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In conversations with educated Indians of the North, it is particularly apparent that they think more as political speculators than as economic men of realities. ... [T]he fact that Indians' national sentiment is in the process of growing and that Indians move with increasingly greater force into political and economic posts previously dominated by the English, is an important opportunity for us. ... [T]he English themselves told us that the Congress governments in the provinces desire a collaboration with Germany and enthusiastically welcome German participation in industrialization.¹ (Anton Reithinger, I. G. Farben, 1938)

Anton Reithinger worked for one of the most infamous global multinationals of his time, the chemical conglomerate I. G. Farben. Dispatched on a fact-finding mission to India in 1938, he reported on the strategic opportunity that the rise of Indian nationalism seemed to offer his German employer. While he had his doubts about Indian “political speculators,” he was not going to let this opportunity pass him by. Working for a company that was active all over the world, Reithinger knew that successful international business meant not just competing on economic terms but also capitalizing strategically on rising nationalist sentiments.

As Reithinger's report suggests, globalization and nationalism have long been intertwined forces shaping how multinational enterprises compete internationally. It is thus puzzling to note how they capture our attention in very different ways. While the forces of globalization have been described as crucial drivers of firm internationalization,² nationalism is usually perceived as globalization's antagonist – a fundamental threat to cross-border integration. At best, nationalist sentiments might be “mitigated”

¹ Anton Reithinger, “East Asia Travel Reports 1937/38: Politics and Economics,” report #1: 13–15, 191/1/3, BA. This and all German sources translated by the author.

² Wilkins, *The Growth of Multinationals*. Jones, *Multinationals and Global Capitalism*. Fitzgerald, *Rise of the Global Company*. From a strategy perspective, see also Henisz, *Corporate Diplomacy*. Ghemawat, *Redefining Global Strategy*. Dunning and Lundan, *Multinational Enterprises*. Bartlett and Ghoshal, *Managing across Borders*.

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by multinationals, but nationalism's essence is assumed to be isolationist and fundamentally opposed to deepening global business exchange. Such a view fails to account for the kind of multinational strategy making reflected in Reithinger's report, in which rising nationalism creates opportunities to forge new and deeper business relationships. What we are left with is a historiography moving at two speeds. Whereas our understanding of globalization and business has become increasingly more sophisticated over the past thirty years, research on the many ways in which nationalism plays into global business strategy remains comparatively underdeveloped.

One reason for this neglect may be that economic nationalism once appeared as an antiquated and declining phenomenon. Optimistic visions of a globally integrated world characterized by multiethnic, multicultural cosmopolitanism often treated nations and nationalism as reactionary and backward looking.³ However, recent years should leave little doubt that we have in no way passed the age of nationalism and that it will continue to influence our societies, economies, and firms – maybe in new forms but certainly not with less penetrating power.

In fact, the very dynamics of globalization seem to have reinforced nationalist sentiments around the globe. At the exact same time that the costs of bridging geographical distances shrunk and new technologies projected sounds and images around the world, policy regimes increasingly turned against foreigners and foreign firms. Business historian Geoffrey Jones argues that “as technology facilitated human beings to travel and observe one another as never before, so they disliked what they saw. Nationalism and racism proliferated.”⁴ In response, the need and ambition to manage governments and their national politics rose up corporate agendas.⁵

A closer and more historically sensitive look may also consider nationalism's outward-facing and relational aspects in addition to its inward-focused protectionism. Indeed, nationalism inherently entails an international and comparative dimension as nations form their identities and define their interests in relation to other nations that are perceived as allies or adversaries. As historian Manu Goswami argues, nationhood is forged through “an institutional intermediation between the global (the world economy and the interstate system) and the local (the internal lines of difference) in both a structural and discursive sense.”⁶ “Indeed,” also argues economic historian Christof Dejung, “the immense importance

³ Reich, *The Work of Nations*. Hobsbawm, *Nations and Nationalism*: 163–183.

⁴ Jones, “Origins and Development”: 22.

⁵ Jones and Lubinski, “Managing Political Risk.” Kurosawa, Forbes, and Wubs, “Political Risks.”

