Michael C. Schneider, Heinrich-Heine-University, Institute for the History of Medicine (Michael.Schneider@uni-duesseldorf.de):

„Between World Economic Crisis and War Economy: Chemnitz Machine Building Enterprises during the National Socialist Period (1933-1945)“¹

Even if most case studies during this conference deal with firms that act in an environment of a free market society, this must not lead to the conclusion that questions of corporate images or corporate identity are irrelevant in a totalitarian dictatorship such as the Third Reich. Rather to the contrary: One of the enterprises I will present during the following minutes in more detail did rely on a strategy which was based on an clearly defined corporate image, an image the general director confronted the exponents of the national socialist regime quite relentlessly with. Even in this dictatorial context, such an image could prove necessary for an enterprise in order to pursue its strategy.

Three machine-building enterprises are in focus: The Wanderer-Werke AG, the Astrawerke AG, and the Maschinenfabrik Kappel GmbH/AG. All of them were based in Chemnitz, the “Saxonian Manchester”. Since all of them produced business machines, two of them machine tools as well, they seem to offer good cases for a comparison. Even more so, since they all were located in the same area which allows to hold external factors constant, such as political influence by the local NSDAP. However, as far as their size and their product range are

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¹ Detailed evidence for this presentation can be found in two publications of the author: Unternehmensstrategien zwischen Weltwirtschaftskrise und Kriegswirtschaft. Chemnitzer Maschinenbauindustrie während der NS-Zeit (1933-1945), Essen 2005 (= Bochumer Schriften zur Unternehmens- und Industriegeschichte, Bd. 14); Business Decision
concerned, there can also be found differences, which determined to a certain degree their ability to act within the environment of the national socialist economic system. Therefore I will focus on the ability of these enterprises to develop strategies and to adapt these strategies to the economic policy of the Nazi regime, but also on the differences between the goals of this policy and those of the enterprises. The enterprise I will concentrate upon mainly because of the excellent quality of its archival sources, are the Wanderer-Werke AG in Siegmar Schönau near Chemnitz. This firm produced since the turn of the century a comparatively broad range of products: Bicycles, which made up the first product and the one which was most broadly connected with the name “Wanderer”. Actually, “Wanderer” was the German translation of “Rover”, which in turn is an example for the widespread English jargon in the bicycle-community even in Germany at the turn of the century. By calling its bicycles “Wanderer”, the firm promoted a German name into this world and thus displayed a strategy which will be encountered again in different forms during the years to follow.

Already at the turn of the century, the enterprise expanded into the production of milling machines, and soon afterwards into business machines, especially typewriters and calculation machines. This sector of the business formed the technological basis for Wanderer’s attempts to diversify into punch-card technology before and during the Second World War. The well-reputed automobiles section was sold in 1932 to the newly established enterprise “Auto Union AG”. So in 1933 the Wanderer-Werke AG entered the Nazi period with a product range that offered its directors a choice: either to embark on the
rerearmament policy by strengthening its milling machine branch or, as other firms in Saxony did, by taking on the production of direct armament goods. A third alternative was to stick to the traditional production profile. If one looks at the turnover of the different sectors of the firm, then it becomes clear that typewriters and other business machines always accounted for more than half of total turnover during the period of rapid business expansion in the 1930s. Machine tools constituted constantly about 20-25 percent, and bicycles constantly a bit less, just above 20 percent. Thus, business machines remained the dominant product, and the proportions between the different lines remained stable throughout the 1930s, despite a rapid expansion of all product sectors. The important point however is, that the board of directors adhered to this distribution of products even although the machine tools proved to be much more profitable than did the business machines, not to speak of the bicycles, which didn’t earn much and were kept in production probably just for reasons of corporate image.

To answer the intriguing question why the directors of the Wanderer-Werke AG pursued a strategy which gave the business machines sector a most prominent weight, and abstained from answering the rearmament boom by expanding the milling machines section more than proportional, it is useful illuminate the formulation of strategy by the enterprises management, and occasionally step back a little in corporate history.

