Country-of-origin effects on managers’ environmental scanning behaviours – evidence from the political crisis in the Eurozone

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Abstract

Using original survey data, we investigate how British, French and Swedish managers scanned their political environments during the crisis in the Eurozone. We expose instances when country of origin has a significant effect on scanning practices: British managers claimed to possess the most developed political scanning capabilities, making the most frequent use of government information sources. British and Swedish managers used business associations as intelligence sources more frequently than their French counterparts. We also found that exposure to the Euro crisis significantly affected scanning behaviours: irrespective of country of origin, managers strongly exposed to the crisis considered it strategically important to scan political events during the crisis, developed formal scanning routines, and reported frequent use of both governments and business associations as sources of political information. Combined, our findings contribute to county-specific research into executives’ environmental scanning practices by suggesting a universal mind-set of environmental scanning during times of crisis.

Introduction

Environmental scanning refers to how managers acquire information about events in their organizations’ external environments, and use that information to plan future courses of action (Aguilar, 1967). It provides systematic mechanisms for developing business strategy (e.g. Danneels, 2008), and is particularly important for international managers who need to collect information on their overseas markets and adapt business operations to local contexts (e.g. Johanson and Vahlne, 1977; Petersen et al, 2008).
Research into environment scanning emphasises how managers gather economic information about their immediate market environments. Less is known about how executives acquire political information about their more remote regulatory environments (e.g. Frynas and Mellahi, 2003). In fact, mainstream scanning research (e.g. Brush, 1992; Daft et al, 1988; Smeltzer et al, 1988) concludes that, because political environments change less rapidly than their market environments, managers consider it less strategically important to scan them. We recognise, however, that firms’ competitive advantages depend increasingly on their ability to manage dynamic non-market forces (e.g. Baron, 1995). Scanning policy developments is thus important under normal conditions (e.g. Oliver and Holzinger, 2008), and can become critical under conditions of crisis (e.g. Barron et al, 2012).

Against this background, we investigate how managers scanned political developments in the Eurozone during the European sovereign debt crisis. This focus is important given the political uncertainty that surrounded the crisis’ resolution. In Brussels, the European Commission proposed policy solutions that destabilised the single currency project (e.g. OECD, 2012a). In individual Member States, the crisis triggered important power shifts. In Greece, for example, it undermined the historically dominant New Democracy and PASOK parties who struggled to implement the reforms requested by the International Monetary Fund (IMF) and the European Union (EU) (Bergsten and Kirkegaard, 2012). The crisis also contributed to the emergence of new populist parties (such as Syriza) which attracted voters disaffected with austerity measures. In our view, such developments suggest that political environments are more dynamic and strategically important than mainstream studies suggest.

Such fluid, uncertain political developments raise a number of interesting research questions for academics, policymakers and practitioners. What importance did managers attach to scanning political developments in the Eurozone? What sources of information did they use to track such developments? And how developed were their scanning routines? We answer these
questions from a cross-country perspective focusing on managers in France, Sweden and the UK.

Our cross-national, comparative perspective is a key contribution of our research. Mainstream scanning literature is dominated by U.S.-based studies. Despite notable exceptions (e.g. Elenkov, 1997; Ghoshal, 1988; May et al, 2000; Sawyerr et al, 2000; Stewart et al, 2008), few scholars have addressed how managers’ scanning behaviours vary across countries. These rare cross-country studies, motivated by a common concern that North American theories on organisations and their environments do not necessarily apply to other country contexts, focus primarily on the scanning practices of managers in developing or transition economies. Their results are inconsistent: some suggest the emergence of a universal scanning mind-set; others expose cross-country differences in scanning practices. Thus, in common with other research sitting at the interface between the economy, society and the environment, including articles published in this journal (e.g. Kern, 2011; Kluvánková-Oravská et al, 2013; Moran, 1992: Perkins, 2004; Shaw, 2009; Wollmann, 2000), there exists a debate surrounding the convergence or divergence of practice.