⁶ Goswami, *Producing India*: 17.

of the nation can often be better understood, or at least grasped in a different manner, from a global or transnational perspective.”⁷ Thus, rather than pulling in opposite directions, globalization and nationalism have historically evolved in tandem, mutually reinforcing one another. By necessity, multinational enterprises acted not just as drivers of globalization but also as sophisticated operators in a world of nations, with more diverse and more refined approaches to nationalism than the literature in business history or strategy has so far acknowledged.

Navigating Nationalism in Global Enterprise analyzes the historical role of nationalism in global business to shed light on how the forces of nationalism and globalization might be balanced in multinational strategy in our own time. It explores the evolving ways in which multinational enterprises engaged with nationalism, based on the salient example of German business in India. I opted for India because there are few countries in the world where the impact of economic nationalism was as obvious and as long-lasting as in India. The slowly unfolding process of Indian decolonization provides a context in which it is possible to study the emergence and consequences of businesses’ engagement with nationalism over many decades. It allows us to examine how managers and firms learned about economic nationalism and how strategies emerged to respond to and then capitalize on nationalistic thinking. For long stretches of the twentieth century, India was essentially a free-trade zone and thus an arena for competition between multinationals. It thus provides an especially good context in which to consider how multinationals competed and strategized in a world increasingly comprised of nations and nationalism.

In looking at international business in India from the perspective of German firms, the book diverges from existing scholarship and its primary interest in Indo-British relations. While the great interest in British business in India is understandable, shifting the focus to German firms brings to the fore the strategic opportunities created by nationalism and the shifting relationships between nations during the long history of decolonization. In this sense, it reflects the kind of political strategizing by several “catch-up countries” (including Germany but also the US, Japan, Switzerland, and others) which industrialized later than Great Britain and competed with it on world markets.⁸ It also reframes some of the questions of Indo-British business history by rethinking India’s role

⁷ Dejung, *Commodity Trading*: 14.

⁸ On economic thinking in catch-up countries see also Reinert, “German Economics as Development Economics”: 48–49. On Japan’s rise in competitiveness see also Da Silva Lopes and Tomita, “Trademarks as ‘Global Merchants of Skill.’”

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not just in the economy of the British Empire but also in its relationship to the broader world, which held the potential for extra imperial alliances that have thus far garnered less scholarly attention.

Finally, the resilience of German multinationals in India also serves as a compelling puzzle that cannot be solved without careful consideration of the strategic role of nationalism. From a conventional viewpoint, German companies should not have been competitive in the Indian market. The institutional environment offered them no advantages, and in fact many disadvantages compared with their British competitors. They had no political backing in the British Empire, spoke a different language, were unfamiliar with local customs and legal practices, and struggled to obtain necessary information – in short, they were more exposed than their British rivals to what international business scholars refer to as the “liabilities of foreignness.”⁹ To understand their operations against these odds, it is necessary to look beyond the conventional strategic wisdom to consider the role of nationalism.

As this book will show, the forging of affinities between Germans and Indians against the perceived international domination of the British world fundamentally shaped business relationships, laying the foundations for the success of German multinationals in what in theory should have been an inhospitable foreign market. While German trade with India never surpassed that of their British rivals in the national aggregate, it showed impressive growth beginning in the last third of the nineteenth century and several German firms were fiercely competitive with their British counterparts in their sectors. Yet they strategized differently, not least based on their perception of Indian nationalism and its role in global business. Historically exploring this process on the firm level allows us to untangle the strategies businesspeople employed to compete with their rivals in a world of nations.

