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**THE STRATEGIC COGNITION VIEW OF ISSUE
SALIENCE AND THE EVOLUTION
OF A POLITICAL ISSUE: LANDIS & GYR, THE
HUNGARIAN UPRISING AND EAST-WEST
TRADE, 1953–1967**

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Abstract

Why do firms facing similar stakeholder issues respond quite differently? The recently introduced strategic cognition view of issue salience and firm responsiveness (hereinafter: issue salience model) seeks to tackle this core question of stakeholder theory. I extend the nascent theorizing with a historical case study in order to rethink the model's firm-centric perspective. The firm under examination in this historical case study is the Swiss multinational Landis & Gyr (LG) during the Cold War period. Like many other Swiss export-oriented companies in the 1950s and early 1960s, LG was challenged by Swiss pressure groups, which were highly effective at putting an issue on the public agenda: the call to break off trade relations with the communist East. The empirically grounded explanation of issue interpretation and response mechanisms derived from this case study offers two key theoretical implications: First, it shifts our focus outwards, toward the social and political context, in which issues evolve and play out over time. This elaboration seeks to understand the role of the social and political surroundings in constituting firm-specific issue interpretation processes and response outcomes. Second, the findings suggest that the issue salience model emphasizes an overly homogenizing conception of the firm. By pointing towards the tensions and ambiguities in a firm's collective sensemaking efforts, I start a critique of the theory in order to push this important stream of research further.

Keywords: Stakeholder Theory; Issue Salience; Historical Research

This study tries to make sense of rather astonishing events and developments in the life course of an organization: It examines the actions of the Swiss multinational Landis & Gyr (LG) and its attempts to make sense of a political instance during the Cold War. In November 1956, the Red Army invaded Hungary in order to suppress the emerging civil movement against Hungary's communist regime. The West was shocked: While civil societies all over displayed solidarity with the Hungarian people, pressure groups in Switzerland called for action and pushed to break off any relation with the communist East. In this socio-politically tense atmosphere, LG made the decision to no longer maintain its relation to customers behind the Iron Curtain and to leave these markets. In contrast, most other firms in Switzerland and in the surrounding countries kept on pursuing their regular business practices.

To provide an initial understanding of the case, we start our examination with Bundy, Shropshire and Buchholtz' (2013) strategic cognition view of issue salience and firm responsiveness (hereinafter: issue salience model). Essentially, the issue salience model tackles one of the core questions of the stakeholder theory literature (Freeman et al. 2010; Sachs and Rühli 2011) and describes firm-specific cognitive processes and underlying motivations to respond to issues, i.e. "gap[s] ... between the actual performance of a corporation and public expectations about what that performance should be" (Post 1978, p. 23). In the issue salience model, a firm's engagement with an issue is determined by the firm-level construct *issue salience*, which is defined as "the degree to which an issue resonates with and is prioritized by management" (Bundy et al. 2013, p. 353). In focusing on cognitive processes within firms, Bundy and his coauthors "enter the black box of managerial decision making" by seeking "to understand how firms act as *interpretation systems* to receive and process stakeholder issues" (Bundy et al. 2013, p. 356, italics added). In doing so Bundy and colleagues (2013) depart from existing theoretical perspectives of the stakeholder theory

literature, as we will see below (cf. Mitchell et al. 1997), and introduce a new research agenda for exploring firms' responsiveness to stakeholder issues.

Equipped with this theory, we are likely to adopt a too hasty conclusion of the case: We are tempted to interpret LG's decision to leave the Eastern markets following public pressure because it resonated with LG's sense of self and its strategic goals (i.e., the interpretation systems, as presented by Bundy et al. 2013). However, this firm-centric explanation overlooks the constitutive role of the external social and political contexts in LG's sensemaking efforts. Indeed, long before LG announced its decision in the aftermath of the Hungarian uprising, conservative and anti-communist advocates entered the public arena and started to create an atmosphere opposed to the involvement of Swiss companies in Eastern trade. The political discourse about West-East trade brought forth by those advocates challenged the "official" Swiss foreign policy, which had been emphasizing Swiss neutrality towards both the Eastern and the Western bloc—which, in reality, was mainly useful to legitimate the exploitation of all possible business opportunities (Tanner 2015). Essentially, I argue that LG's engagement with the issue is best explained if we take into account the constitutive role of these discursive struggles on the macro level, which contributed to the definition of a Swiss national identity after the turmoil of World War II. In this study, I will explore different ways of making sense of this case in order to find a new best explanation with the potential to develop the issue salience model further.

The purpose of this study is to build on and develop the new stream of literature initiated by Bundy and his coauthors (2013) further. The research questions are as follows: How did LG interpret and respond to emerging and evolving campaigns that advocated for stopping trade with the East throughout the 1950s and the early 1960s? Why was LG susceptible to this public issue while most other firms continued pursuing regular business practices? By addressing these questions, I intend to advance the issue salience model by

broadening the model's firm-centric perspective and by also considering the role of deeper political and cultural structures within society. The elaboration will shift our focus outwards, toward the external social and political contexts, so we can understand the mechanisms on an organizational level more accurately.

In the next section, I first explain the underlying assumptions and the general propositions of the issue salience model. Then I consider a recent theoretical extension of the model based on institutional theory literature to finally articulate a critique highlighting the need for further empirical research.

Theoretical Background: The Strategic Cognition View of Issue Salience

Bundy and colleagues (2013) have moved away from the idea that firms or managers give priority to stakeholders with the most affirmative *characteristics* (such as power, legitimacy and urgency), a perspective that was suggested by Mitchell and colleagues' seminal theory of stakeholder salience (1997) and examined further in a considerable stream of subsequent research (Agle et al. 1999; Eesley and Lenox 2004; Magness 2008; Myllykangas et al. 2010; Neville et al. 2011; Parent and Deephouse 2007; Tashman and Raelin 2013). Instead, by drawing on the issue management literature (see Dutton and Jackson 1989; Wartick and Mahon 1994), Bundy and colleagues (2013, p. 535) argue that firms or managers respond to specific *issues*. Defined as mismatches between firm behavior and outside expectations, issues might be raised and be relevant only to a small group of stakeholders close to a firm. Other concerns and requests, as in our case, reach *public issue* status when multiple stakeholders and members of the wider society, with competing values, interests and normative expectations, become interested in it (Bigelow et al. 1993; Clarkson 1995; Nalick et al. 2016). Bundy and colleagues (2013) then set the focus on firm-specific *issue interpretation* processes, taking an organizational perspective, and anchor their theory in the

cognitive perspective of studying organizations (Bundy et al. 2013, p. 369; e.g., Weick 1995; see Sandberg and Tsoukas 2015 for a recent review).

The underlying argument is that the actions of firms in responding to stakeholder/public issues are not responses to objective characteristics of those claims, but are conditioned by the issue interpretation of the managers of the firms. They assume that managers follow simple heuristics and develop the idea further that firms form distinct *interpretation systems*, which shape the ways managers interact with stakeholders (see e.g., Berman et al. 1999; Brickson 2005; Crilly and Sloan 2012; Jones et al. 2007). Their theory is thus helpful for us to explain why firms that face similar stakeholder concerns respond differently: Their response depends on the firm-specific interpretation system.

To sum up, the strategic cognition view of issue salience and responsiveness can be understood as an input-process-output model: It describes the key mediating process by which firms translate external stimuli into action. Figure 6.1 illustrates Bundy and colleagues’ (2013) organizational perspective on *strategic cognition* of *issue salience*, which is intermediating between *stakeholder issues* as inputs and *firm responsiveness* as outputs—I define and discuss these constructs in more detail in the discussion section of this article.