The board of directors (and especially Hermann Klee, Vorstand chairman) put their primary emphasis on business machines during the 1930s and developed a coherent strategy for this sector aimed at combining the firm’s interests with those of the regime. This strategy was central to the self-identification of the enterprise as
a German and European outpost against a perceived “American foreignization.” Within the field of business machines, Wanderer operated in a market that had been shaped by U.S. firms since the late nineteenth century. Some of them founded German subsidiaries that dominated the German market. Although imports of business machines into Germany from the United States declined during the 1930s, Hermann Klee still perceived danger. In a letter to a regional National Socialist functionary, he first stressed the contribution of the German business machine industry to German culture, claiming that the typewriter itself was a German invention, and then underlined the industry’s “high relevance to defence policies” and its military significance. The industry had been able to switch to war production swiftly during the First World War and in peacetime had “at its disposal a large amount of the most modern and precise machine tools, which can all be used for military purposes immediately.” (This argument was, as can be imagined, rapidly dropped after the beginning of the war). Klee repeated the old complaint of the “invasion by business machines” of the German market undertaken by US-firms such as Underwood and Remington during the world economic crisis. In addition, he portrayed the successes of those firms in buying up enterprises in Germany and Czechoslovakia as the result of a coherent American strategy of infiltration and isolation. “How shall it be possible,” he asked, “to direct toward the army and its economy a factory whose capital is owned by Americans, most of them Jewish Americans, large banks and large conglomerates? This question characterizes the immense danger, whose consequences have unfortunately not been recognized by most people.”
Even before the war, asserting the necessity of preventing any further expansion of U.S. firms in Germany, the directors of Wanderer tried to legitimise their futile attempts to take over their business machine competitors in Chemnitz such as the Maschinenfabrik Kappel AG and the Astrawerke AG. The firm’s leaders clearly sought the general backing of Reich authorities, whom they assumed would be sympathetic. It is clear from the sources that the Wanderer-Werke took the initiative for inundating the authorities with memoranda portraying the danger of “foreignization”. It is equally clear that the managers, in especially Hermann Klee, were convinced of the accuracy of their assertions. These efforts demonstrate that business machines not only were responsible for the majority of Wanderer’s turnover, but also that they represented the core of the enterprise’s corporate identity.

It was precisely this corporate image that gave the Wanderer directors the courage to enter even before the war the field of punch-card technology which was dominated by an American firm as well, the International Business Machines Corporation (IBM), and, in Germany, its German subsidiary, the Deutsche Hollerith Maschinen GmbH (Dehomag). How such an identity could influence a firm’s strategy even under extreme conditions can be seen during the following war years. Because it was during the war that the German occupation of France seemed to offer the opportunity to challenge IBM and its subsidiaries by a co-operation with the French punch-card producer Compagnie des machines Bull. This cooperation eventually failed, since the patents IBM and Dehomag held proved too well protected, and finally, because the liberation of France in August 1944 cut the connexions which had been established during the years before.
Nevertheless: It was the self-image of a business machines producer with a strong nationalist bias that provided Wanderer with a kind of “mission”, a mission to protect the occident from incommensurate American influence. This mission was the precondition for Wanderer to develop a driving force that was necessary to challenge a giant such unassailable as IBM.

In other cases a clearly defined corporate identity could lead a firm to participate at the fringes of the holocaust, even though by this the firm did anything less than serve the interest of the regime. This apparent paradox again deserves a closer look. The firm in question is the Astrawerke AG, a producer mainly of calculation machines and, as such, much more dependent on the development of the business machines market than the Wanderer-Werke AG, which possessed a broader product range. Since the beginning of the war it became ever more difficult for such enterprises to maintain their business machines production. So-called “war-production plans” regularised and reduced the civil production, under which also business machines were subsumed.