Business Strategy in a World of Nations

For companies that expanded globally in the wake of the Industrial Revolution, a world of nations provided the terrain on which their identities as global players were formed. Nationalism first became strategically relevant for global business on a larger scale in the mid-nineteenth century; a moment that global historians have marked as transformational. “The crucial watershed inaugurating twentieth-century world history consisted in a series of parallel, simultaneous crises in the organization of power,

⁹ Zaheer, “Overcoming the Liability of Foreignness.”

production, and culture – that is, in the autonomous reproduction – of virtually every region of the world.”¹⁰ With remarkable synchronicity, nationhood became a rallying cry in a number of late developing industrializers (Germany, the US, Japan) as well as many colonial and semicolonial countries (India, China, Thailand). While each of these movements was idiosyncratic and shaped by local developments, their similar structure and competitive logic was also part of a larger transformation of the world. The very notion of companies and products having a nationality emerged not inside one country, where this question would not arise, but in the highly integrated world economy of the late nineteenth century, in which competitive nation-states exchanged goods, services, and ideas.¹¹

The burgeoning literature on the history of nationalism has not failed to capture this transformation and its many consequences.¹² Nationalism scholars date the seeds of modern nationalism to the last quarter of the eighteenth century, focusing on the American and French Revolution, and then trace their spread to other parts of Europe and Latin America. The 1848 revolutions in Europe, leading most prominently to the unification of Germany and Italy, were the culmination of this first wave of nationalism. This was the time when many European nations were formed and developed their national identity. According to historian Eric Hobsbawm, these European nations were driven by their size, economic strength, and alleged cultural dominance to engage in a form of nationalism that was inherently expansionist. Henceforth, nationalism went together with the successes of Western industrialization and the relentless search for resources, territory, and markets abroad.¹³

While nationalism during this first wave can be interpreted as a phenomenon of the modernizing West, it increasingly started to leave its mark on other countries of the world as well. Since the last third of the nineteenth century, the highly industrialized nation-states of Europe encountered a second wave of nationalism, which took place in Eastern and Northern Europe as well as in several places outside of Europe, including India.¹⁴ Political scientist Benedict Anderson notes that “a ‘model’ of ‘the’ independent national state was available for pirating,” which established an ideal type of nationalist imaginings.¹⁵ While this standard became enacted locally and in very different ways, it entailed

¹⁰ Geyer and Bright, “World History in a Global Age”: 1045.

¹¹ Jones, “End of Nationality?”

¹² Smith, *Nationalism*.

¹³ Hobsbawm, *Nations and Nationalism*: 32–36.

¹⁴ Osterhammel, “Nationalism and Globalization.”

¹⁵ Anderson, *Imagined Communities*: 81.

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several universal elements. It was imagined with a unified national interest (or in Anderson's words "deep, horizontal comradeship"), a delimited national space, and the ideal of national self-determination.¹⁶ These elements connected and mobilized different nationalizing states within a global grid of nations. The resulting nationalist movements, while deeply local, were also the outcome of a global historical process of imitation and competition between nations.¹⁷ National identities were fundamentally forged in relation to other nations.

This relational nature of nation formation was clearly on display in the cultural, intellectual, and political entanglements between Germany and India. As Kris Manjapra elegantly argues about the Indo-German intellectual relations of the time, the two countries found themselves at a particular juncture in history, when their interests happened to align. Together they rebelled against what they perceived as an Anglocentric world order, reflected in the colonizing of Indian subjects, the "dictated peace" of the Versailles Treaty after World War I, and Britain's push for hegemony in Europe and in the Empire. "The entanglement of Germans and Indians thus produced the strongest inflection of intellectual revolt against the nineteenth-century global status quo – a status quo constellated by discourses about Enlightenment, Europe, and Empire, and organized around the star of British world power."¹⁸

Incorporating the Nation in Multinational Strategy

While the cultural and political history of nationalism as interconnected movements is well understood, nationalism's role in firm-level strategy remains rather obscure to date. Too often, "economic nationalism" is used synonymously with protectionism, despite widespread critiques of this simplification.¹⁹ The unfortunate practice of limiting nationalism to a small set of isolationist policies is exacerbated by the ideological baggage that the term carries, focusing primarily on fascist and conservative versions of economic nationalism.²⁰ Another common misconception

¹⁶ Ibid., 7.

¹⁷ Goswami, "Rethinking the Modular Nation Form."

¹⁸ Manjapra, *Age of Entanglement*: 5.