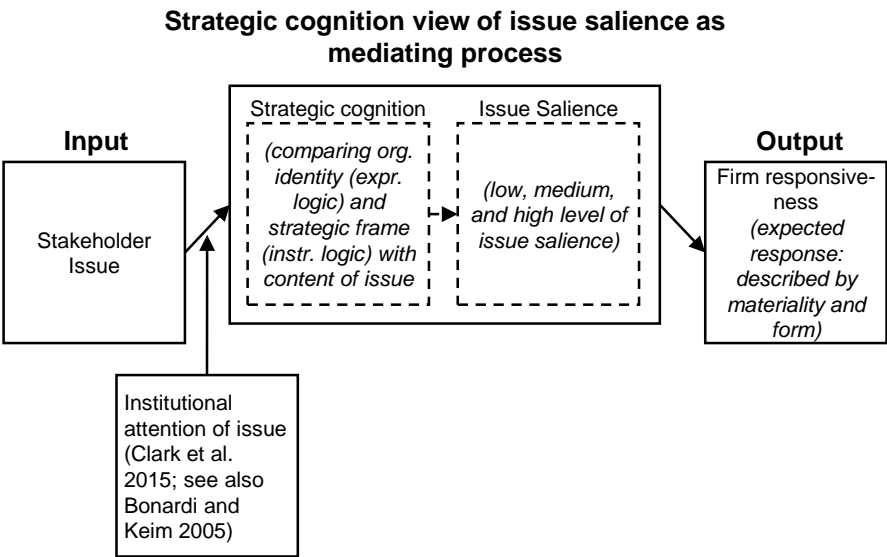


Fig. 6.1 Organizational perspective on processing and responding to stakeholder issues by Bundy et al. 2013 with model extension by Clark et al. 2015 (own representation)

Elaborating the Model: Embeddedness in Socio-Political Contexts

Fundamentally, the issue salience model by Bundy and colleagues (2013) is firm-centric: “Firm managers ... need only look inward and examine the firm’s identity and strategic frame to understand how the firm might respond to an issue” (Bundy et al. 2013, p. 372). While these cognitive processes are arguably not independent of the firm’s social and political environment, this is beyond the interest of the model. Clark and colleagues (2015) have extended the model by considering the interplay between social issues and issues the firm engages with. Basing their arguments in institutional literature, Clark and colleagues (2015) suggest that the firm-level issue salience is determined by the degree of *social issue salience*: namely, that issues that are “salient to society and often reflect current public opinion” (Clark et al. 2015, p. 2) are salient to organizations as well. Their insight is that firms engage with socially contested issues—with a high degree of societal disagreement—on a higher level than with issues that have social consensus. This theoretical extension is a first step to consider how firms process and respond to stakeholder issues “from a more holistic perspective, not just from the firm’s perspective, by acknowledging society as more than a single, monolithic variable” (Clark et al. 2015 p. 27). However, I argue that this holism can be further developed.

The extension by Clark and colleagues (2015) is limited in two regards. First, the notion of social issue salience is not clearly connected to the original issue salience model. In my understanding, Clark and colleagues’ (2015) concept of social issue salience is related to the notion of *institutional attention of an issue* (Bonardi and Keim 2005) that can be understood to *moderate* the firm’s perception of a stakeholder issue. With regard to the issue salience model as represented in Figure 6.1, this consideration of society can, despite Clark and colleagues’ (2015) claim, be reduced to a more or less “single, monolith variable”

affecting the model as an almost independent factor. I argue that a different theoretical perspective than the one proposed has the potential to develop the issue salience model in a more holistic manner further.

Second, while Clark and colleagues' (2015) extension of the issue salience model gives a greater role to social context, institutional literature tends to emphasize homogenizing institutional pressure, which prevents us from understanding the agency of individual firms. Institutional theory's master concept, isomorphism, suggests that firms that share the same environment converge to similar forms to ensure legitimacy and correspond with the societal expectations (DiMaggio and Powell 1983). In this regard, the extension of the issue salience model explains only the *response of an entire population of firms* to certain societal issue types. But how can we explain *response variance in a population of firms* to the same public issue?

These problems of the issue salience model and of its extension—i.e. the lack of fine-grained knowledge about the embeddedness of firms in their social and political surroundings—form the central research interest of this article.

What is an Appropriate Research Strategy to Elaborate the Model?

To advance our understanding of the mechanisms that drive firms' actions in response to stakeholder issues, Bundy and colleagues (2013, p. 371) suggest that the model would “benefit from case study or other qualitative research design, which may motivate further inductive theory building.” I accept this invitation to empirically *elaborate* the model through a case study to pursue this important stream of research further.

In my research strategy, I am guided by ideas introduced by Alvesson and Kärreman (2007) who ask scholars to systematically explore a theory's weakness and problems concerning the phenomena it is supposed to explicate. In this attempt, the role of the empirical

case, that is, a striking and idiosyncratic empirical example, is to provoke scholars to *challenge* and *rethink* the initial theory (see also Ketokivi and Choi 2014). This is in sharp contrast to the inductive case study strategy (see e.g. Eisenhardt 1989; Eisenhardt et al. 2016), which suggests that *new* theories or concepts have to emerge from data, where “the” case becomes an instance of the theory. Alvesson and Kärreman (2007), in contrast, advise scholars to compare and confront the initial theory by studying a single case in greater detail. In this process, if scholars encounter a phenomenon not understandable by prior theory, this research strategy directs scholars to extend the explanatory scheme of the initial theory in order to find a new best explanation for the encountered phenomenon.

The Case Study

In this section, I first present my research setting, the Swiss company Landis & Gyr (LG), which I have studied in the historical periods of the 1950s and 1960s. I then explain why studying specific aspects of the company’s life course contribute to the advancements of our understanding of the mechanisms that drive firms’ actions in response to stakeholder issues. Finally, I explicate the methods applied to analyze and interpret historical evidence in order to elaborate the issue salience model.

Research Setting

The firm under examination in this study is LG, a multinational manufacturer, headquartered in Zug, Switzerland. Founded as a small factory for electricity measuring meters in 1896, LG’s manufacturing program expanded from domestic meters for measuring electricity and temperature to the most complex recording instruments (e.g., for nucleonic measuring). Quite typical for a Swiss multinational manufacturer, almost 70% of the items produced in Switzerland were exported, 78% of which going to countries in Western Europe and 22%

being distributed in Asia, Australia, America and Africa (numbers from 1963; LG archive: radio show transcript 1964). The family-owned enterprise also set up or acquired manufacturing subsidiary companies in Switzerland and abroad (e.g., Germany, France, England, the Netherlands, Austria, Italy), resulting in considerable market shares. For instance, in 1949, LG held 13% of total market production in the worldwide electric meter business (LG archive: company magazine 1949).

During the research period, an export-oriented Swiss company like LG was affected by specific constraints of the regulatory, political and economic environment of Switzerland and the *Machtpolitik* of the Great Powers of the Cold War. After World War II, when the development of the world markets was shaped by the growing antagonism between the East and the West, Switzerland had a considerable presence and participated to a great extent in the transnational economic structures of the West (Tanner 2015). The “official” Swiss foreign policy, however, insisted on the long-standing principle of neutrality, aiming at displaying Switzerland as an attractive commercial partner to both blocs. As a result, Swiss foreign trade policy worked towards normalizing the relations with communist countries and refrained from *formally* participating in the emergent international and European institutions (e.g., the European Economic Community, EEC, established in 1957). However, the particularities of the East-West trade, such as state-monopoly on foreign trade in the East, state-directed payment operations on both sides and the malfunctioning COCOM embargo of the East by the West (Ammann 2016), made operating on the Eastern markets very difficult for Swiss companies.

