? Two explanations can be provided: the NHM did not deliver what the new government demanded and secondly because it was seen as belonging to the old feudal regime. It belonged to an era that the Meiji government wanted to leave behind.

⁸⁰ NA 2.20.01, Inv nr 5096, Chief-Agent 1871-1880, Annual Report 1877-1878.

⁸¹ Jan Luiten van Zanden, *A Short History of ABN AMRO Bank in International Perspective*, in Ton de Graaf et al (eds.), *European Banking Overseas, 19th-20th century*, Amsterdam 2002, 15-29, 18.

⁸² J. Pfeffer and G. R. Salancik, *The External Control of Organizations: A Resource Dependence Perspective* New York 1978, 46-47; Amy J. Hillman, Michael C. Withers, and Brian J. Collins, *Resource Dependence Theory: A Review*, *Journal of Management* 35:6 (December 2009), 1404-1427. For recent assessment of their original ideas and impact on organizational studies: Gerald F. Davis and J. Adam Cobb, *Resource dependence theory: Past and future*, in Claudia Bird Schoonhoven, Frank Dobbin (eds.), *Stanford's Organization Theory Renaissance, 1970-2000* (Research in the Sociology of Organizations, Volume 28) Emerald Group Publishing Limited 2010, 21 – 42.

⁸³ Other actions include: mergers or vertical integration, joint ventures, adjusting the size and composition of the board of directors or executive succession (replacing the CEO).

5. Concluding remarks

The NHM sales offices in Japan showed excellent results in the period 1858-1868. Factors contributing to this were the high status and prestige enjoyed by the Dutch and the good relations with the feudal Tokugawa government, local landlords and wealthy samurai. In the period before 1868, the NHM came to depend on contracts from the old elite. From the Japanese perspective the NHM was a trustworthy partner (or resource) that provided essential goods and knowledge (e.g. steam engines and building a new navy). After 1868 the financial results of the NHM in Japan were poor and turned into losses. A reorganization of the business and the appointment of a Chief-Agent in 1871 could not reverse the negative trend. Factors contributing to these losses were: the loss of prestige of the Dutch in Japan, the growing competition with businesses from other western countries, and insufficient diplomatic support. The most important factor was the elimination of old elite and the difficulty in establishing links with the new Japanese government. The feudal regime was replaced by new leaders that 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 contributed to the decline of the NHM.

The failure of the NHM in Japan can hardly be attributed to only exogenous or only endogenous factors. An integratist perspective offers a better 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 than a case of business failure? When the NHM increased the available capital for its agents in Japan in 1865 and again in 1871 its goal was to become a major trading house and capture a large share of the import and export market. The reorganization of 1871 was a direct response to the revolutionary changes in Japan after 1868 that threatened this goal, but in the end the NHM did not succeed. 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 Asian markets. The scholarly literature on business turnarounds, like the Sheppard and Chowdhury model, offers no possibility for «partial failures» (e.g. failures of agencies, business units or divisions). Entrepreneurs often try out new products and probe new markets, usually without committing all their resources or jeopardizing the future of the company. When the results are disappointing they pull out. 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 general 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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