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**ON RACE AND RECRUITING PRACTICES IN FOREIGN FIRMS IN INDIA: THE
CASE OF GERMAN MULTINATIONALS' BEFORE 1947**

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Abstract: This paper deals with Human Resource Management (HRM) in German multinationals in India before 1947. It identifies the most important HR challenges and how they changed over time, responding to recent calls for a stronger historical contextualization of HRM research. Drawing on theoretical concepts of institutionalism, the paper shows that HRM was heavily influenced by different stakeholders in the host country, India, but also by home country politics and the local perception of multinationals' origin country. Not institutional distance or foreignness but concrete, and sometimes misleading, ideas about Germany shaped HR practices as well as their evaluation by local stakeholders.

Key words: German business, human resource management, India, Indian nationalism, liability of foreignness, multinational enterprises, political risk.

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1. Introduction

Human resource management (HRM) is an established scholarly field showing great depth and sophistication. Critics, however, argue that it focuses too narrowly on isolated individuals and organizations, and has shown little sensitivity for context and historical development. Some claim that the acontextual nature of human resource studies is in part responsible for the slow adaptation of best practices, calling for HRM research that takes context more seriously and understands business as embedded in society.¹

The relevance of context is particularly obvious when focusing on HRM in multinational enterprises (MNE). Scholars of international business have long elaborated on the costs of doing business abroad and the “liability of foreignness.”² For Stephen Hymer MNE exist for exactly that reason, i.e. because they possess firm-specific advantages that help minimize or compensate for these costs.³ They arise from unfamiliarity and from relational and discriminatory hazards that foreign firms face over and above those faced by local firms. International HRM aims at responding to these challenges related to foreignness: it compensates for the negative effects of distance for example on staff supervision, deals with information asymmetries impacting the recruiting and management process in a foreign environment, is concerned with host government interferences on HRM and responds to the assessment of HR policies by host and home country stakeholders.

The concept of liability of foreignness has guided much research on international business. However, recent scholarship criticizes that it conceptualizes foreign firms as one homogenous group facing similar challenges, irrespective of the MNE’s specific home country.⁴ Charles Stevens and Oded Shenkar propose working with a concept of “liability of home,” which captures the potential liability associated with the home base of the MNE. They argue that nationality and the local perception of the home country matter when companies move into foreign markets.⁵ MNE bring their “administrative heritage” and “institutional baggage” to host countries, where they interact with local institutions, regulations and business philosophies.

This paper tracks German multinationals’ HR policy in India from the 1920s to the 1940s and asks which HR challenges the German companies faced beyond those faced by local competitors. *First* I look for challenges related to distance, such as recruiting, preparing staff willing to relocate to India and supervising personnel abroad. *Second*, based on previous MNE literature, I expect conflicts due to firms trying to conform to host and home country institutional environments with different sets of rules, norms and stakeholders influencing HR.⁶ In the time period studied here, political interferences in particular became more frequent. While the era before WW I knew few government restrictions and protective barriers, in the interwar period hostility towards foreign firms and expropriations of corporate assets became more widespread,

¹ Johns (1993); Murray and Dimick (1978); Begin (1991); Jackson and Schuler (1995).

² Zaheer (1995); Eden and Miller (2004).

³ Hymer (1976).

⁴ Gaur, Kumar et al. (2011).

⁵ Stevens and Shenkar (2012). They partly expand on a line of consumption research (sometimes called country of origin research) arguing that product nationality impacts the likelihood of purchase and price. See, Bilkey and Nes (1982); Verleghe and Steenkamp (1999).

⁶ For this line of argument see Farley, Hoenig et al. (2004); Hillman and Wan (2005); Rosenzweig and Nohria (1994).

and India was no exception.⁷ The paper will show how German firms' HRM in India became subjected to politics.

Third, based on the liability of home concept, I ask which role perceptions of Germany as home country played for the shaping and legitimizing of HR practices in India. The question of HRM legitimacy, in particular, draws on theoretical concepts of institutionalism. Institutional theory is based on the assumption that organizations, just as individuals, seek approval for their behavior in socially constructed environments.⁸ Social legitimacy is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."⁹ Therefore, legitimacy is a matter of individual and collective judgment, context dependent, and subject to change because multiple institutional environments and stakeholders are involved in the process of legitimizing. Gaining, maintaining and losing legitimacy is a complex historical process, which the case of German MNE in India can exemplify.¹⁰

The bulk of the archival evidence in this article is drawn from the corporate archives of two German companies, the electrical company Siemens and the chemical firm Bayer, which since 1925 was part of the conglomerate *Interessen-Gemeinschaft Farbenindustrie*, or I.G.¹¹ These two companies were chosen because they were the two biggest German employers in India and represented two of the most important German export industries, the electrical and chemical industry. Further sources come from the archives of the German Foreign Office (*Politisches Archiv Auswärtiges Amt*, hereafter, PA) and the German Federal Archives in Berlin (*Bundesarchiv*, or BArch), the US National Archives in College Park (NARA), the India Office Records in the British Library London (IOR) and the West Bengal State Archives in Kolkata (WBSA).

The paper is structured in four parts. Part 2 gives an overview of Siemens' and Bayer's India business in the 1920s and shows how they opportunistically exploited the rising Indian nationalism building on pre-war ties with nationalists. Parts 3 to 5 deal chronologically with the development of HRM in the German companies. Part 3 identifies major challenges in the 1920s from recruiting qualified staff to organizing cooperation with Indians. With the rise to power of the Nazi party in Germany in 1933 the emergent cooperation clashed with home country politics and created conflicts with Nazi officials, as I show in part 4. Part 5 deals with the internment of German nationals during WW II, which managers based on their prior experience in WW I understood as an HR problem with long-term consequences. The final part concludes and hypothesizes on consequences for MNE and liability of foreignness research.

⁷ Generally on the history of MNE see Jones (2005). On German MNE and political risk see Jones and Schröter (1993); Kobrak and Wüstenhagen (2006); Jones and Lubinski (2012).

⁸ Meyer and Rowan (1977); Zucker (1977).

⁹ Suchman (1995: 574).

¹⁰ Kostova and Zaheer (1999); Suchman (1995); Deephouse and Suchman (2008: 55).

¹¹ The Siemens Archives (hereafter, SAA) are located in Munich. The I. G. Farben conglomerate was split up in its original constituent companies by the Western Allies in 1951 leaving four large chemical companies: Agfa, BASF, Bayer and Hoechst. The archival evidence used here is from the Bayer Archives in Leverkusen (hereafter, BA).