In the examined period, Switzerland experienced an “era of the economic miracle” (Tanner 1999). In LG’s case, its products met the exploding demands of the construction industry, which was booming, backed by the Marshall Plan, in its efforts to rebuild Europe destroyed in war. The markets behind the Iron Curtain, however, lost dramatically in

importance after World War II. Table 6.A in the appendix enumerates some of the key characteristics of LG and Switzerland during the examined period.

Object of Study

The object of investigation is LG's approach to dealing with a public issue. During the research period, pressure groups campaigned to break off all Swiss relations to the communist East, attacking the official Swiss foreign trade policy that was based on the long-standing principle of neutrality.¹ I understand these campaigns (the so-called *Osthandelskampagnen: East-Trade-Campaigns*) as an attempt by conservative pressure groups to bring an issue (i.e., to stop Eastern trade) to the political arena for export-oriented Swiss companies. These campaigns reached their peak and gained broad institutional support in 1956 (oppression of the Hungarian uprising by the Red Army) and in 1961/62 (building of the Berlin Wall) and they undermined the strategic objectives of export-oriented companies to develop new markets abroad.

By choosing to study LG's approach to engaging with this public issue, I follow the suggestion of Bundy and colleagues (2013, p. 372) that "empirical research could ... follow ... the evolution of issue salience as an issue changes". This case provides particularly rich insights into the complex interplay between a firm's interpretation of an issue and the political and cultural context and constraints of the social environment over an extensive period, which is difficult to capture otherwise (see Bundy et al. 2013, p. 371).

¹ In LG's perspective, the following countries belonged to the Eastern bloc, as a list compiled in 1967 shows: Republic of Albania, Romania, Bulgaria, Soviet Union, Republic of China, Czechoslovakia, East Germany, Hungary, Poland, Cuba, North Korea, North Vietnam, Mongolia. Interestingly, communist Yugoslavia was not included in the list (Report, 30 June 1967).

Research Methods

My analytical procedure involved two steps: I first conducted a hermeneutical analysis in order to develop a historical understanding of LG's issue interpretations and responses over time (see Kipping and Lamberg 2016 on basic historical research methods). Secondly, I attempted to refine the issue salience model.

Hermeneutical analysis and empirical material. The hermeneutical analysis followed the example of others (e.g., Khaire and Wadhvani 2010) and drew on the interpretation of two types of empirical material: *Focal* empirical material and *contextual* material (see Table 6.1 for an overview of the material used).

Tab. 6.1 Overview of empirical material used

| Type | Empirical material Years produced | Intended audience | Prospects and limits; relation to core concepts | Source |
|--------------------------|---|---|--|--|
| Focal empirical material | Minutes of BoD, correspondence letters of BoD, minutes of board of employee representatives 1950-1967 | Company or private material intended for a very restricted audience | Grasping motives and arguments of focal actors; reconstruction of unfolding events | Archival records of the L&G archive (AfZ) |
| Focal empirical material | Internal guidelines, internal reports, copies of speeches 1950-1967 | Company material intended for internal use | Grasping the firm's interpretation systems; reconstruction of unfolding events | Archival records of the L&G archive (AfZ) |
| Focal empirical material | Annual reports, company magazine articles, commercials, copies of speeches 1949-1967 | Company material intended for external use | Grasping the firm's interpretation systems; reconstruction of unfolding events | Archival records of the L&G archive (AfZ) |
| Contextual material | Pamphlets by pro and con Eastern trade advocates (14 printings from 1944-1962, e.g. by Röpke, Förster, and Weber); Swiss newspaper articles (altogether 165 articles, from 1952-1967) | Material targeting the public at large or special interest audience | Contextualization of the focal texts; reconstruction of institutional attention to issues and the unfolding events | Collections of the Swiss Social Archives |
| Contextual material | Texts of the Swiss Federation of Commerce and Industry (Vorort); Official diplomatic texts; | Intended for a restricted audience | Contextualization of the focal texts; reconstruction of institutional attention to issues and the unfolding events | Archival records of the Vorort (AfZ); Dodis.ch |

| | | | | |
|---------------------|---|--|---|---------|
| | 1948-1967 | | | |
| Contextual material | Analytical accounts of historians (e.g. Tanner 1999; Tréfás 2008) | Historical research intended mainly for academic audiences | Contextualization of the empirical instance in an historical period; reconstruction of unfolding events | Library |

More specifically, I built a database with *focal* empirical material related to LG’s approach to Eastern trade. I collected this set of records in the company archive of LG, which is preserved in the public repository of the Archives of Contemporary History (AfZ) in Zurich (see appendix). The LG company archive contains records (including written documents, images, artifacts, etc.) from 1896 to 1996 and its volume amounts to 240 shelf meters. Most instructive for the research questions were sources which capture outcomes of issue interpretation processes of LG managers, such as board meeting protocols and memos, correspondence between members of the top management team and others, transcripts of speeches and strategic planning documents. While this material does not reveal the deeper cognitive processes of the actors, it is adequate for analyzing the rationale and arguments used by the different actors in specific situations. I also consulted other focal empirical material, such as internal reports, annual reports and company magazines, in order to triangulate the initial evidence with new material.

To provide a way to contextualize LG-specific developments, I complemented the *focal* with *contextual* material, which has helped me understand the specific historico-cultural context in which the events unfolded, “much as an archeologist judges an artifact by where it lies in the sediment” (Lipartito 2014, p. 288). This second set of material contains pamphlets of pro- and anti-Eastern trade advocates (e.g., Wilhelm Röpke, anti, and Emil Arnold, pro) and newspaper articles from the relevant period. I consulted them through publicly accessible collections in the Swiss Social Archives in Zurich. This material has helped me make sense of the circulating truth generating discourses and track the evolution of public opinion towards Eastern trade (see Hansen 2012, p. 696, on discourses/narratives).

This material was complemented with records of the Schweizerische Handels- und Industrie-Verein (the Swiss Federation of commerce and industry, called Vorort), preserved in the AfZ in Zurich. Vorort was one of the two key players—besides the Division of Commerce in the Federal Department of Economic Affairs—involved in the design of the Swiss foreign economic policy in the 1950s and 1960s (see Ammann 2016). These sources represent not only the official angle of Swiss foreign policy but also give insight into the background of the policy processes otherwise hidden from the public. Finally, secondary literature by other historians about the examined period (e.g. Ammann 2016; Halbeisen et al. 2012; Kecskemeti 1961; Lohm 2000; Meyer 1999; Tanner 1999; 2015; Tréfás 2008) provided an understanding of the larger developments on the macro level of analysis.

In the process of hermeneutical analysis, my understanding of LG's engagement with the public issue became increasingly more comprehensive: By first “zooming in” to decipher LG's sensemaking processes and actions and then “zooming out” to see the larger context and the antecedents and consequences over a longer period of time (Wadhvani and Bucheli 2014). As a result of this analysis, I have written a historical narrative that represents my understanding of LG's approach to deal with the East-Trade-Campaigns throughout the 1950s and 1960s. I did not seek to represent the only “truth” about what happened but this narrative is instead, based on Gaddis' (2002) understanding of the work of historians as making sense of the world by telling stories, my temporally situated attempt to make sense of the distant past.

Theoretical elaboration: Search for a new best explanation. To achieve an elaboration of the strategic cognition view of issue salience, I follow prominent examples of historical case studies (Danneels 2010; Lamberg and Pajunen 2010) that have demonstrated how an in-depth understanding of empirical instances in the past can be used to elaborate theory (see also Stutz and Sachs *forthcoming*). These examples guide me to interpret the

historical narrative within the prior theoretical framework, in my case Bundy and colleagues’ (2013) issue salience model, and search for deviations or anomalies that cannot be explained within this framework. In this abductive mode of analysis, the initial explanatory schemes of the theory are expanded through a search process for a new best explanation that is also able to include those anomalies (Alvesson and Kärreman 2007; for abduction, see: Mantere and Ketokivi 2013). The interplay between the issue interpretation of LG and the social and political developments surrounding it forms the core of my theory elaboration, which I will further explore in the discussion section.