¹⁹ For examples of economic nationalism as protectionism, see Hodgson, *Economic Nationalism*: 3. Yarbrough and Yarbrough, *The World Economy*. Recent scholarship has insisted that economic nationalism can incorporate a variety of ideologies. See in particular, Abdelal, *National Purpose*. Helleiner, "Economic Nationalism as a Challenge to Economic Liberalism?" Pickel, "Economic Nationalism." Shulman, "Nationalist Sources." Krampf, *The Israeli Path to Neoliberalism*. Tamir, *Liberal Nationalism*. Helleiner and Pickel, *Economic Nationalism*.

²⁰ For this justified critique see, Levi-Faur, "Friedrich List": 156.

about economic nationalism is that it describes economic activities that are subordinated to the interest of the state.²¹ This view triggered a second important critique, namely that scholarship so far has described an economic nationalism “without nationalism” and needed ways for “bringing the nation back in.”²² Nationalism is neither confined to official state policy nor adequately described as protectionism.

These critiques do not just occupy political scientists but also pose important questions for firm-level strategy, which have remained largely unanswered. Sociologist Sam Pryke points out that in economic nationalism research “there is very little coverage of the role of private capital. The assumption is that states continue to be the key economic actors and states promulgate national identity.”²³ While economic policy is no doubt a worthy object of study, it is focused on state-to-state interactions and the intentions of political leaders but rarely incorporates firm-level analysis. Shifting attention from the state to business reveals a different set of insights and complements the macro-level discussion of economic policy with insights on firm-level strategic decisions and processes.

In recent years, strategy research has advanced a dynamic understanding of capabilities, described as a unique bundle of assets, routines, and processes that firms develop over time and that make them competitive.²⁴ This perspective embraces earlier explanations for the existence of multinational firms, such as John Dunning’s “eclectic paradigm,” which argues that multinationals exploit their ownership advantages, benefit from location advantages in host economies, and make a choice for internalization, that is controlling activities through hierarchy rather than having them take place on markets.²⁵ Yet, while internalization focuses primarily on explaining entry modes of multinationals, the idea of ownership advantages and its extension in the capabilities framework foreground competitive advantages and include processes of learning, entrepreneurship, and market creation. Such a heightened attention to firm capabilities, rather than transaction costs and relative factor prices, may open the door to how multinational firms learned to deal with and even shape nationalism in competing abroad.

²¹ Gilpin, *The Political Economy*: 31. Gilpin, *Global Political Economy*.

²² Crane, “Economic Nationalism”: 55. For the critique see also Nakano, “Alfred Marshall’s Economic Nationalism.” Abdelal, *National Purpose*: 33.

²³ Pryke, “Economic Nationalism”: 284.

²⁴ Teece, “A Dynamic Capabilities-Based Entrepreneurial Theory of the Multinational Enterprise.” Suddaby et al., “History and the Micro-Foundations of Dynamic Capabilities.”

²⁵ Dunning, “Reappraising the Eclectic Paradigm.” For a recent critical discussion of internalization theory see Da Silva Lopes, Casson, and Jones, “Organizational Innovation.”

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Yet these firm capabilities are understood as internal to business organizations and are rarely connected to national identities, national histories, or the aspirations of nations. While the field of nonmarket strategy is devoted to understanding the relationship of multinationals to their specific home and host countries, it sees nations primarily as territories and less as aspirational communities.²⁶ One exception is the recent scholarship on the role of legitimacy in strategy formation, which opened up the field to questions of long-term objectives;²⁷ however, the role of nationalism in generating, challenging, or undermining business legitimacy remains largely unaccounted for. In sum, multinational strategy research typically depicts nations as territories or governments, but largely ignores the identities, aspirations, and histories that hold them together as “imagined communities.”²⁸ The relative neglect of these ideational aspects of nationalism and nationhood limits our ability to grasp its role in business strategy.