2. Rebuilding German Business in India after WW I: A Bird's-Eye View

German-Indian commercial relations had been expanding when WW I brought them to a sudden and unexpected halt. Before the war German firms had discovered India with a population of 294 million in 1901 as a promising market.¹² The implementation of Anglo-Saxon property law had ensured a more or less open field for Western businesses. A German trade report of 1912 stated, “India is a free trade country. There are custom duties but they are so low that they cannot have any protective impact.”¹³ India also served as an entry point to other markets in the region and was considered a “gate for Europeans to the important markets of China, Japan, and Australia.”¹⁴

Bayer, manufacturer of chemical dyes and pharmaceuticals, founded in 1863, cooperated with export companies in London and Hamburg and since 1889 had depots for receiving dyestuffs in several Indian cities. In 1892, Bayer hired Charles J. Vernon, a former employee of the British trading company Graham & Co., as its representative in Mumbai and sent German engineer Hugo Seyd to India to support him. In 1896 Vernon’s agency was registered under the Indian Companies Act as Bayer & Co. Ltd. with Vernon as managing director. It was Bayer’s first wholly-owned subsidiary in Asia.¹⁵

The electrical company Siemens, founded in 1847 by Werner Siemens and Georg Halske in Berlin, first exported to India through its British branch headed by William Siemens, Werner’s younger brother.¹⁶ In 1867, Siemens began construction of an Indo-European telegraph line between Kolkata and London, which was completed in 1870. In 1903 Siemens Germany co-founded an Indian agency with the import-export firm Schroeder, Smidt & Co., based in Bremen and Kolkata.¹⁷

German trade with India peaked in the years just before World War I and was one facet of the formidable German-British trade rivalry at the time.¹⁸ An 1895 investigation of foreign competition within the British Empire showed Germany as Britain’s keenest competitor mainly due to cheap prices.¹⁹ The Department of Statistics of the India Government commented in its 1913-14 review that “[c]ostly British goods [are] being largely displaced in India by German cheap manufactures.”²⁰ Indeed, Bayer’s sales in India increased dramatically from 423,000 Reichsmark in 1901 to 2.4 million in 1913 (\$ 100,762 to 571,700), primarily in dyes. German firms supplied 74 percent of all dyes coming into the country.²¹

The expanding German business with India ended abruptly at the outbreak of WW I. India supported Great Britain during the war, and German assets were expropriated under an Indian “Trading with the Enemy Act,” modeled on similar British legislation. German nationals

¹² Great Britain India Office, Statistical Abstract Relating to British India from 1897/8 to 1906/07, compiled from Official Records and Papers Presented to Parliament (London, 1908), 2.

¹³ BArch R/901/13404 Handels- und Schifffahrtsbericht für 1912. This and all following translations from German by the author.

¹⁴ SAA 35. Lk232, 306-11 Promemoria betreffend die directe indo-europäische Telegraphenlinie.

¹⁵ Bayer (1918); <http://www.ibef.org/download/bayer.pdf>.

¹⁶ About Siemens in Britain and the links to Germany see Scott (1958); Weiher (1990).

¹⁷ Bühlmann (1999); SAA 13092 Vertrag Indische Vertretung, 15.7.1903.

¹⁸ Hoffman (1964: 197-201).

¹⁹ Trade of the British Empire and Foreign Competition. London: Her Majesty’s Stationary Office, 1897, 8, 576.

²⁰ Quoted in a report by the American consul in Mumbai on “German and Austro-Hungarian Trade with India,” 27.8.1914, in: NARA Record Group 84: US Consular Records for Bombay Correspondence 340-621, 1914, vol. 96.

²¹ BA 202/16; 5Ea 16 1902; United States Tariff Commission (1922: 53).

were interned.²² Bayer's India subsidiary was seized and eventually liquidated. The lost assets amounted to 1,015,995 Reichsmark (\$ 242,019.)²³ Siemens similarly lost access to its British subsidiary and all foreign agencies. The British government imposed financial control over the British Siemens branch. Its stock was seized from its German owners and handed over to a public trustee, who eventually sold it to a British finance group.²⁴

After the war, economic ties between India and Germany had to be slowly rebuilt. Germans were forbidden from traveling to India until August 31, 1925;²⁵ a fact that the German press interpreted not just as a commercial obstacle but also as an insult based on feelings of racial superiority over Asians. "It is still today possible that the Chinese coolie will be permitted to enter India without further ado but not the German merchant."²⁶ Heavy lobbying and informal contacts between German and British entrepreneurs in the early 1920s led to an Anglo-German trade agreement, ratified in 1925, which eventually abolished the war-related restrictions on German trade with India.²⁷

Neither Siemens nor Bayer, however, waited idly for this to happen. They instead reverted to "cloaking," i.e. disguising German ownership of firms and commercial transactions. Despite working in different industries, both Bayer and Siemens cooperated with the Italian firm G. Gorio Ltd. since 1921 and 1922 respectively.²⁸ Gorio had a branch in Mumbai and both firms sent experienced engineers with non-German passports there to support the new business. Bayer employee Giulio Gut, a native German who had acquired Italian citizenship as resident of Asmara, Eritrea, relocated to Mumbai in 1921. Siemens sent Austrian Edmund von Rziha, a principal engineer who had worked in Turkey before the war.²⁹

In December 1925, Bayer and five other German chemical manufacturers, including the major players BASF and Hoechst, formed the "Interessen-Gemeinschaft Farbenindustrie," or I.G., creating a chemical giant that produced 90 percent of the world's dyes, with India as one important market.³⁰ The newly founded I.G. ended the relationship with Gorio in 1926 and signed a sole-importer contract with the Dutch trading company Haverro, which was to sell all I.G. products in India. In addition to this official contract Haverro and I.G. had a complicated secret agreement according to which two Dutch companies, Overzee and Unitas, held 100 percent of the shares of Haverro and promised to oversee Haverro's complete compliance with I.G.'s wishes.³¹ This elaborate cloaking continued to disguise German ownership for two primary

²² Government of India Legislative Department (1915); NARA Record Group 59, Records of the Department of State Relating to World War I and its Termination, 1914-1929, M367: American Consulate to Secretary of States, 19.11.1915, Detention and Internment of German and Austrian Subjects.

²³ BA 202/16 Friedensmaßnahmen Erster Weltkrieg, March 1918.

²⁴ Feldenkirchen (1999: 66-67).

²⁵ The initial plan suggested 1926 but the law was changed prematurely.

²⁶ Paul Felzer, Ein verlorener Markt, in: Industrie- und Handelszeitung 6/44, 21.2.1925, 1-2.

²⁷ Treaty of Commerce and Navigation between the United Kingdom and Germany 2.12.1924, ratified 8.9.1925. Great Britain. Foreign Office (1931: 299); about the lobbying process leading up to it see McDonough (1998: 135).

²⁸ BA 420 Verkauf Farben, letter Bayer to I.G. firms, 27.10.1921; SAA 8156 Siemens abroad 1913-40, Memorandum of Association, 8.11.1922.

²⁹ BA 420 Verkauf Farben, letter Bayer to Gorio, 16.3.1921; SAA Personalkartei.

³⁰ Chandler (1990: 475); Plumpe (1990).

³¹ BA 19 A 590-2 Sole Importer Vertrag I.G. and Haverro; BA 9 K 1 2 Indien-Britisch/Secret Agreement with Haverro.

reasons:³² First, the complete loss of assets in WW I had put political risk management on the company's agenda. Second, in 1922 Indian tax law first made room for the possibility of taxing foreign manufacturers based on their "Manufacturer's Profit," meaning all worldwide profits; and authorities increasingly applied this law more rigidly.³³ As Haverro was registered under Indian law I.G. avoided this "super tax."

For the same reasons Siemens founded an Indian corporation with a capital of 200,000 Rupees (\$ 72,464) under the name Siemens (India) Limited. Over the following years offices in Rangoon (1925) and Lahore (1926) were established and agents contracted for the United Provinces (present-day Uttar Pradesh and Uttarakhand), Delhi, Chennai and Sri Lanka.³⁴ In 1926, Siemens sent 30-year-old engineer Eduard Beha, who had worked in the Siemens Overseas Department in Berlin since 1921, to head the Kolkata office.³⁵ Other German companies, such as Schering (1927/8) and Krupp (1929), similarly incorporated their business in India in the 1920s.