Historical Narrative: Landis & Gyr and the East-Trade-Campaigns

In this section, I first present my historical narrative of LG’s approach to engaging with the public calls for stopping Eastern trade throughout the 1950s and 1960s. Figure 6.2 provides a timeline of the unfolding events on the organizational, national and international level of analysis. I then interpret this narrative regarding the expectations of the issue salience model to develop the theory further.

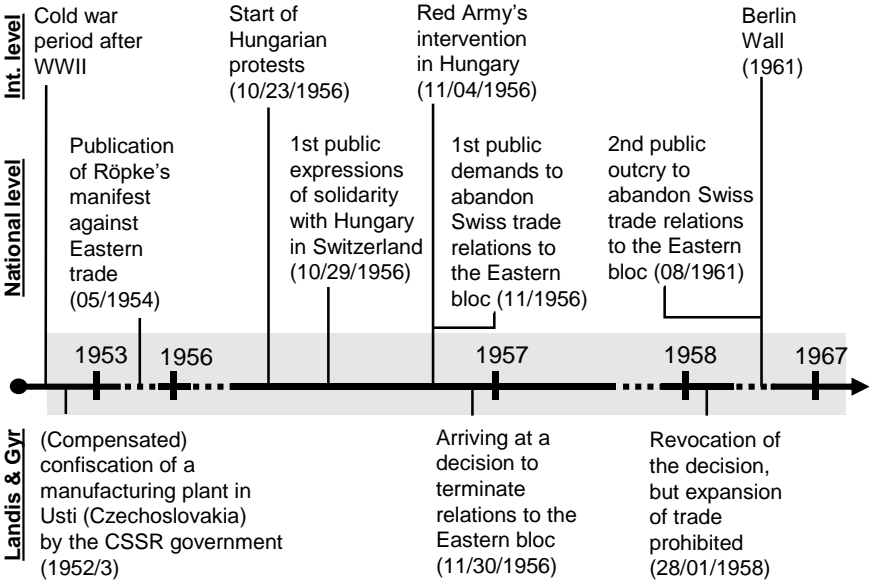


Fig. 6.2 Timeline of unfolding events on organizational, national and international level

1. Emergence of the issue in the early 1950s. While the early 1950s were marked by more or less successful efforts by representatives of the federal state and of “corporate Switzerland” to establish the Swiss export industry as an attractive commercial partner for both blocs, the question of West-East trade entered the public arena as a disputed political and moral issue (see also Fritzsche and Lohm 2006; Lohm 2000; Meyer 1999; Tréfás 2008). On the one hand, leftists, such as Emil Arnold, member of the National Council, coined a political discourse on the East-West trade being a “policy of peace” that secures a peaceful coexistence of the rival systems of the West and the East (e.g., Arnold 1953). On the other hand, conservatives and anti-communists fought against trading with the East, led by the German economist Wilhelm Röpke who was later called the leading “theorist” of the East-Trade-Campaigns by a leftist newspaper (*Vorwärts*, January 26th 1962; see Solchany 2010 on Röpke’s life and work in Switzerland). In May 1954, Röpke published an article titled “Der Handel mit dem roten Imperium” (Trade with the Red Empire) in the right wing Swiss journal *Schweizer Monatshefte*. By depicting Soviet Communism as a clear and imminent danger undermining Western values and beliefs, Röpke provided a political argument that communist regimes considered “trade with the deadly enemy” as a means for the consolidation and expansions of their power.² Mainly based on an anti-communist attitude, Röpke’s advocacy for stopping Eastern trade aimed at sensitizing Western business people for the “political role of trade” and at adjusting business interests with the defence of the “free” Western world. He suggested that companies should voluntarily discontinue trade but, by emphasizing his libertarian position, spoke out against the defamation of companies that continued trading with the East. Although not receiving much resonance in the mid-1950s, the political discourse about Eastern trade was ready to circulate within the broader Swiss public and meeting rooms of Swiss export companies.

² All quotes are translated by the author.

2. The Hungarian Uprising in 1956: Breakout of the issue. On November 30th 1956, Prof. Dr. Werner Niederer, president of LG, and the two remaining members of the management board, Dr. Andreas C. Brunner-Gyr and Gottfried Straub-Gyr, decided to stop preparing new offers for existing and potential customers behind the Iron Curtain. Only eight days later, when the board of directories (BoD) held its regular meeting, the management board confronted LG's BoD with this *fait accompli*. Niederer waited to reveal this decision until the end of the meeting, amongst other "miscellanea", as the minutes of the meeting indicate (BoD minute, December 8, 1956). The other directors welcomed the decision. In response to a question that asked whether LG could do even more, Niederer and Brunner-Gyr expressed their view that LG should neither directly nor indirectly be proactive to prevent other Swiss companies to trade with the East. If nothing else, the BoD supported the proposition to communicate the decision in the next issue of the company magazine. A short notice without any explanations was then published (LG company magazine, issue 1, 1957).

What had happened?

Change of scenery: Hungary, October 23rd, 1956. Students and workers took the streets of Budapest. A march, organized by student organizations, turned into a largely spontaneous uprising against what was viewed as a vicious Communist regime (see for the following Kecskemeti 1961 and Lendvai 2010). The regime, backed by Stalin's Red Army, had absorbed the Hungarian Republic by the end of 1947, paralleling developments in other Eastern European countries, such as East Germany, Poland, Bulgaria and Rumania.

After the revolt broke out, the Soviet Politburo took a calculated risk to regain Hungary. In the morning of November 4th, when the West was preoccupied with the Suez Crisis, the Politburo sent new military formations to Hungary in order to crush the revolt. The unequal battle continued only for a couple of days, until all public opposition was suppressed and the Soviets could install a new government. With this the thaw period, which had begun

with the passing of Stalin and had peaked in 1955 with a summit of the Great Powers in Geneva, came to an abrupt end.

The West was shocked: Concerns that these crises affect political stability between the blocs arose everywhere. In Switzerland, the initial euphoria after the first news of the people's uprising turned into fear of war (Tréfás 2008). The commentator of the *Neue Zürcher Zeitung* (November 5th, 1956) identified the real villain in the East who had removed his mask to "show his grimace of violence": "The methods of the Politburo reveal the unvarnished truth at once. Now we can clearly see the web of lies about the 'peaceful coexistence', in which the relenting and naïve world public believed." The Swiss people, the commentator goes on, did not fall for the lies and empty promises of the communists, since the unforgotten experience of Nazi Germany had guided the Swiss to resist the "calling of any Sirens".

Rallies and other public efforts to support the people of Hungary were organized. New organizations, such as *Studentische Direkthilfe Schweiz-Ungarn* (student direct aid Switzerland-Hungary), which were led by a new spirit to help the "brother nation", sprung up everywhere and launched passionate donation and fundraising projects for Hungary (Tréfás 2008). On November 1st, as many as 10'000 protesters in Zurich applauded a read resolution calling for concrete actions *against* countries under communist control:

We call upon the Swiss people to draw the necessary conclusions from this new appalling crime that has revealed the illusion and lie of the 'peaceful coexistence': We have to break-off contacts and relationships to the communist East immediately, such as through cancelling sporting events, travel and trade. By contrast, we must double our efforts to strengthen our purpose of national defense [original: geistige, wirtschaftliche und militärische Landesverteidigung]. Vigilance is therefore called for!" (speech documented in *Volksrecht*, November 2nd, 1956, cited in Tréfás 2008, p. 210)

In response to such calls, the libertarian party *Landesring der Unabhängigen* (alliance of the independents) provoked a debate in the National Council, with which it aimed at terminating any relation to the Soviet Union (Meyer 1999). Press campaigns asked individual

entrepreneurs and companies the “question of conscience” (Neue Zürcher Zeitung, December 14th, 1956) to relinquishing Eastern trade.