We contribute to the convergence versus divergence debate in prior country-specific studies of environmental scanning by elucidating similarities and differences in the political scanning activities of managers from France, Sweden and the UK. We chose these countries knowing that the problems of applying theories developed in the United States to other country contexts are relevant not only to developing and transition economies but also other developed, Western countries (e.g. Boddewyn and Brewer, 1994). For the purposes of our study, we also judge our focal countries to be sufficiently dissimilar in terms of integration in the EU, cultural predispositions and institutional heritages. As developed below, we consider our three countries to present interesting country contexts for investigating potential
differences in the importance attached to political scanning, the formality of scanning routines, and the types of sources used to acquire political information.

Our paper begins with a review of existing research on environmental scanning. We respond to concerns raised against extant work by developing hypotheses for examining the extent to which managers’ political scanning patterns during the Euro crisis are impacted by country-specific, environmental variables. We test our hypotheses using original data collected from a sample of 440 managers in our three focal countries in 2012. We round off by discussing our key findings in relation to existing cross-country research, and suggest potential avenues for future enquiry.

**Prior research**

A firm’s external environment relates to physical and social factors lying beyond its boundaries that influence managerial decision-making (e.g. Duncan, 1972). It comprises different categories (e.g. Daft et al, 1988; Dill, 1958; Duncan, 1972), including technological, competitor, market, supply, political and social/cultural sectors. The external environment can be a major source of uncertainty (e.g. Duncan, 1972). Managers who ignore or misinterpret changes in their environments may fail to make necessary changes to their organization’s strategies (e.g. Pfeffer and Salancik, 1978). Mismatches between environment and strategy can lead to performance deficits (e.g. Weick, 1987).

A rich literature has emerged addressing environmental scanning, understood as the means by which managers gain information about events outside their firms to guide their strategic actions (Aguilar, 1967). Although a complex process involving considerable time and effort (e.g. Hambrick, 1982), scanning has been positively related to overall firm performance (e.g. Daft et al, 1988: Garg et al, 2003; McGee and Sawyerr, 2003). Scanning is particularly important for internationally-active managers who need to develop learning capabilities, adapt
their business operations to local contexts, and overcome the liability of foreignness (e.g. Johanson and Vahlne, 1977; Zaheer, 1995)

We raise a number of concerns against the mainstream scanning literature. For example, it emphasises how managers scan economic developments in their immediate market environments (e.g. Julien and Ramangalahy, 2003; Souchon and Durden, 2002). Fewer studies investigate how they acquire political intelligence, understood as knowledge of policy developments in their non-market environments (e.g. Dahan, 2005). Scholars (e.g. Brush, 1992; Daft et al, 1988; Smeltzer et al, 1988) typically consider political environments to be more stable and thus less strategically important to firms. This viewpoint, however, overlooks how firms’ competitive advantages are as much contingent on their ability to manage non-market forces as on their capacity to respond to market conditions (Baron, 1995). Particularly during times of crisis, firms’ political/regulatory environments are subject to constant change (e.g. Barron et al, 2012), requiring dynamic monitoring efforts (e.g. Oliver and Holzinger, 2008).

Moreover, as mentioned above, the mainstream literature focuses narrowly on the United States context. Driven by concerns that theoretical explanations of environmental scanning provided by North American scholars are less helpful in exposing the specificities of scanning behaviours in other national contexts, scholars have recently begun investigating the scanning patterns of executives in developing and transitional economies (e.g. Elenkov, 1997; Ghoshal, 1988; May et al, 2000; Sawyerr et al, 2000; Stewart et al, 2008). These studies, however, point to contradictory results.

Some suggest convergence in managers’ scanning behaviours. Ghoshal (1988) finds scanning practices of South Korean and U.S. managers to be broadly similar: they devote similar amounts of time to monitoring primarily their market and technology environments; their
usage of internal and external information sources is comparable; and they possess comparably sophisticated scanning routines that emphasise active monitoring. Stewart et al (2008) find commonalities in environmental scanning in the USA and India: entrepreneurs in both countries consider the customer, competitor and technology sectors to be the most strategically uncertain ones to monitor; they scan more often when they perceive high rates of environmental change; and they scan more frequently when they have high access to information.

Other studies emphasise cross-country differences in scanning practices. Elenkov (1997) finds that Bulgarian executives most frequently scan their political/legal sectors using external and personal sources of environmental information whilst their U.S. counterparts attach the greatest importance to scanning the customer sectors of their external environments using external, internal and impersonal information sources. Sawayerr et al (2000) find that Nigerian executives most frequently monitor economic and political/legal environments using both personal and impersonal internal sources of information whilst their US counterparts most often scan market environments using personal sources both inside and outside their organisations. Contrary to U.S.-based research, May et al (2000) find that perceived uncertainty, complexity and rate of change in external environments do not necessarily prompt Russian executives to scan more frequently.