Registering according to local law had the added benefit of increasing legitimacy with nationalistic-minded Indians. In the interwar period Indian nationalist rhetoric became very concerned with the supposedly exploitative behavior of British business in India, particularly in the managing agencies.³⁶ German companies were confident that they were more desirable partners to Indians than British competitors given their pre-war experience with the nationalistic "swadeshi movement." The swadeshi (meaning "from one's own country") movement called on Indians to consume indigenous goods, rather than imported ones, claiming that foreign imports stalled the national economic development. Swadeshi ideas had circulated since the mid-nineteenth century but the movement experienced a major push in 1905, when the Viceroy of India partitioned the region of Bengal, triggering major protests by the local population.³⁷ While swadeshi theory condemned all foreign goods, early activists argued that so long as India was dependent on foreign imports they should come from countries other than Britain. "Why should we take revenge upon America or Germany for the oppression caused to us by the people of Britain?"³⁸ asked nationalist Sri Aurobindo in a speech in 1908; and Bal Gangadhar Tilak pleaded to first find out which products could not be manufactured in India and then investigate "whether we can import them from non-English places."³⁹ Charles Stevenson-Moore, Inspector-General of the Police of Bengal, confirmed, "A distinction is being made between English and Continental goods, adverse to the former." He even reported a case of fraud in which English goods were being sold successfully as "Made in Germany."⁴⁰ Even during WW I, although India officially supported Great Britain, swadeshi activists continued to portray Germany as the

³² More sophisticated cloaking arrangements were common in the interwar period. For context see Aalders and Wiebes (1996); Jones and Lubinski (2012); Kobrak and Wüstenhagen (2006); Kobrak and Hansen (2004).

³³ BA 330/1088 Direktionsabteilung Chemikalien/Our sales organization until the war; 9 K 1 2 Tax issues British India and letter Haverro to IG, 24.6.1929. See also Income Tax Claim, in: Times of India 22.3.1928, 15.

³⁴ SAA 8156 Siemens im Ausland 1913-1940, Siemens (India) Ltd.

³⁵ Eduard Beha (1896-1959) worked in India until 1936, then returned to a post at the Overseas Department in Berlin.

³⁶ Misra (1999: 123-141); Markovits (1985).

³⁷ WBSA POL. (Pol.) F. No.86(J)/1905 R. W. Carlyle's Report on the Agitation Against the Partition (1905); Sarkar (1973).

³⁸ Aurobindo (2002: 852).

³⁹ Quoted in: Wolpert (1962: 167 n126).

⁴⁰ WBSA POL. (Pol.) F. No. (J)/1905 Report on the Agitation Against the Partition of Bengal by C. J. Stevenson-Moore, Inspector-Genl. of Police.

country that could best challenge Britain's power. At the same time Germany's political interest in India increased as well and the German government supported several schemes for revolutionary outbreaks in India. Indian expats gathered in Berlin supported by the Foreign Office and engaged in anti-British propaganda and revolutionary activities.⁴¹

This experience gave German businesspeople confidence that cooperation with Indian nationalists was possible. Before 1925, when Germans were still banned from traveling to India, Indians took the initiative and visited German companies at home to pave the way for commercial cooperation. In 1921 Bayer met with the chemist J. C. Das Gupta of Kolkata at the company's headquarter in Leverkusen. Das Gupta had studied in Germany and worked for the Swiss company Hoffmann-La Roche. During WW I he, at least once, delivered 60,000 Reichsmarks (\$ 11,194) from the Foreign Office to Indian revolutionaries.⁴² He represented several Indian firms eager to establish contacts with Bayer. Siemens also negotiated with the Prince of Baroda, an active nationalist, and the Maharaja of Rewa, who both declared giving a premium to non-British firms.⁴³

The swadeshi context was particularly relevant in some industries. Indian nationalists organized boycotts of British goods, in particular cotton goods.⁴⁴ Consequently, spinning mills tended to buy machinery from non-British firms whenever possible because their positive development in the 1930s was directly related to the nationalistic movement and the call for locally produced garments. Siemens India profited from this development and delivered the electrical machinery for the Bangadaya Cotton Mill in Kolkata in 1931. In 1926/27 Siemens even guaranteed a government contract for flow meters which the Germans continued to deliver until 1934.⁴⁵ Sales increased from 2.9 million Rupees in 1928 to 4.3 million in 1930 (\$ 1.06 to 1.55 million).⁴⁶ I.G.'s dye business in India was even more successful. In 1920/21 the companies of the I.G. had accounted for 34 percent of all dye imports to India. In 1929/30 they supplied 70 percent of all dyes, making India I.G.'s fourth largest foreign market with more than 19 million Rupees in sales (\$ 6.86 million). At the same time the British market share declined from 33 to 7.4 percent, a loss attributed to anti-British sentiments and boycotts in the country.⁴⁷ The success was, however, limited to the market for dyes. The more lucrative market for chemicals remained in British hands.

3. German HR Policy between Nationalism and Race, 1920s-1933

Positive results increased German firms' interest in India and Indians were courted as customers. However, the human resource policy of German companies was less inclusive. While Indians were often employed as coolies or for other low-paid jobs, hiring technically-educated Indians, such as chemists and engineers, remained an exception.

⁴¹ PA-R Krieg 1914: Verwerfungen und Aufwiegelungen gegen unsere Feinde/Indien; PA-R 20938 Max von Oppenheim, Denkschrift 1914; Bernhardt (1914); Fraser (1977: 256-257).

⁴² 9 K 1 Verkaufsvertretungen der Bayer AG/Visit of Das Gupta, 1921. About Das Gupta during WW I see Baruwā (2004: 43-44).

⁴³ SAA 8109 Auslandsorganisation 1945-65, Visit of Prince of Baroda, 7.8.1931; Negotiations with Maharaja von Rewa.

⁴⁴ Gordon (1978: 210-218); Markovits (1985: 72-76).

⁴⁵ SAA 4286 Siemens India 31.3.1932.

⁴⁶ SAA 25 Lg 136 Wirtschaftsergebnis Calcutta; 8150 Ergebnisse Übersee.

⁴⁷ BA 330/1267; Plumpe (1990: 118); Reader (1970: 439).

Strategic alliances with Indians, however, promised high rewards. In 1924, Siemens invited Lala Harkishan Lal to take a seat on the Board of Directors of its Indian company.⁴⁸ Lal was a well-connected entrepreneur of the Punjab who had studied in Lahore and Cambridge and in the spirit of swadeshi floated several financial companies that provided capital for indigenous enterprises. In early 1924 Lal travelled to Europe. He met with Siemens representatives in Berlin who agreed to supply machinery and equipment for nearly 1.5 million Rupees (\$ 476,191) for his Lahore Electrical Supply Company on flexible terms, after Lal's previous negotiations in London had been unsuccessful. Indeed, Siemens put up a model power station in Lahore, which became an often visited advertisement for the German firm.⁴⁹ Lal's competence was beyond doubt. The Germans considered his network with Indian banks and insurances very useful. He was also described as "a spearhead of the fight for India's own industry."⁵⁰ Appointing him as director was important for Siemens' legitimacy with nationalists and the social capital to be gained. Looking back in 1936 at his term, however, one Siemens manager reported that Lal's position was largely ceremonial and that he seldom attended the meetings of the board.⁵¹