Due to these public rallies and press campaigns (see, e.g., various letters to the editor in the Neue Zürcher Zeitung on December 1st, 1956), the Swiss Federal Council was pushed to answer calls for breaking off relations with Eastern Europe. It addressed these concerns in an attempt to calm the situation by making it easier for Hungarians to apply for asylum (Tréfás 2008). However, the Swiss Federal Council, also took up the stance that a termination of relations with Eastern European countries would not serve Swiss interests (Meyer 1999).

At a point when public opinion, fostered by conservative and anti-communist commentators such as Röpke, was set against any kind of relations with Eastern Europe, the management board of LG made its decision to stop preparing new offers for existing and potential customers behind the Iron Curtain. As a result of the press campaigns, this issue was discussed in other companies, too. A circulation letter issued by Vorort on December 17th and widely circulated among its members after being approved by both the minister of the Department of Public Economy and the Department of Political Affaires (Vorort archive, correspondence letters December 1956), indicates that firms asked for guidance on how to react to these public campaigns and the developments in the East. In a general statement that reached the management board of LG after its decision (LG archive, 1956), Vorort emphasized the difference between the attitude of individual companies and of the official Swiss foreign policy. While pointing out that any official interruption of relations would contradict the principle of neutrality, Vorort encouraged each company to “solve the problem as it feels to be appropriate and right”. Vorort stated that, “even before the recent events in Hungary, it knows of many firms that declared to make no business with states under communist control because of fundamental concerns”. However, Vorort also countered the argument raised by Röpke, i.e., that “East-West trade strengthens the potential of the East”.

The portion of Swiss trade with Eastern countries was considered vanishingly small (see appendix, Table 6.A), as the report states. As a result, most Swiss firms kept on doing their regular business with the East (see Lohm 2000; Meyer 1999), while only few companies, such as LG, suspended their relations drawing on the political discourse circulating since the mid-1950s.

3. *Internal discussions in LG (1957/58): Conflicting issue interpretations.* In the aftermath of the proclamation of LG's resolution to stop Eastern trade, the BoD's resolution provoked considerable discussions in the LG headquarter in Zug. In particular, Nikolay von Kotschubey, the director of the sales department, strongly opposed withdrawing from the Eastern markets. On January 8th, 1957, he sent an internal message to president Niederer in which he weighed all arguments for and against the decision. Although emphasizing his hopes for the liberation of the people behind the Iron Curtain, he points out that, "by pinching off our relations with the hitherto loyal customers in the East, we serve the people behind the Iron Curtain neither politically nor morally". On April 25th, 1957, he repeats that „individual engineers who are still with us from pre-communist times have contacted us and requested the reasons for which they are left in the lurch”.

In addition, Kotschubey (January 8th 1957) argued that the BoD's resolution could harm the future development of the company. Although LG had established a market in Eastern countries only for a limited number of products, a withdrawal from these markets could potentially have negative effects: „When our customers switch to using the devices of our competitors, the delivery of our products might become impossible from there on.” Kotschubey warned Niederer that it meant to „give up a large market, which might be in the future of the utmost importance for LG”.

Niederer gave these warnings by one of his most valued top managers special consideration. In the next meeting of the BoD, in May 1957, he brought Kotschubey's

arguments up. The heated discussion that followed indicates that the BoD was not united on this matter anymore. In particular, Dr. Charles Barrelet-Siegfried argued for supplying LG's existing customers. In his words, to engage with its former customers is a "moral responsibility" of LG. Nevertheless, the trade prohibition was not abandoned, but Niederer agreed to return to the issue in one of the next meetings. In January 1958, more than half a year later, the issue was discussed again.

In preparation for the meeting, the president and his top management team met for an informal debate at the end of the year in order to obtain the different views on the matter, as the protocol of the follow-up BoD meeting indicates. This follow-up BoD meeting took place at a time when the wave of solidarity with Hungarians had almost entirely ebbed away and the embargo of the Eastern countries had been loosened again under the stewardship of the United States and the UK (Meyer 1999), so the advocates of a break-off fought a losing battle. Dr. Arnold Muggli, who had also been the director of the section "food rationalization of the federal nutrition office" during World War II, tried in vain to bring forth the political discourse, which Röpke had published again in February and May of 1957. In Muggli's words:

Any product that LG supplies to the East permits the Soviets to use their scarce resources for the production of war material. A short-termed profit-oriented view [that other Western companies might hold] stands in contrast with the long-term goals of the Soviets... Even if it might be senseless [because other companies continue doing business], we have to relinquish Eastern trade (BoD minute, January 28th 1958)

The majority of the members of the BoD, however, voted for the annulment of the resolution. The main reason, as advocated by Niederer, was that „all other companies in Switzerland and the countries around Switzerland are trading with the East”. In addition, he remarked that he had expected a „certain resonance in Switzerland [...], but the decision had not received any attention at all.” However, Niederer clearly stated that „it is not the intention

to actually promote business with communist countries.” Only former customers should be served again.

4. *The construction of the Berlin Wall in 1961: The flaring up of the issue.* In August 1961, more than three years later, the East-Trade-Campaign got revitalized in Switzerland when construction workers had begun to install wire entanglements and fences that later became the Berlin Wall. And this second wave of campaigning, highly debated in the press in December 1961 and January 1962 (almost 50 articles in the *contextual* database), now focussed entirely on trade. In particular, conservative parties and pressure groups called on the public to boycott products and goods from Eastern Europe. In addition, “corporate Switzerland” was attacked: People were requested to publish blacklists of companies doing business with the communists. Moreover, some companies had to deal with opposition from their own employees: For instance, 250 academic employees confronted the top management of CIBA Basel with a petition to terminate its relations to the East (see Fritzsche and Lohm 2006). In this climate, the Federal Council found itself again forced to repeat its position and to speak out against the systematic use of intimidation and defamation (Meyer 1999).

The directorate of LG was also challenged to address critical questions raised by its employees. In a regular meeting with the labor representatives in October 1961, Straub-Gyr defended the revocation of their resolution that allowed serving long-standing customers in the East. He quieted the employees by restating that LG does not seek to build new relationships or accept considerably large orders from the East. “Although the directorate would be willing to break off these weak relations with the remaining customers”, Straub-Gyr continued, “the marginal volume of Eastern trade—under 0.5% of the orders received—gives no incentives to do so” (minutes of meeting with labor representatives, October 17th, 1961). This period resulted in a small and temporally limited decline in the quantity of Swiss trade

with the East; this is interesting, since the Swiss were the only ones to diminish the Eastern trade volume (Meyer 1999).

5. The disappearance of the issue in the mid-1960s. From the mid-1960s on, the large-scale political tensions began to ease again. In Switzerland, the East-Trade-Campaigns lost their ground (Fritzsche and Lohm 2006). Although state officials treated the issue in the early 1960s with reserve, the federal bodies and Vorort wanted to expand Swiss business with Eastern Europe. The first official Swiss industrial fair in Moscow in 1966 was for instance an enormous statement (Meyer 1999).

LG did not participate in this upswing of Eastern trade (see appendix, Table 6.A). In 1964, an internal report by Paul Lusser, director of LG's newly formed marketing department, suggests that LG should seek to stimulate trade with the East: On the one hand, LG should follow the "international trend" to operate in the East, on the other hand, Lusser saw an enormous market potential, as Kotschubey had foreseen in 1957 (Report January 3rd 1964). Yet changes were only made three years later. In 1967, an internal report confirms that LG's participation in Eastern trade was below average compared to other Swiss export companies (see appendix, Table 6.A). However, while the BoD was willing to make some adjustments in its strategy, it concluded: "We wish to limit Eastern trade along existing volumes" (LG guidelines Eastern trade, March 23rd 1967).