In our view, the convergence versus divergence tension in this nascent cross-country research warrants more high-context research (Child, 2000) that is sensitive towards nations as analytically significant contexts and gives fuller consideration to uncovering cross-country similarities and differences in managers’ environmental scanning behaviours. Mindful that North American theories on organisations and their environments may not apply only to transition and developing economies but also to other, more established systems of Western
capitalism (e.g. Boddewyn and Brewer, 1994), we focus our attention specifically on the political scanning activities of managers from France, Sweden and the UK.

We consider our focal countries to be sufficiently different for the purposes of our study: they allow us to analyse how managers’ scanning behaviours during the Euro crisis were affected by country-specific variables, including levels of involvement in the European project, institutional traditions, cultural preferences, and export orientations. As developed below, our choice of countries enables us to investigate the scanning patterns of managers from countries both within (France) and outside (Sweden, UK) the Eurozone; from countries whose business-government relations are characterised as statist (France), corporatist (Sweden) and pluralist (UK) (e.g. Eising, 2003); from countries marked by relatively high (France) and comparatively low (Sweden, UK) levels of uncertainty avoidance (e.g. Hofstede, 2001); from large domestic (France, UK) and smaller export-orientated markets (Sweden) (IMF, 2012); and from countries exhibiting primarily European (France, Sweden) and more globalised (UK) trade links (ibid).

Development of hypotheses

Importance attached to political scanning

Managers may increase the frequency of their environmental scanning when confronting higher levels of uncertainty in their external environment (e.g. Auster and Choo, 1993; Elenkov, 1997; McGee and Sawyerr, 2003; Sawyerr, 1993). However, uncertainty alone does not lead automatically to increased scanning activities. Instead, Daft et al (1988) theorise that managers train their scanning efforts on the specific sectors of their environments which they consider to be strategically important. Strategic importance is itself related to dependency: the greater their firms are dependent on a particular sector for attaining organizational goals, the
more immediate and strategically important the sector becomes, and the more likely managers are to invest time and effort in monitoring its development (*ibid*).

Political environments are generally considered to be remote sectors of low strategic importance for managers, who instead focus on scanning developments in their more immediate market environments (e.g. Brush, 1992; Smeltzer et al., 1988). Barron et al (2012) contest this view, arguing that – during crisis periods – political environments can become more immediate and strategically important for managers because their firms’ well-being can increasingly depend on policymakers initiatives. We echo this perspective in arguing that the political environments of in particular Portugal, Ireland, Greece and Spain became more strategically important for managers during the Euro crisis. Policy interventions were particularly intense in these countries as national governments came under increased pressure from the EU and the IMF to implement deep reforms aimed at restoring public finances, enhancing competitiveness, and laying the foundations for long-term growth prospects (e.g. OECD, 2012a). For some observers, the outcome of the Euro crisis was primarily being played out in these “PIGS” countries (Dinan, 2011).

We acknowledge, however, possible variations in the dependence of France, Sweden and the UK on the PIGS countries, and thus potential differences in the strategic importance that managers in each country attached to scanning political developments in those countries. Dependence differences, we contend, are linked to Eurozone membership. As a member of the Eurozone, France is more deeply embedded in the processes of European integration (e.g. Guyomarch et al, 1998). Its economy is highly interconnected with and dependent on the economies of the Euro area, and French firms are vulnerable – both directly and indirectly – to the political difficulties afflicting the Eurozone (e.g. OECD, 2013).
France’s dependence on Portugal, Ireland, Greece and Spain extends beyond simple trade dependence to a deeper financial and political dependence (e.g. Clift, 2012; Hodson, 2012). French banks, for example, were highly vulnerable to problems in Greece. As Crédit Agricole and Société Générale held majority shares in Emporiki and Geniki Bank respectively (Alcidi et al, 2012), the French banking system was exposed to contagion from developments in Greece (Kotios et al, 2011). Given that any knock-on effects of that contagion could potentially impact negatively on firms’ sources of finance, it is plausible that French managers considered it more strategically important than their British and Swedish counterparts to scan political developments in Greece.