Only grudgingly and at a leisurely pace did Siemens managers open up to the possibility of hiring native engineers. British managing agencies showed a similar reluctance. Historian Maria Misra argues that although it would have been in their business interests to form alliances with Indian firms, British managing agents were more concerned with the preservation of their racial exclusivity and held on to their traditional form of governance. Promoting Indians to positions beyond unskilled clerical posts was actively avoided.⁵²

Yet, Indian nationalists expected a different treatment from the Germans. During a visit to the Lahore office in 1931, Eduard Beha, head of Siemens India, was accused of discriminating against Indian engineers and clerks by local staff. Beha openly admitted to having been reluctant to hire Indians due to bad experiences with two local engineers in Kolkata. However, he was quick to stress that "good engineers and managers, regardless if Europeans or Indians, should always have the best prospects in our company."⁵³ To prove his commitment Beha not only gave examples of a number of qualified Indians working successfully for Siemens but also offered two Indian employees the chance to manage the Lahore business during a leave of absence of the general manager. When Beha informed the head office in Berlin about his recent HR decision he explained that he wanted to give clear proof of his openness towards qualified locals: "You know how sensitive the Indians are in this point."⁵⁴

The shortage of qualified European staff supported the trend towards more openness. How to select suitable candidates who had the necessary qualifications and, as was often stressed, the "character" for a position in India was an ongoing debate. Character was one of the main selection criteria of British businessmen as well and an often cited reason to exclude Indians from commercial activities, with the possible exception of the Parsi community.⁵⁵ Due to the many challenges related to HRM overseas, the Siemens Overseas Department in Berlin had its own human resource division responsible for recruiting and preparing European candidates.

⁴⁸ SAA 8156 Siemens im Ausland 1913-1940/Sixth Meeting of Board of Directors, 24.12.1924.

⁴⁹ Mittal (1977: 203); Gauba (1938: 123).

⁵⁰ SAA 9470 Personalalia Kalkutta 1925-39/Letter Siemens (India) to Siemens, 24.1.1931.

⁵¹ SAA 8156 Siemens im Ausland 1913-1940/Letter Siemens India to SSW 6.1.1936.

⁵² Misra (1999: 124).

⁵³ SAA 9470 Personalalia Kalkutta 1925-39/Letter Siemes (India) to Siemens, 24.1.1931.

⁵⁴ Ibid.

⁵⁵ Misra (1999: 126, 129). On the Parsi community see Tripathi (1984).

Before sending Germans to India, Siemens expected them to have worked abroad for some time.⁵⁶ Selection was crucial because employees in India could not be closely supervised due to distance and communication problems. After trips to India in the 1920s both Bayer and Siemens manager reported that control was next to impossible. “We cannot guide these gentlemen via regulations and circular letters.” Carl Duisberg, managing director of Bayer, wanted only the best qualified individuals for India and preferred young employees because he assumed them to be more adaptable to climate and difficult living conditions.⁵⁷

Age may have been one reason why Siemens made the best experience with men that had started their career as in-house apprentices.⁵⁸ The German apprenticeship system, which put apprentice training under the control of the firms and the organized handicraft sector, was well respected at Siemens and Bayer.⁵⁹ Both companies included Indians in their education, sponsoring a number of Indians, mostly students, to undertake industrial training with them in Germany.⁶⁰ This was a major incentive for Indians and increased German firms’ legitimacy considerably. Swadeshi activists in particular had, for a long time, taken a special interest in technical and business education to accelerate economic development in India. The Khala Bavan, the School for Art and Industry at Baroda, specialized in nationalist technical education and relied on German machines and visiting German scientists. Bayer provided an expert who joined the school as professor for chemical technology and gave money for scholarships to attend the institution.⁶¹ Several successful swadeshi entrepreneurs started their businesses after training in Germany, such as Bengal Pottery Works’ founder Satyasundar Dev, who completed an apprenticeship in Berlin before starting his business in India, as well as several top researchers of Bengal Chemicals.⁶² In a publication by the Indian Information Bureau, an organization of diaspora Indians in Berlin, the fact that Indian students were easily admitted to German factories was highlighted as a major difference to Great Britain, where admissions were rare and extremely costly.⁶³

Discrimination, however, remained the norm when it came to employment conditions in India. According to the few available numbers Europeans regularly accounted for less than ten percent of total staff in both companies (see table 1) but gained between half and two-third of total salaries at I.G.⁶⁴ They usually had contracts for three to five years and their relocation and travels were paid by the company. By contrast, only few Indian engineers working for Siemens signed any written contract. Most of the locals worked based on verbal agreements. Written contracts were actively avoided because of fear that Indians might use them as a basis for litigation against the company; a fear the Germans shared with British businesspeople in India. Even written house rules that were common in other Siemens overseas offices were avoided in India.⁶⁵

⁵⁶ SAA 8188 Historical Development of Overseas Business.

⁵⁷ For Siemens and quote see SAA 8185 Speech Reysse about his trip, 1924; for Bayer BA Carl Duisberg’s travels, Vol. 6: world tour 1928/29.

⁵⁸ 8149 Report by CVU-HR Dep., 1936/37.

⁵⁹ Thelen (2004: 39).

⁶⁰ For examples see, SAA Ausländerkartei; PA-R 104777 Memorandum Hentig 17.12.1937.

⁶¹ Bhagavan (2002); Raina and Habib (1991).

⁶² Manjapra (2014: 53-54).

⁶³ PA-R 77462 Political and cultural propaganda (India): “Education in Germany” 1929.

⁶⁴ Comparable numbers for Siemens are unavailable. For I.G. they describe the situation in the late 1930s. BA 330/1114 Chemdyes Ltd., Bombay, Correspondence I, 1938-42.

⁶⁵ SAA 9424 Guidelines for overseas staff, 1929. For the fear of litigation see, Misra (1999: 127).

German and Indian observers alike saw race as central for the relationship between Germany and India. German businesspeople were certainly no less prone to racism towards Indians than their British counterparts but they were eager to tap into the Indian market. Moreover, for many Germans World War I was a pivotal turning point for race relations. Many believed Great Britain to have willfully destroyed a “community of white people.” A German formerly employed in India publicly said about his internment experience, “This was the date of the end of world supremacy, that day, when the English publicly destroyed the ‘community of fate’ [Schicksalsgemeinschaft] of the Europeans in front of the colored people.”⁶⁶ Several former internees reported about the shameful experience of having to walk three to four miles from the train stations to the Indian internment camp Ahmednagar, supervised by “colored” soldiers and observed by the local village population.⁶⁷ According to some commentators, the consequences of this act stretched to trade relations. In 1925 an article entitled “Betrayers of the White Man’s Cause” appeared in Germany detailing the consequences of World War I for the trade relations of “the white races with the coloured races of this world.”⁶⁸ According to the unnamed author, Britain’s drafting of non-white soldiers had permanently tarnished the superiority of white businessmen. Indian nationalists were disappointed by such attitude and not shy in protesting against it. Virendranath Chattopadhyaya, an Indian nationalist based in Berlin, responded that this “outburst ... will not fail to influence their [colored people’s] attitude towards German business men.”⁶⁹ He made clear why Indians were so far eager to work with Germans: “[W]e in Asia have hitherto confined our definition of the white man to England[;] and if we have sympathy with Germany ... , it is not because Germans are white but because they are an able, hard-working and persevering people from whom we have no fear of aggression.”⁷⁰