The intertwined evolution of business and nationalism plays a bigger role in the business history literature, where scholars have extensively dealt with business responding to political and nationalist challenges at different points in time. Geoffrey Jones, Mira Wilkins, Robert Fitzgerald, and Takafumi Kurosawa and colleagues have established periodizations of global business, which are carefully embedded in the political economy, reflecting how economic nationalism waxes and wanes. Some of the turning points these historians have identified include the emergence of a sharp definition of the “nationality of the company” in World War I, the first efforts at systematic political risk management by global business, the Great Depression of 1929 as the end of laissez-faire economic systems and the rise of state-led protectionism, and a second wave of globalization since the 1970s that took the integration of global markets much deeper.²⁹ Their research leaves no doubt that nationalism fundamentally shaped global business but also shows how its concrete

²⁶ Boddewyn and Brewer, “International-Business Political Behavior.” Ghemawat, *Redefining Global Strategy*. Ghemawat, *The Laws of Globalization*. Henisz and Zelter, “Strategy and Competition in the Market and Nonmarket Arenas.” Oberholzer-Gee and Yao, “Integrated Strategy.” Luo, “Toward a Cooperative View.”

²⁷ Stevens, Xie, and Peng, “Toward a Legitimacy-Based View of Political Risk”; Sidki Darendeli and Hill, “Uncovering the Complex Relationship”; Stevens and Shenkar, “The Liability of Home.”

²⁸ Anderson, *Imagined Communities*. See also Abdelal, *National Purpose*. Breuilly, “Introduction: Concepts, Approaches, Theories.”

²⁹ Jones, “Origins and Development.” Jones, *Multinationals and Global Capitalism*. Ghemawat and Jones, “Globalization in Historical Perspective.” Wilkins, *The Growth of Multinationals*. Wilkins, *The History of Foreign Investment in the United States, 1914–1945*. Fitzgerald, *Rise of the Global Company*. With a specific focus on nationalism and political risk, Kurosawa, Forbes, and Wubs, “Political Risks.”

relevance for business was heavily context-dependent, thus requiring more sophisticated approaches for exploring it.

Moreover, these accounts of long-run patterns of multinational strategizing see nationalism primarily as a political risk and highlight how companies cope with it as a threat. The portfolio of management strategies for political risks is one of the core areas of business history research.³⁰ A few clusters of research emerged around expressions of political risk at specific moments in time, namely political risks triggered by the Nazi regime in Germany,³¹ those related to decolonization,³² war as a source of political risks,³³ risks associated with consumer nationalism,³⁴ and the risk of (excessive or discriminatory) taxation.³⁵ This literature excels at shedding light on multinationals' diverse and creative strategies to mitigate the challenges of nationalism, for example by actively localizing, by cloaking origins of people and capital, or by establishing decentralized organizational structures which provided greater flexibility in moments of crisis.³⁶

³⁰ Casson and Lopes, "Foreign Direct Investment in High-Risk Environments."

³¹ Kobrak and Wüstenhagen, "International Investment and Nazi Politics." Boon and Wubs, "Property, Control and Room for Manoeuvre." Forbes, *Doing Business*. Forbes, "Multinational Enterprise." Kobrak, "Politics, Corporate Governance, and the Dynamics of German Managerial Innovation." For business under German occupation see also Wubs, "Unilever's Struggle for Control." For "aryanization," i.e. the (formal or informal) expropriation of Jewish property, see Köhler, *Aryanization*. Bajohr, *Aryanisation*. Kobrak and Hansen expand on the focus on Nazi Germany by exploring the broader interactions of business and dictatorship. See Kobrak and Hansen, *Business*. In particular, Wilkins, "Multinationals and Dictatorship."

³² Decker, "Building up Goodwill." Decker, "Corporate Legitimacy and Advertising." Sluyterman, "Decolonisation and the Organisation of the International Workforce." Smith, "Winds of Change." Donzé, "The Advantage of Being Swiss." On the difficulty of managing hostile transition periods see also White, "Surviving Sukarno."