Discussion

In this section, I explain and discuss the empirical phenomena as presented in the historical narrative in relation to the core concepts of the issue salience model. For the observations that the model cannot explain, I seek to give plausible theoretical interpretations. The discussion of my findings is organized according to the core concepts *strategic cognition of issue salience* and *firm responsiveness* introduced by the issue salience model. Then I explore a

different way of making sense of this case. Table 6.2 indicates these core concepts in conjunction with the empirical phenomena.

Tab. 6.2 Core concepts in conjunction with the empirical phenomena

| Core concepts | Key references | Analytical level | Empirical phenomena |
|--|--|--|--|
| Strategic cognition of issue salience <i>and</i> Firm Responsiveness | Bundy et al. 2013 | Organizational (meso) level; processual dynamics | <ul style="list-style-type: none"> - 1956: In the aftermath of the Hungarian uprising, the directorate perceived the issue as reinforcing its desirable sense of self and as not related to its strategic objectives. The issue, thus, received moderate salience and presented an expressive opportunity. As a result, LG engaged with the demands of the issue in a symbolic and accommodative way. - 1957-8: Internal stakeholders, such as the sales director, perceived the East-Trade issue quite differently. As a result, the directorate engaged with the internal stakeholders and relaxed its initial resolution. - 1961: After the issue was put on the public agenda again (Berlin Wall), labor representatives confronted the directorate with the issue again. The directorate confirmed the relaxed resolution. - 1964-7: Internal stakeholders, namely the new sales director, demanded to tackle more effectively Eastern markets; the demands are only partially met: Not forcing the markets was still perceived as opportune by the directorate, although the directorate remarked that LG missed market opportunities. |
| Negotiation of institutional order | Symbolic interactionist model of issue evolution (Lamertz et al. 2003) | macro level; processual dynamics | <ul style="list-style-type: none"> - 1954: Political agitators started creating an atmosphere against Eastern trade (e.g., Röpke). In contrast, the official interpretation pattern was focused on economic prosperity and exploitation of opportunities. - 1956: Pressure groups were successful to set public opinion against any kind of relations with communist Eastern countries; official positions, such as of the federal government and of trade associations, however, were reserved against these demands. - 1957-1960: Eventual flickering up of the East-Trade-Campaigns - 1961: After incident with the Berlin Wall, Switzerland experienced the second wave of the East-Trade-Campaigns. In response, the officials worked effectively against the atmosphere of defamation. - 1963 – the end of the 1960s: Disappearance of the issue. In contrast, official declaration of intent to reinforce presence in the Eastern markets. |

Theoretical Interpretation within the Issue Salience Model

Strategic cognition of issue salience. In the issue salience model, Bundy and colleagues (2013) first consider how managerial perception is organized cognitively. To conceptualize an

organizational perspective on managerial issue interpretation processes, they suggest analyzing the *cognitive structures* (or interpretation systems) of an organization, constituted by *organizational identity* and the organization's *strategic frame*. Both interpretation systems, which describe the crucial lenses used by managers to interpret the world, work simultaneously but distinctly: Organizational identity facilitates issue interpretation using an *expressive* logic, which pursues the aim of displaying and maintaining a positive self-image (Bundy et al. 2013, p. 357). Managers can hence perceive an issue as conflicting with (i.e. materially challenging or threatening), consistent with (i.e. materially confirming or reinforcing) or completely unrelated to organizational identity, which determines salience due to a motivation grounded in an expressive logic. The strategic frame, in contrast, leads to salience by invoking a motivation grounded in an *instrumental* logic, which can be described as the rational pursuit and achievement of the firm's performance objectives (Bundy et al. 2013, p. 357).

To interpret the first resolution of LG to prohibit trade with the East, I suggest that the issue salience model provides us with an initial understanding: The directorate of LG perceived the issue as consistent with its desired identity. In contrast, in relation to the strategic frame, the directorate interpreted the issue as unrelated. Indeed, LG failed to work the Eastern markets effectively after its outpost in the East (plants in East Germany and Czechoslovakia) were confiscated during the waves of nationalization of foreign assets by the communist authorities.

Bundy and colleagues (2013) further conceptualize issue salience as the perceptual outcome of the cognition process (p. 363). They suggest that the managerial perception of expressive and/or instrumental importance (i.e., whether the issue resonates with the expressive and/or instrumental logic of the firm's interpretation systems) guides the managerial prioritization of a stakeholder issue (i.e. high, moderate, or low level of issue

salience). In this sense, the East-Trade-Campaigns resonate only with LG's expressive logic. As a result, the model suggests that the issue received expressive but not instrumental salience by the directorate of LG. Therefore, I argue that the issue had moderate salience for the company and was perceived as an expressive opportunity to reinforce the company's desirable identity.

Firm responsiveness. Bundy and colleagues (2013) finally connect the perceptual outcome of issue interpretation to firm actions in the form of the construct of *firm responsiveness*. This is defined as the “degree to which a firm is willing to provide a thoughtful response to stakeholder concerns and commit to continued work on the issue” (Bundy et al. 2013, p. 352). To relate the perception of issues to actual behavior, Bundy and colleagues (2013) use the level of issue salience (high, medium, low) in order to discuss a firm's expected response. They consider both the materiality of the response (ranging from *symbolic* to *substantive*) and the general form of the response (ranging from *defensive* to *accommodative*).

By taking into account the moderate level of salience of the East-Trade issue as perceived by LG's directorate, the issue salience model expects a *symbolic accommodative* response of LG. The materiality of this response is *accommodative*, since LG engaged with the issue. The engagement then took the form of a *symbolic* response, where organizations “may seek to signal compliance with external demands, while, in reality, continuing in their own incumbent self-interest” (Bundy et al. 2013, p. 364). In this respect, I interpret LG's resolution as a form of symbolic management. Niederer's statement that he was disappointed to receive no public resonance for the resolution is informative. It is fair to conclude that the directorate hoped to reinforce a desirable public image of the company but failed to do so effectively.

To sum up, the case study demonstrates that the issue salience model introduced by Bundy and colleagues (2013) has considerable predictive power. In particular, by understanding the strategic cognition view of issue salience and responsiveness as a firm-level input-process-output model, it allows to understand the directorate's processing of the external issue and its response in the aftermath of the outbreak of the Hungarian uprising. However, my historical narrative reveals that there is a gap in the existing issue salience model. Specifically, the model does not give us guidance on how the directorate's issue interpretation and response is affected by the constraints of the socio-political environment, as my historical narrative above has highlighted. In addition, the model does not cover the subsequent internal discussion on the issue in conjunction with its evolution over time, which led to an alteration of the resolution.

Theoretical Interpretation beyond the Issue Salience Model

To develop a more fine-grained macro-level and dynamic understanding of the case, I suggest considering an issue life cycle model on the macro-level to complement the firm-level issue salience model. While earlier literature has discussed linear issue life cycles, in which issues gain importance over time (Wartick and Mahon 1994; e.g., Sethi 1979), more recent approaches inform a more contingent conceptualization by emphasizing the controversial nature of issues in political arenas. In what follows, I rely on the issue evolution model by Lamertz and colleagues (2003), while arguably also other theories would prove useful (e.g., Fligstein and McAdam 2011).