Debating and recreating race lines was common in interwar Germany. After WW I and the Treaty of Versailles, perceived as a “dictate of shame,” German intellectuals sought to distinguish themselves from the victorious European powers. They re-discovered and praised an “old Aryan” community that “once spread as undivided from Central Europe all the way to southern Russia, before the Asian branch of the ethnic group, the Indians and the Persians, separated themselves.”⁷¹ A growing array of German-speaking scholars supported the idea of an Aryan community – based on linguistic proximity and creational myths – which distinguished Germans from other Europeans, most importantly the victorious British and French. Those radical Aryan scholars imagined a community of Germans, Indians and East Iranians, thus blurring the line between East and West.⁷² The newly “imagined community” (Anderson) gave Indians hope for a different relationship with Germany than the one with Great Britain. In that spirit, the Indian Information Bureau in Berlin reported in 1929 that Indians “are treated here [in Germany] as equals and respected as a cultured race.”⁷³

Throughout the 1920s and 1930s many Indians pushed for a community of interest between Germany and India. Despite the new Aryan scholarship, however, German businesspeople and politicians were slow in accepting the proposed proximity and held on to the

⁶⁶ Report by N. O. Tera, Kriegsgefangen in Indien, in: BA 330-596.

⁶⁷ Probst (1917); Kühns (1934).

⁶⁸ PA-R 77414 Letter C. Pillai to Prüfer, 16.8.1925, and enclosed articles.

⁶⁹ Ibid. Article by Chatto, republished in *Industrial Trade Review for India*.

⁷⁰ Ibid.

⁷¹ Schroeder (1908: ix).

⁷² Manjapra (2014: 80); Trautmann (1997).

⁷³ PA-R 77462 Political and cultural propaganda (India): “Education in Germany” 1929.

racial binary of “white” versus “colored.” They nevertheless sought to achieve a neutral stance that would allow them to cooperate with Indians and realize profits while avoiding potential conflicts with Britain. The German Foreign Office put it best when saying, “That the Indian national movement promotes our goods is known to everybody here. But if we start saying this publicly the Indian Government would reward us with trade restrictions.”⁷⁴

4. Between Home and Host Country Politics, 1933-1939

In January 1933, the Nazi party rose to control of the German government. Even before its official vote into power, the party established a Foreign Organization [Auslandsorganisation] in 1931 and founded subgroups of the Nazi organization in different countries for the purpose of educating (and spying on) Germans abroad.⁷⁵ In India, a Nazi group was founded in 1932. The head of the group was the medical doctor Oswald Urchs who came to India as an employee of Haverlo, the Dutch shell company for I.G.’s business in India.⁷⁶ The main activity of the Nazi group was propaganda, most importantly belittling the persecution of German Jews. To this end the group began publishing a propaganda paper “The German in India” [“Der Deutsche in Indien”] in 1936. The group had 130 members in 1937 and was thus the 47th largest of approximately 600 Nazi groups abroad.⁷⁷

The new political regime in Germany slowly became known to the Indian public and press. It was criticized for its racial ideology but also defended by some. In February 1933, influential members of the Indian diaspora in Berlin were placed under arrest and only released after inquiries by the British embassy. After leaving Germany they reported in the English-speaking press about assaults by German storm troopers, which led to protests in India.⁷⁸ Yet, conditions stabilized again after the initial shock. An article in the nationalist newspaper *Amrita Bazar Patrika* in November 1934 reminded readers that the Germans “have reference for our race and country as ... they claim to be belonging to Aryan race ... and have adopted the Swastika as their national symbol, which is a typical Indian emblem.”⁷⁹

In the meantime, Siemens and I.G. increasingly opened up their businesses to qualified Indians. In March 1933 Siemens expanded the number of posts on the board of directors “because we have an interest in appointing relevant Indian personalities, who can also be commercially advantageous.”⁸⁰ Managers reported that there were a growing number of business opportunities for non-British firms in India. Even government contracts did not automatically go to British companies anymore. “The precondition for a stronger participation of Siemens is given.”⁸¹ Sales did indeed increase further; however Siemens did not realize any profits in India (see figure 1) due to high operating costs and an overvalued Reichsmark after British pound and US-dollar had abandoned the gold standard in 1931 and 1933 respectively. Other overseas locations showed similarly negative results until 1937, when global trade volume grew

⁷⁴ Comment dated 19.9.1923, quoted in: Baruwā (2004: 191).

⁷⁵ Koop (2009).

⁷⁶ About Urchs see, BA 330/114; Stadtarchiv München, Einwohnermeldekartei; Universitätsarchiv München, Studentenkartei.

⁷⁷ Jacobsen (1968: 663); McKale (1977: 33).

⁷⁸ PA-R 77416 India’s Political Relations to Germany, 1933; Kreutzmüller (2014).

⁷⁹ *Amrita Bazar Patrika* 24.11.1934, 12.

⁸⁰ SAA 8156 Siemens im Ausland 1913-1940: letter CVU to Siemens India, 15.3.1933.

⁸¹ SAA 8106 Siemens im Mittleren Osten 1937-1972: Beobachtung Turbinengeschäft.

significantly and the German government support scheme for exports, initiated to counter the dramatic shortage of exchange, improved the situation.⁸² I.G. by contrast managed to realize net profits in India in spite of the difficult currency situation (see figure 2.) A cartel agreement with Swiss, French and British dyes manufacturers since 1932 guaranteed I.G. 64 percent of cartel sales. In this context India developed into I.G.'s largest foreign market in 1938 with higher sales than China and Britain.⁸³

Investigating this “emerging market” I.G.'s manager Anton Reithinger traveled to India in 1937/38 and came back with a detailed report about the trade situation and the role of the independence movement. Reithinger, who had previously worked for the Reich's Statistical Office, was the chief of I.G.'s Macroeconomic Department, which studied market conditions and competitors in foreign countries.⁸⁴ He saw growing nationalism as “an important opportunity for us” and argued for political neutrality and against racial discrimination of Indians. He considered it a great advantage that “our people do not represent a ‘superior people’ [übergeordnetes Herrenvolk] but can rather act as friends on the same societal and personal level.” This advantage could be exploited even more, Reithinger reasoned, if I.G. decided to give up its cloaking and openly incorporate under Indian law, as Siemens and others had previously done, as well as hire representative Indians in leading positions.⁸⁵

Following Reithinger's suggestion I.G. “Indianized” its organization that same year. It ended the cooperation with Havero and founded several new Indian organizations. As I.G. was very politically involved at home and thus visible to the German government the political authorities in Germany interfered in the new organization. They were particularly concerned about the racial composition of the workforce. In 1937/38 I.G.'s workforce in India comprised 909 employees, of which 76 (8%) were Europeans, primarily Germans (see table 1.) The Nazi Foreign Organization requested proof of “Aryan” descent and the firing of all Jewish employees. I.G. hesitated, knowing this policy would have consequences for its image in India. In lengthy letters I.G. detailed the number of German and local employees and the amount spent on salaries for each group.⁸⁶ Managers based their argument on racial distinction and the lack of qualified staff in India when saying that the large number of locals was unavoidable because the low pay-grade positions they held could never be offered to Germans.⁸⁷

Jewish employees on the other hand were let go. The Germans were well aware that this step would lead to negative press coverage. Therefore, I.G.'s top managers agreed on a common public statement arguing that it was in the interest of the Jewish employees to stop working for I.G. so that they could avoid business trips to Germany in the new political context.⁸⁸ Havero manager Geo Kreczmer advised all employees to adopt this explanation given that “it would be stupid to try and deny the resignation of all non-Aryans or its reason.”⁸⁹ Remarkably, Kreczmer referred to the Jews as “non-Aryans,” while the status of Indian employees was less obvious and they were not forced to resign.