³³ Wubs, *International Business and National War Interests*. van der Eng, "Managing Political Imperatives in War Time." Dejung and Zangger, "British Wartime Protectionism." Andersen, "Escape from 'safehaven'." Panayi, "German Business Interests." van der Eng, "Turning Adversity into Opportunity." Kurosawa, "Breaking through the Double Blockade." Specifically on internment see also Panayi, *Prisoners of Britain*. Lubinski, Giacomini, and Schnitzer, "Internment."

³⁴ Mordhorst, "Arla and Danish National Identity." Hansen, *Danish Modern*. Hansen, "Networks, Narratives, and New Markets." Higgins, *Brands, Geographical Origin, and the Global Economy*. Jones and Mowatt, "National Image as a Competitive Disadvantage." Rius-Ulldemolins, "Barcelona and SEAT."

³⁵ Mollan and Tennent, "International Taxation and Corporate Strategy." Izawa, "Municipalisation, War, Tax and Nationalisation."

³⁶ Jones, "Learning to Live with Governments." Bucheli and Kim, "Attacked from Both Sides." Andersen, "Building for the Shah." Sluyterman, "Decolonisation and the Organisation of the International Workforce." Smith, "Winds of Change." Donzé and Kurosawa, "Nestlé Coping with Japanese Nationalism." Da Silva Lopes et al., "The Disguised Foreign Investor." Forbes, Kurosawa, and Wubs, *Multinational Enterprise*. Jones and Lubinski, "Managing Political Risk."

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Engaging in a dialogue with strategy, historians have also shown how companies not just established but continuously maintained legitimacy in changing political environments.³⁷ Because of a process of “obsolescing political legitimacy” in times of change, which Marcelo Bucheli and Erica Salvaj define as “the gradual loss of legitimacy before the local society, resulting from the identification of this firm with a previous social and/or political regime,” multinationals ought to continuously invest in their legitimacy.³⁸ Yet research has also shown that this investment often paid off. Long-term presence in a market benefited multinationals’ political risk management and competitive positioning.³⁹

Despite these significant achievements, the literature still leaves us with a truncated conceptualization of nationalism in business strategy. Most contributions focus on the risks of nationalism and ignore both business opportunities and the effects that nationalism can have on the competitive dynamics between multinationals.⁴⁰ Moreover, both business historians, such as Mira Wilkins and Stephanie Decker, and international business scholars, such as Pankaj Ghemawat and Charles Stevens, have stressed that not the host country in isolation but the bilateral relationship between host and home country is decisive for the strategy and success of multinationals abroad.⁴¹ However, studies rarely explore this relationship in depth or compare how multinationals from different home countries strategize differently. The impact of historical or aspirational relationships between nations (beyond the direct home–host country link) and in groups of nations, such as colonial nations or catch-up countries, has seldom figured at all.

Yet, if nationalistic goals mobilize and connect different nations, then scholarship must engage more fully with national aspirations and the alliances or conflicts they foster.⁴² To understand competitive dynamics based on economic nationalism – between local and foreign companies

³⁷ Jones and Comunale, “Business, Governments and Political Risk.” Bucheli and Salvaj, “Political Connections.” Gao et al., “Overcoming Institutional Voids.” Bucheli and Kim, “Political Institutional Change.” Smith and Simeone, “Learning to Use the Past.” On reputation, see also van der Eng, “Turning Adversity into Opportunity.”

³⁸ Bucheli and Salvaj, “Reputation and Political Legitimacy”: 730.

³⁹ Jones, “Learning to Live with Governments.” Donzé and Kurosawa, “Nestlé Coping with Japanese Nationalism.” Gao et al., “Overcoming Institutional Voids.”

⁴⁰ For two rare exceptions see Reckendrees, “Business as a Means of Foreign Policy or Politics as a Means of Production?” Donzé, “The Advantage of Being Swiss.”

⁴¹ Wilkins, “European and North American Multinationals.” Decker, “Corporate Political Activity in Less Developed Countries.” Ghemawat, *Redefining Global Strategy*. Stevens, Xie, and Peng, “Toward a Legitimacy-Based View of Political Risk.”

⁴² On the interplay between nationalism and political alliances in expropriations see Bucheli and Decker, “Expropriations of Foreign Property and Political Alliances.”