As other business machines producers did, the Astrawerke AG expected since late 1941 that the production of calculating machines would be more and more reduced. If this can be clearly described as a severe constraint of entrepreneurial autonomy, it would nevertheless be misleading to deduce from this development a complete suspension of autonomy of decision. Because in this situation the directors decided to transfer the production of calculating machines at least partly into the Warsaw Ghetto. This decision was based on a circular letter from the Chemnitz chamber of industry which advertised the interest of the ghetto administration to establish a working ghetto economy. There isn’t enough time to explain the background of this
temporary interest; only that it was the outcome of a struggle within the ghetto administration between “attritionists” (those who wanted to wear down the Jewish captives by work) and “productionists” (those who wanted to exploit their manpower), may be mentioned.

A report of a first investigation by emissaries of the Chemnitz enterprise described without palliation the horrible living conditions of the captives. Regardless of this, the board of directors decided to transfer the production, not only because of the gloomy perspectives concerning the ability to produce within the Reich, but also because they saw Warsaw as a potential bridgehead for expansion into markets further east. A quotation from one of several reports from the Warsaw Branch might illustrate the weird combination of self-pity and brutality which characterizes most of those reports: “Only the walk through the Ghetto is always a burden. It is beyond description what can be seen and experienced. We must turn off stomach, nose and nerves, otherwise one would dream badly and cannot eat. We quite manage to do so and are tough enough to give somebody a boot if those ragged, verminous and dirty scrags don’t cease from begging and walking with us many kilometres.” Only after the beginning of the deportations of the Warsaw Jews to the death camp of Treblinka from July 1942 onwards, the firm seems to have realised the context in which it produced, and gave eventually up its branch.

If this scrupulousness to participate at the fringes of the holocaust is compared with the behaviour of other firms such as the Wanderer-Werke AG, who knew of this possibility as well, but did abstain from taking this opportunity, then it becomes clear that
there still existed considerable room of manoeuvre for machine building firms.

One last example of a machine building firm shows the effects of not possessing any coherent corporate strategy, not to speak of the kind of a corporate image that was the precondition of any expansionist attempt as in the case of the Wanderer-Werke AG. This last example is the Maschinenfabrik Kappel, since 1937 a joint stock company. Just as the Wanderer-Werke AG, it was a producer of business machines, but limited to typewriters, and of machine tools, in this case lathes. Apart from this superficial similarity, the differences become clear on closer inspection: First, the Maschinenfabrik Kappel was a far smaller enterprise with just several hundreds of workers during the late 1930s, compared with the 8,000 of the Wanderer-Werke AG. More important, however, was that the quality especially of the typewriters of Kappel was quite poor, being able to compete with more illustrious names on the world market just because of the high demand. The same holds for the production of lathes, which Kappel entered only in 1936, profiting in this way from the armament boom. But the typewriter section stood for the bulk of production even in 1939. The first years of the war made it evident that the Maschinenfabrik Kappel did not possess any idea how to adapt their production profile to probable developments – there is no sign that the management did react to the foreseeable reduction of business machines production, as both of the other firms did. As a result of this lacking strategic ability, the firm from 1943 onwards lost nearly all their traditional products, was constantly in danger of being shut down completely, and found itself finally in the production of tank gears – a production line which had nothing to do with its former production profile.
In sum, all examples show, however in different ways, that the analysis of corporate images and corporate strategies based on such images can reveal important aspects of entrepreneurial behaviour even in an environment of dictatorship and war. As the case of the Wanderer-Werke AG shows, such a corporate image could provide a firm with the necessary thrust to challenge a competitor such IBM by seeking to exploit the opportunities the occupation policy offered. The definition of itself as a business machines producer led a firm such as the Astrawerke AG to the production at the fringes of the holocaust, and finally, the absence of any corporate image and, following this, of a corporate strategy, rendered a firm such as the Maschinenfabrik Kappel a plaything of the different armament authorities.