⁸² Tooze (2007: 232-233).

⁸³ Plumpe (1990: 197-199, 455).

⁸⁴ Hayes (1987: 31).

⁸⁵ BA 191/1/3 Travel reports Reithinger.

⁸⁶ BA 330/1114 Chemdyes Ltd., Bombay, Correspondence I 1938-42.

⁸⁷ Ibid.

⁸⁸ BA 330/1111 Reorganization British India/letter Havero to IG 15.8.1938.

⁸⁹ Ibid.

In Germany, however, the idea of an Indo-German Aryan community lost traction. Nazi ideologues now argued for a community of “Western Aryans” distinct from the allegedly less evolved “Eastern Aryans.”⁹⁰ As there was no unified race doctrine in Germany, several conflicting interpretations existed simultaneously. Adolf Hitler showed little respect for Indian nationalists, who he called “garrulous busybodies” [schwatzhafte(r) Wichtiguer] in his book “My Struggle,” published in 1925, and instead admired the British Raj in India.⁹¹ Hitler’s negative remarks about India’s national movement prompted nationalist leader Subhas Chandra Bose to address the German Foreign Office and request an apology as well as changes to German race laws explicitly excluding Indians from it. While the Nazi party simply ignored Bose’s demands, the Foreign Office considered his appeal important enough to try and appease the offended nationalist; however without promising any concrete political steps.⁹²

In December 1938 the Nazi Foreign Organization complained to I.G. that the majority of its German employees in India were not official members of the Nazi party. They requested a “proof of aryanization and political reliability.”⁹³ Oswald Urchs replied that Indian public opinion and press coverage of Germany’s latest laws against Jews had been very negative and that officially requesting proof of Aryan origin would only make the position of German firms more difficult.⁹⁴

With many Jewish and other “politically undesirable” employees departing from India, hiring qualified European staff became even more challenging. In addition to the difficulties in recruiting, currency fluctuations since the early 1930s also made employment in India less financially attractive for Europeans. In the aftermath of the economic crisis 1929-33 the British-Sterling and the US-Dollar had abandoned the gold standard in 1931 and 1933 respectively. Germany did not depart from the gold standard, and the Indian Rupee, linked to Sterling, depreciated in gold value.⁹⁵ Consequently, the Rupee value in Reichsmark declined (see table 2.) This caused problems for German employees stationed temporarily in India. Paid in Rupees, their salary decreased in value. Siemens’ overseas human resource department reported that because employees overseas could not accumulate any savings in this currency situation, many good engineers lost interest in going abroad.⁹⁶ There was also a debate about pension payments for overseas employees, for which Siemens had no regulation in the interwar period.⁹⁷

5. Internment as an HR Challenge, 1939-1940s

WW II, which began on September 1, 1939, with the German invasion of Poland, abruptly ended German MNE’s active business in India. Britain declared war on Germany and German nationals in India were once again interned as enemy aliens. All in all, approximately 1,000-1,200 men were arrested and deported to the camp of Ahmednagar that had previously

⁹⁰ Manjapra (2014: 85).

⁹¹ Voigt (1971).

⁹² PA-R 104777 India’s Political Relations to Germany, 9.12.1937. From the vast literature on Bose see, Bose (2011); Hayes (2011); Kuhlmann and Das (2012).

⁹³ BA 330/1114 Chemdyes Ltd., Bombay, Correspondence I, 1938-42/ letter Urchs to Kuepper 9.12.1938.

⁹⁴ Ibid.

⁹⁵ Roy (2006: 333-334).

⁹⁶ SAA 8110 Report CVU HR department 1937/38.

⁹⁷ SAA 8149 Report CVU HR department 1935/36 and 1936/37; SAA 9372 Statistical annual report of Preisstelle AU, 1937/8.

been used as an internment camp during World War I.⁹⁸ Women and children were not among the initial group of prisoners. The Indian government paid them a small living allowance, which was described as vastly insufficient and forced German families to merge households and sell off property.⁹⁹ From December 1939 to March 1940 a British commission at Ahmednagar interrogated the internees individually and as a result approximately 500 to 600 of them were released, mostly German Jews and missionaries. The men, as well as women and children, were encouraged to leave the country. In May 1940, all Germans who remained in India were re-interned, including women and children who were put up in parole camps. The male internees remained in Ahmednagar until early 1941, when they were transferred to the camp of Deolali and finally after October 1941 to the newly established central internment camp Dehra Dun. In 1942 approximately 2,000 additional internees were brought to Dehra Dun from Indonesia and Sri Lanka. The number of internees thus fluctuated between 1,800 and 2,600.¹⁰⁰

Immediately after the outbreak of the war German companies jumped into action. Both Siemens and I.G. put considerable effort into learning about the status of their employees and informing their families back in Germany.¹⁰¹ Colonial intelligence reports noted that the firms also made every attempt to show their Indian employees respect. Early on they had given them a warning that in the event of war they would have to be let go. After the war broke out they made sure to compensate Indian employees well for their loss of service. “They [the Indian employees] are consequently inclined to regard the Nazi regime with favour and to speak well of it among their friends, a fact which has propaganda value.”¹⁰²

In addition to the firm-level responses coordinated action was taken, in line with the often described German variety of capitalism.¹⁰³ German business came together in a “Special Committee for the Assistance of Interned German Nationals in British India.” Organizationally, the Committee was part of the “German Middle East Association” [“Deutscher Orientverein”], a non-profit organization founded in 1934 to improve export opportunities for German companies into several so-called “Orient countries,” including India.¹⁰⁴ Hermann Waibel, member of I.G.’s management board since 1928 and an expert on East Asian trade, headed the Special Committee and initiated a meeting of company representatives, officials of the Foreign Office and the Nazi Foreign Organization on September 29, 1939, in Berlin.

The attendees agreed to pay a monthly allocation to those internees who were employed by German firms. They also sent out letters to other German companies with interests in India asking for their financial backing. These potential sponsors were reminded that this was not only charitable work but that the aim was to keep German nationals “healthy and fresh” during the time of internment so that they would later fully contribute to the rebuilding of German economic relations.¹⁰⁵

⁹⁸ SAA 330-596 report by G. Schoberth.

⁹⁹ Ibid.; BA 330-443.

¹⁰⁰ PA-R 127578 Germans in enemy countries; PA-R 41819-41822 Civil internees.

¹⁰¹ PA-R 41819 Minutes of the meeting of the support group in British India, 29.9.1939.

¹⁰² IOR D I B's reports on activities of Germans, Italians and Japanese in India. IOR/L/PJ/12/506, File 1080(A)/36: Jul 1939-Feb 1940, Survey No. 19.

¹⁰³ Chandler (1990).

¹⁰⁴ PA-R 61279 Association Articles Orientverein (1934).

¹⁰⁵ PA-R 41819 Minutes of meeting, 29.9.1939; Letter Orient-Verein, 30.9.1939.