Negotiated institutional order. The issue evolution model by Lamertz and colleagues (2003) basically puts emphasis on the complex institutional environments in which actors strategically formulate and propagate issues. In such complex institutional environments, social actors are prevalingly guided by a pervasive interpretation framework (i.e. the

institutional order) to make sense of events, drawing on the shared norms and rules of a society. The birth of a social issue is marked when an established institutional order fails to account for the causes and consequences of new events. After an issue is set free, its evolution resembles “an ongoing sense-giving battle in which actors seek to restore the order by imposing their unique solution preferences on the situation” (Lamertz et al. 2003, p. 82). In this model, “issue evolution is ... less a natural process of fluctuating public attention” (Lamertz et al. 2003, p. 84), as conceptualizations based on institutional theory literature suggest (see Clark et al. 2015; Bonardi and Keim 2005). Rather, based on the social constructionist stance (Berger and Luckmann 1966), the meaning of an issue is continuously being framed and reframed by the involved actors across time. As the next section shows, this issue evolution model assists us to discuss and explain the case and enhances our initial understanding.

The issue evolution model directs us to interpret the political discourse by Wilhelm Röpke and the advocates of the East-Trade-Campaigns as an (un)successful intervention into the dominant institutional order by presenting an *alternative* interpretation framework. The dominant interpretive frame of Switzerland came into being in the 1930s in response to the threat posed by Nazi Germany: The nation’s identity was constituted by a defensive hedgehog mentality reflected in the long-standing principle of neutrality (see also similar historiographic interpretations of the period by Tanner 1999; 2015).

The growing antagonism between the East and the West in the post-war period then exerted external *pressure* on the dominant interpretive framework, causing mental tension for the Swiss: While formally independent from blocs and alliances, the Swiss people deeply identified with the West, as Switzerland was regarded as the prototypical nation of the “free world”, firmly demarked against the communist ideology. This partly led to a *structural failure* of the institutional order in which a “fundamental misalignment between the existing

social arrangements and the interests and needs of actors” (Lamertz et al. 2003, p. 84) occurred. Unaware that the top-secret Hotz-Linder agreement of 1951, in which Switzerland agreed to comply with the Western economic blockade of Eastern countries, had already undermined the Swiss policy of neutrality before, advocates of the East-Trade-Campaigns presented a solution that relieved this mental tension: The pressure groups forged a more pronounced national identity, portraying Switzerland “more westerly than the West” (Meyer 1999). However, although the pressure groups were highly effective at putting the issue on the public agenda in 1956 and 1961/62, they failed to alter and redesign the institutional order accordingly. The Federal Council and the Vorort were the main predominant actors who restrained the East-Trade-Campaigns.

Theoretical Elaboration of the Issue Salience Model for Future Research

Conceptually, this explanation of the case is significantly different from the perspectives that Bundy and colleagues (2013) and Clark and colleagues (2015) offer. In particular, it portrays the firms’ processing of and responding to issues as embedded in their socio-political surroundings, as a context factor that is mutually interacting and interdependent with the other factors of the model. In this perspective, the different discourses (interpretation frameworks), which are competing to govern the institutional order, are generating and justifying the firm-specific cognition processes and response outcomes. The difference in conceptualizing the institutional context is represented in Figure 6.3.

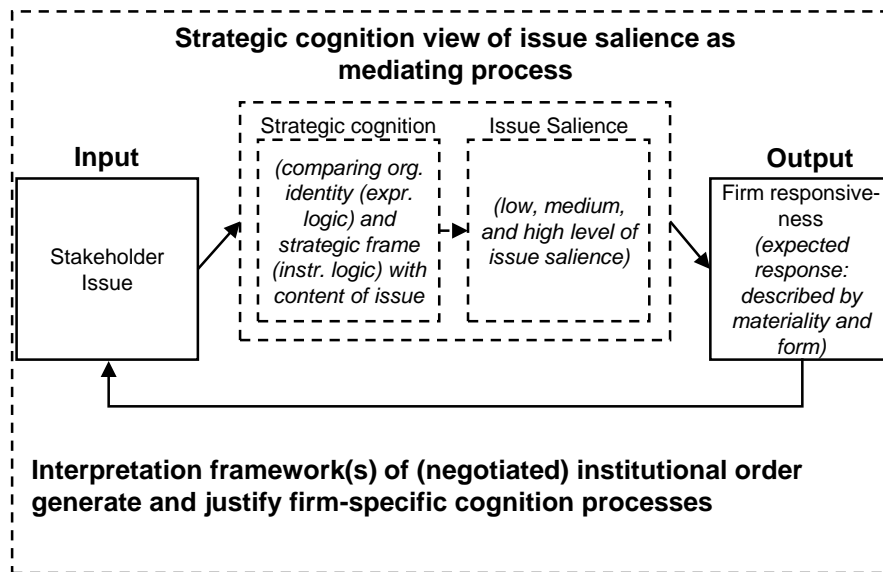


Fig. 6.3 Theoretical elaboration of Bundy et al. 2013

In the previous Figure 6.1, which illustrates Clark and colleagues' extension of the issue salience model, the political and cultural context is represented by the box *institutional attention* whose arrows point to the connecting arrow between *stakeholder issue* and *strategic cognition of issue salience*. In Figure 6.3, which represents the theoretical elaboration of this study from a social constructionist perspective, the context forms the ground of the entire figure. This representation demonstrates the role of the political and cultural context as a constitutive element within the mechanisms that drive firms' actions in response to stakeholder issues. Then the figure incorporates also possible feedback loops. In our case, Swiss companies found different solutions to the problem by drawing on the respective discourses circulating in the society that enabled the firm-specific sensemaking processes. Indeed, the LG's directorate initially drew on the political discourse introduced by Wilhelm Röpke to make sense of the developments in Hungary.

As a result, the ontology of the model has been shifted to consider the local and historically situated processes on both the organizational and macro-level of analysis. Future research is invited to build on this elaboration. For instance, a fruitful avenue might be to explore and understand the conditions, which trigger either the firm- or macro-level sensemaking resources that direct managerial interpretation processes.

In addition, I argue that the issue salience model's understanding of interpretation systems as fixed "containers" (Kuhn 2008) is obstructive. Rather, interpretation systems should be seen as "fragile constructs subject to temporal and contextual events" (Beaulieu and Pasquero 2002, p. 103). Our case study reveals multiple contradictory interpretations of the issue which circulated within the focal firm. In contrast to the directorate, internal stakeholders perceived the emergent issue quite differently. For Kotschubey, the director of the sales department, the demands of the East-Trade-Campaigns were conflicting with both the organizational identity and the strategic objectives: To abandon existing customers behind the Iron Curtain, was in Kotschubey's eyes conflicting with the desirable image as a trusted company fostering long-term business relations. A withdrawal from the markets was in his opinion conflicting with the strategic objectives, since considerable business opportunities were expected in the East. In the subsequent negotiation processes that led to the relaxation of the resolution in 1958, Kotschubey and other internal stakeholders, such as the labor representatives, engaged with the directorate to define the appropriate meaning of the issue; a process that adjusted the firm's response to the issue.

The initial issue salience model leaves these internal developments unexplained. Bundy and colleagues (2013) suggest a conception of the firm that leads to homogenized sensemaking processes within the firm. In Figure 6.1, the straight lines of the box entailing the mediating process (strategic cognition of issue salience) represent this conception of the firm. In contrast, Figure 6.3 entails the box with dashed lines, indicating that collective sensemaking processes are fluid and polyvocal; interpretation systems are thus subject to change. In this vein and anticipating this flaw, Bundy and colleagues (2013, p. 370) suggest that future research might explore "when issue characteristics such as institutional attention or stakeholder salience are more likely to challenge or impel change in strategic frames and organizational identity".

Managerial implications. This elaboration of the issue salience model has also managerial implications. In the initial issue salience model, Bundy and colleagues (2013, p. 372) suggest that “firm managers ... need only look inward and examine the firm’s identity and strategic frame to understand how the firm might respond to an issue”. Essentially, the model exempts managers of any responsibilities, if they follow the logics of their firm’s interpretation systems. In contrast, by recognizing the fluid and polyvocal characteristics of firms, my elaboration suggests that managers, deeply embedded in changing environments, are continuously encouraged to solve value-laden issues through interaction with internal and external stakeholders. In this sense, this article also entails a critique of the ethical implications of the model, which a subsequent stream of research might explore further.