While the call for additional sponsors was successful, the most important obstacle to the scheme was the shortage of exchange which made it necessary to seek special permission by the German government for any financial support of the internees. This, however, was repeatedly denied. The case for financial support was difficult to make because all reports and eyewitnesses seemed to confirm that the living conditions in the Indian internment camps were relatively good. Internees were not forced to work and food, clothing and shelter were accessible in adequate quantity and quality.¹⁰⁶ Waibel continued pressing. German companies had a “special interest” in the broadest possible support for their employees in India, he repeatedly told the Foreign Office. What distinguished India most from other enemy countries was an “accumulation of German export businessmen in the internment camps not to be found anywhere else.”¹⁰⁷ The special relevance of India is also apparent in the amounts made available for the support scheme. Siemens paid by far the highest support, more than 2,000 Reichsmark (\$ 803), for India with 43 Siemens internees (\$ 18.67 per internee), while only 500 RM (\$ 200.8) were made available for South Africa with a comparable 36 internees (\$ 5.58 per internee).¹⁰⁸ More than a humanitarian act, the support was highly relevant for the future of German business because the internees were mostly young aspiring businessmen with long careers ahead of them.

The government’s inaction worried not just the immediate employers but a good part of the German business community as well. Most active were those businesspeople with internment experience in India. In September 1939, Hamburg-based manager Carl Wilhelm Kühns of the rubber company Phoenix, who had spent 66 months in Ahmednagar during WW I, wrote to Waibel arguing that the internees needed to feel that German business had learned from the past. “It was hard enough after the last war ... and we will later not find anyone anymore who is willing to go to enemy territory.”¹⁰⁹

Kühns mobilized some other former internees and addressed the Foreign Office and the Nazi Foreign Organization in a letter in February 1940: “Again, just like in 1914, — after 25 years — German businesspeople, engineers, chemists and technicians are interned again in Ahmednagar. The German firms are shut down and again everything breaks into pieces what German diligence, energy and money after the robbery of the Versailles Treaty have rebuilt.”¹¹⁰ The older generation pleaded for support of the internees and argued that German firms could never again rely on skilled men to venture abroad if their country did not manage to support them in times of crisis. When the money transfer to India remained impossible, the committee decided that 30 Reichsmark (\$ 12) per month and person should be paid into a fund starting September 1941. The German firms agreed to pay out the accumulated savings to their employees after their return home. They thus turned a support scheme into a bonus payment for suffering internment in India.¹¹¹

The German men remained interned in Dehra Dun until the war came to a close. After the unconditional surrender, signed on May 7, 1945, the decision was taken to send all enemy aliens back to their home countries. After more than an additional year, a ship with passage to Germany

¹⁰⁶ BA 330-596 Letter Orient-Verein to Waibel, 1 July 1940.

¹⁰⁷ PA-R 127549 Note on the meeting of the Committee Internees in British India, 7.2.1941.

¹⁰⁸ SAA 8149 Internierte Siemens-Angestellte in Feindesland, 1940.

¹⁰⁹ BA 330-596 Letter C.W. Kühns to Waibel, 28.9.1939. About his internment see, Kühns (1934).

¹¹⁰ BA 330-596 Letter to the Foreign Office, 22.2.1940.

¹¹¹ PA-R 127549 Minutes of the meeting of the Committee, 12.8.1941.

left Mumbai in November 1946. Upon arrival the released were interned in the transit camp Neuengamme to determine their complicity with the Nazi regime.

Towards the close of the war, German firms started strategizing more systematically for their post-war business. In 1944 Wolfram Eitel, a Siemens overseas manager, wrote a memorandum about rebuilding Siemens' foreign business. He observed that the war gave another impulse to build national industries in several overseas countries, mostly (former) colonies, among them India. Eitel pleaded for an even stronger focus on the education of local staff. Grooming foreign engineers would increase competition but familiarize locals with German technology and business, which could be very beneficial. Eitel also assumed that the growth of national industry would increase the standard of living so significantly that Siemens could realize higher profits.¹¹² Eitel's observations and plans for the future considered individual countries, such as India, but embedded them in a larger strategy for dealing with markets that had strong nationalist movements and with local employees within them. Dealing with nationalistically thinking Indians had thus created spill-over effects, which after the war were used in other foreign markets with similar characteristics.

6. Conclusion

Siemens and Bayer/I.G. both established a presence in India after WW I and managed to realize a competitive advantage as outsiders of the formal British Raj. Their human resource policy was opportunistic and shaped by many, sometimes conflicting stakeholder demands. German MNE responded to the three most influential political agendas since the 1920s: First, they reacted to nationalistic Indians seeking support for their independence struggle and economic autarky from the British Raj. In return the Indians offered German firms a greater economic involvement in India's promising market. Second, German MNE responded to their home government, which after 1933 requested business abroad to support Germany's national interest, including its racial ideology, which created problems for the relationship with Indians. Third, the companies closely observed the reaction of Great Britain, Germany's political and economic rival. Fearing restrictions to their India business, German firms were eager to downplay their cooperation with Indians in front of the British.

To gain legitimacy for their HR policy German multinationals employed a variety of strategies. Building on pre-World War I relations between Indian nationalists on the one hand and the German government and German business on the other hand, the Germans first presented themselves as politically neutral partners to Indian customers. They conspicuously flaunted their conflict-ridden relationship and rivalry with Great Britain, which made them seem natural allies to Indian nationalists. Second, they entered into strategic alliances with Indian customers and high-ranking Indian businesspeople that filled ceremonial posts. Strategic alliances and endorsements by respected individuals are typical strategies for gaining legitimacy in a foreign environment. Third, German firms adapted to cultural norms and expectations by founding corporations under Indian law and slowly opening up to local staff.

However, the policy of German MNE in India was often inconsistent, especially if seen over time. Race was a crucial category for HR in India. While scholars in German-speaking Europe imagined a community of "Aryans," proposing a natural and historic bond between

¹¹² SAA 8188 Siemens Overseas by Eitel, Oct. 1944.

Germans and Indians, German businesspeople were at first unconvinced. They avoided hiring technically educated locals, just like their British counterparts. However, Indians' expectations of race relations in German business differed from those in British managing agencies, triggering protests against discriminatory practices. The perception of Germany as being pro-Indian and the shortage of European staff facilitated the opening up to Indian employees. In addition to the distinction between foreign and local firms, Indians assessed MNE's home country and the relationship that particular country sustained with India. Germany was interpreted as India's ally, giving German MNE an advantage and simultaneously a business incentive to be politically neutral and open up to local staff.

While India as a host country for MNE created many challenges, German HR policy was influenced by home country demands as well. With the Nazi's rise to power the racial ideology of the regime was transferred to India. Negative press coverage of the new German regime and its racial ideology and the letting go of Jewish employees in India, which the Nazi party requested, decreased German firms' legitimacy after 1933. German managers, despite their racial prejudices, understood the commercial opportunities linked to political neutrality and were eager to exploit them, even within the changing political context. Pushing back against the request of the Nazi party for Aryan-descent certificates from employees shows that there was room for individual and company agency. Originating from Germany turned from an asset into a liability when Indian stakeholders and the press criticized the political development in Germany and even more when they were officially labeled enemy aliens during the war.

While previous scholarship suggested that more institutional distance and liability of foreignness create greater challenges for MNE, the case of German firms in India shows that this is an oversimplification. It is not (institutional or geographic) distance or foreignness per se but the specific and sometimes changing perceptions of home country that are responsible for the image of foreign firms in different national contexts. The perception of Germany and the meanings associated with German nationality played a significant role in HRM, and the German firms addressed opportunities related to their specific origin, not foreignness per se. A more nuanced look at nationality can certainly be expected to produce more realistic results.

Based on the case presented here it may be interesting to investigate if US, French, Swiss and Japanese competitors exploited similar advantages. However, the Germans were known for a long economic and political rivalry with Great Britain, which shaped their image, maybe incorrectly, as particularly anti-British. It is likely, and again a topic of future research, that this rivalry translated into similar opportunities in other countries of British influence. In their liability of home concept Stevens and Shenkar suggest the possibility of spill-over effects across borders and thus encourage more research beyond a single-country scope. This interesting idea could certainly translate into historical research on German MNE in other regions under British influence, or in other foreign markets shaped by a strong political link to one specific country. Siemens manager Eitel's plan for local staff in countries with strong nationalist movements points in that direction. Investigating those spill-overs may help understanding the advantages and disadvantages of close/loose political and economic ties.

The case presented here shows that it is important to understand the acceptance and image of foreign firms in particular host environments rather than building on the catch-all category of foreignness. However, this demands a thorough historical analysis of previous commercial and political relationships between host and home country. The article gives ample evidence for the fact that meanings associated with the home country are malleable. National

origin can be a distinct asset at one point and a significant liability at another. This historical dimension has not been sufficiently included in international business or HRM literature and can add much value. This could embrace changes as well as continuities. Exploring how resilient the links between Germany and India were is an interesting research field, which may inform activities in today's Indian market as well as in other formerly dependent territories.

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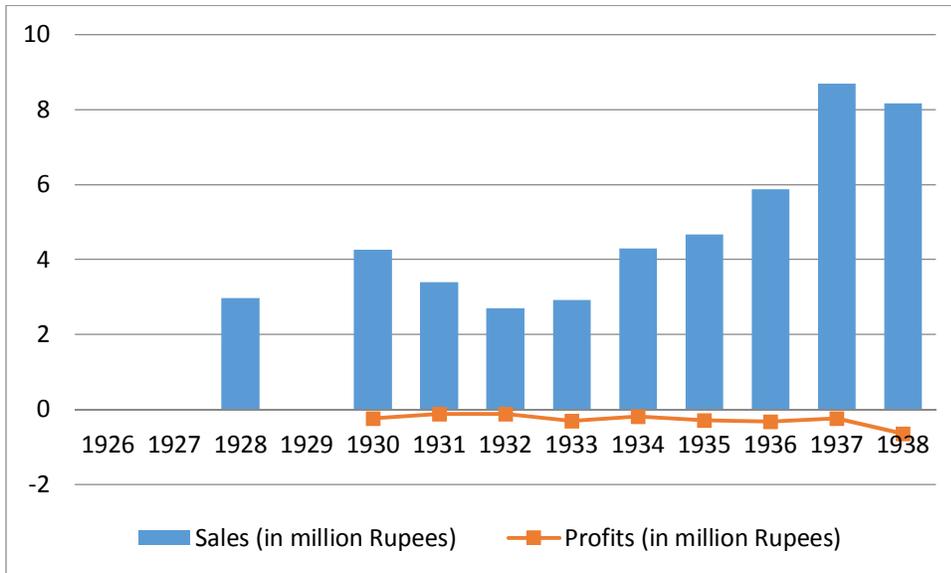
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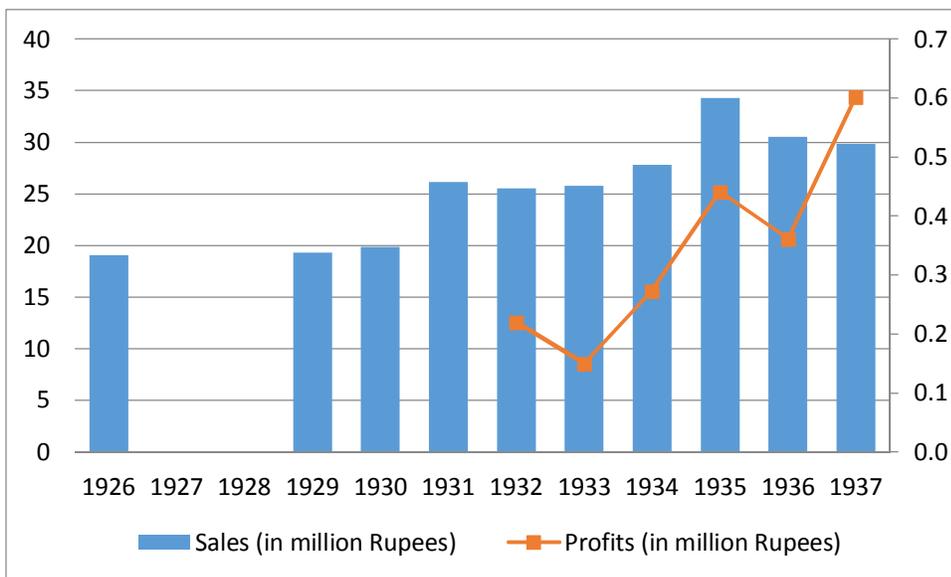
Appendix

Figure 1: Siemens' India Business, 1926-1938



Compilation based on SAA 25 Lg 136 Wirtschaftsergebnis Kalkutta; 4886 Jahresbericht 1931/2; 8188 Übersee-Personal 1938; 8150 Ergebnisse Übersee.

Figure 2: I.G.'s India Business, 1926-1937



Compilation based on 4 b 14 3 6 Farbenmarkt Britisch Indien; 330/1267 Akte der Verkaufsgemeinschaft Farben; 330/1267 Steuer.

Table 1: Siemens and I.G. Employees in India, 1912-1939

	Siemens India			I.G. India ^b		
	Europeans	Indians	Total	Europeans	Indians	Total
1912/13				5 (7%)	68 (93%)	73
1925/26			106 ^a	10 (9%)	100 (91%)	110 ^c
1926/27						
1927/28						
1928/29						
1929/30		>[159 (51%)] ^d	314			
1930/31		>[124 (42%)] ^d	294			
1931/32		>[181 (57%)] ^d	320			
1932/33						
1933/34		>[162 (51%)] ^d	317			
1934/35		>[267 (59%)] ^d	456			
1935/36		>[176 (44%)] ^d	396			
1936/37		>[363 (57%)] ^d	636			
1937/38	31 (5%)	622 (95%)	653	76 (8%)	833 (92%)	909
1938/39		>[310 (50%)] ^d	626			

^a without local workers; ^b combined total of Pharmaceuticals, Photo, Chemicals and Dyes; ^c chemical department only; ^d number of “workers.” Siemens statistics distinguish between business staff, technical staff and workers with the latter being local employees = Estimate of minimum Indian staff excluding higher qualified Indians.

Compilation based on SAA 25 Lg 136 Wirtschaftsergebnis Calcutta; 4886 Jahresbericht 1931/2; 8188 Übersee-Personal 1938; 8150 Ergebnisse Übersee; BA 202/16 Friedensmassnahmen; 330/114 Chemdyes.

Table 2: Value of 100 Indian Rupees in German (Reichs-)Mark, 1914-1938

	100 Indian Rupees in German (Reichs-)Mark	Change in %
1914	133	
1928-1931	150	+12.8
1931 (Jan.-Sept.)	150	0
1931 (Sept.-Dec.)	123	-18
1932	111	-9.8
1933	105	-5.4
1934	95	-9.5
1935	92	-3.2
1936	93	+1
1937	93	0
1938	92	-1

Based on BA 82/1 The situation of the Indian Rupee, 1938.