Limitations

This study has limitations that should be considered. First, the historical research approach has some general limitations (Maclean et al. 2015; Rowlinson et al. 2014). For instance, historical research relies on a collection of empirical material from the past that might be framed through survivor bias. Nonetheless, this study has found creative ways to capture strategic cognition, interpretation and sensemaking processes in organizations, although Bundy and colleagues (2013, p. 371) have acknowledged that their theory, specifically the construct of issue salience, is challenging to apply empirically. This study has dealt with these challenges by critically assessing the limits and benefits of the incomplete records of a company archive in order to illuminate the firm-level processes of engaging with stakeholder issues.

Second, this study has sought to find a new best explanation to understand our case more comprehensively. To elaborate the issue salience model, I have mainly drawn on ideas of the issue evolution model by Lamertz and colleagues (2003), while arguably other

theoretical approaches might also be helpful, e.g., the sensemaking perspective (Sandberg and Tsoukas 2015), the competing institutional logics (Reay and Hinings 2009) or the strategic action fields theory (Fligstein and McAdam 2011). By incorporating the issue evolution model to complement the issue salience model, I have shifted the ontological basis of the model towards a social constructionist perspective. This decision has far reaching consequences, as it presents challenges for theory testing from a scientific realist view of studying organizations.

Third and finally, I have asked at the outset the research questions: How did LG interpret and respond to the issue? And why was LG susceptible to the issue while most other firms continued pursuing their regular business practices? While this study has clarified the “how” (LG’s sensemaking draws on the broader societal discourses), it is limited in fully exploring the reasons behind LG’s decision (the “why”). The historical narrative and theoretical interpretation presented in this study emphasize LG’s motivation to reinforce a desirable image in public, while not focusing on personal motives of involved actors or power struggles in the BoD that might also have influenced the decision-making process.

Conclusion

The purpose of this study was to elaborate the strategic cognition view of issue salience and firm responsiveness by confronting it with an empirical case study. In doing so I propose that this study has pushed this stream of research further in many ways.

First, this study has examined in great detail how the Swiss multinational LG engaged with a public issue, namely, the evolving campaigns for stopping trade with the East. This examination is important considering that the issue salience model is rather theoretical in nature, grounded by only anecdotic evidence. This study has explicated the key concepts of the model and demonstrated its remarkable predictive power. To the best of my knowledge,

this is the first study that provides initial empirical support for the model proposed by Bundy and colleagues (2013).

Second, this study has used a striking and rather idiosyncratic case to elaborate on the issue salience model. In particular, I have emphasized the historical embeddedness of the focal company, as has been called for in the course of the “historic turn” in management and organization studies (e.g., Kipping and Üsdiken 2014; Vaara and Lamberg 2015). In doing so this study has revealed an important gap in the theoretical discussion of the issue salience literature: I have argued that in addition to the firm-centric explanation of issue salience, we must incorporate a macro-level perspective to reach a more comprehensive understanding of the mechanisms that drive firms’ actions in response to stakeholder issues.

Third, I have started a critique in order to challenge the issue salience model. I have pointed towards the tensions and ambiguities in firms’ collective sensemaking efforts that the model conceals and have criticized the ethical assumptions inherent in the model. Future research is invited to follow this path to pursue this important stream further.

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Appendix

Tab. 6.A Characteristics of Landis & Gyr and Swiss economy during the period of study

| Characteristics | pre-period | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 |
|--|---|-----------------------|--------------------|--------------------|--------------------|-------------|------------|--------------------|--------------|--------------|------------|--------------|---------------------|--------------|
| # of employees in Zug*/† | - | 3856 | 4100 | Ca. 4600 | Ca. 4600 | Ca. 4600 | 5132 | 5402 | 5472 | 5637 | 5769 | 5713 | 5605 | 5235 |
| # of employees in subsidiary companies* | - | 3900 | Ca. 4300 | Ca. 4700 | Ca. 4500 | Ca. 4700 | 5438 | 5962 | 6279 | 6180 | 6891 | 7855 | 7842 | 7130 |
| Annual sales (“Fakturaausgang”) in million Swiss francs* ¹ | - | n.d.a / ca. 132 | 72 / ca. 155 | 75 / ca. 160 | 76 / ca. 170 | 82 / 180 | 93 /201 | 103/ 224 | 117 / 247 | 132 / 266 | 145 293 | 163 / 329 | 175 / 359 | 174 / 369 |
| % of annual sales to foreign countries (numbers of LG Zug)**** | - | Ca. 60 | Ca. 60 | n.d.a. | n.d.a. | 65 | 63 | 61.5 | 62.4 | 69.1 | 69 | n.d.a. | 70 | 70 |
| % of annual sales to the Eastern bloc** | - | n.d.a | n.d.a. | n.d.a. | n.d.a. | 0.36 | 0.38 | 0.35 | 0.26 | 0.23 | n.d.a. | n.d.a. | n.d.a. | n.d.a. |
| GPD per capita growth of Switzerland†† | 1939-1945: -0.52 1945-1950: 5.62 | 1950-1960: 4.47 | | | | | | 1960-1973: 4.42 | | | | | 1973:-1980: 0.43 | |
| % of Swiss trade to Eastern bloc†† | 1940s: 8.0 | 3.11 | 2.96 | 2.69 | 2.78 | 2.82 | 2.72 | 2.73 | 2.28 | 2.27 | 2.21 | 2.19 | 2.93 | 2.9 |
| % of LG exports in relation to total Swiss exports (specific class of goods)*** | - | n.d.a | n.d.a. | n.d.a. | n.d.a. | n.d.a. | n.d.a | 2.4 | 2.1 | 2.2 | 2.4 | 2.6 | 2.4 | n.d.a. |
| % of LG export in relation to total Swiss exports to the Eastern bloc (specific class of goods)*** | - | n.d.a | n.d.a. | n.d.a. | n.d.a. | n.d.a. | n.d.a | 0.27 | 0.23 | 0.18 | 0.26 | 0.25 | 0.12 | n.d.a. |

Archival records of the Landis & Gyr archive: * LG Annual Report 1955-1967; **LG Report Lusser, January 3rd 1964; ***LG Report June 30th 1967; ****Radio show transcript 1964.
 Secondary Literature: †Lussi (1986): Landis & Gyr (1896-1980): Eine Unternehmensgeschichte; ††Wirtschaftsgeschichte der Schweiz im 20. Jahrhundert (eds.: Halbeisen, Müller, Veyrassat).
¹ First number = sales of LG Zug; second number = numbers consolidated with worldwide subsidiaries. From 1964 onwards, only consolidated numbers published.
 n.d.a.= no data available
 Imprecise numbers (marked by “ca.”) are extracted from charts.

Archival and database references.

The Archives of Contemporary History (AfZ) at the ETH Zurich, Switzerland

(<http://onlinearchives.ethz.ch/>):

The archive of Landis & Gyr, collections from 1896-1996

The archive of Schweizerische Handels- und Industrie-Verein („Vorort“), collections from 1870-2003

NESTRO documentation on Eastern trade

The Swiss Social Archives in Zurich, Switzerland

(<http://www.sachdokumentation.ch/>):

Collection on Hungarian Uprising, 1956-1959

Collection on Foreign Economic Policy: Eastern Trade, 1952-1966
Base de données des élites suisses au XXe siècle. University of Lausanne, Switzerland
(<http://www2.unil.ch/elitessuisses/>)
Diplomatic Documents of Switzerland 1848-1989
(www.dodis.ch):
Collection on East-West-Trade (dodis.ch/T293)