Assuming that the political environments of Portugal, Ireland, Greece and Spain may have become more immediate for firms during the crisis, but assuming that Eurozone membership leads to a greater dependence on the PIGS economies, we first hypothesized that:

**H1: French managers attach more importance than their British and Swedish counterparts to scanning the political environments of the PIGS countries**

**Routines for scanning external environments**

When monitoring their external environments, managers develop scanning routines that vary in operational detail. Aguilar (1967) differentiates between managers who engage in undirected viewing (exposing themselves to information without specific purpose), conditioned viewing (exposing themselves to information without actively searching), informal searching (undertaking unstructured efforts to obtain specific information), and formal searching (engaging in deliberate efforts to obtain specific information following predetermined routines). Fahey et al (1981) identify managers who conduct irregular scanning (unsystematic monitoring in response to specific crisis-initiated, short-term problems), periodic scanning (issue-orientated monitoring in response to near-term, selected events), and
continuous scanning (long-term, proactive, problem-avoiding- or opportunity-seeking-based monitoring of broad environmental systems).

Others suggest that the formality of managers’ scanning routines can vary across countries, reflecting national cultural preferences. Schneider (1989) and Schneider and De Meyer (1991) distinguish between controlling and adapting models of strategizing. The controlling model is a top-down process based on directed and intended strategic planning and analytical techniques. Managers develop environmental scanning capabilities that are active, focused and systematic. This model is used widely by managers from European Latin cultures (such as France) where organizations are hierarchically structured and where managers seek to avoid uncertainty. The adopting model of strategic-decision making is a bottom-up process based on informal procedures and intuition. Managers establish environmental scanning routines that are passive, broadly focused, and haphazard. Schneider and De Meyer (1991) suggest this model is widely used in Nordic and Anglo cultures (such as Sweden and the UK) where organizations are characterised by low levels of hierarchy and managers consider uncertainty to be a given.

When faced with conditions of uncertainty, individuals tend to retreat to culturally prescribed scripts and respond to ambiguity as per historically embedded cultural preferences (e.g. Leung et al, 2005). We thus expected that the political instability surrounding the Euro crisis would amplify the impact of British, French and Swedish national culture on managers’ perceptions of uncertainty, and reinforce their respective use of controlling or adapting models.

Assuming that managers can use routines for scanning external environments that vary in sophistication, and assuming that the preferred use of such routines can vary from one country context to another reflecting national cultural preferences, we next hypothesized that:
**H2:** French managers use more formal scanning routines compared to their British and Swedish counterparts.

**Sources of intelligence**

Managers can use several sources of information when scanning their environments (Choudhury and Sampler, 1997; Walters and Priem, 1999). Internal sources include memos, management information systems, and direct contacts with other employees in their organizations. External sources cover trade publications, direct contacts with customers and suppliers, and attendance at industry-related meetings. When specifically gathering political intelligence, managers can use internal organizational sources (such as political action committees) whose employees track political developments in particular jurisdictions (e.g. Hillman and Hitt, 1999). External sources of political intelligence include business associations – voluntary associations of firms organized by profession, sector, region or nation (e.g. Bennett, 2000). Associations provide information services, which help managers acquire fresh flows of industry-specific ideas and learn from others’ experiences (e.g. Simpson et al, 2004). External sources of political intelligence can also include governments and their agencies – useful insofar as their information services are commonly made available for free and adopt an international dimension that considers developments beyond firms’ national borders (e.g. Bell, 1995; Seringhaus and Rosson, 1990).

We argue there may be variations in the frequency with which British, French and Swedish managers use government agencies and business associations as sources of political intelligence. In making this argument, we draw on scholars (e.g. Eising, 2003; Schmidt, 2003) who identify cross-country differences in patterns of business-government, arguing that some countries are more statist, pluralist, or corporatist than others.
Business-government relations in France have historically followed the statist tradition, meaning that governments have traditionally played a major role in economic management, such as through formal economic planning (e.g. Cohen, 1992). Despite recent market-orientated reforms (e.g. Clift, 2008), France is still considered a system of state-enhanced capitalism where public servants maintain an active role in economic affairs (e.g. Schmidt, 2003). This active role is visible in governmental measures that help firms gather political intelligence: the 1994 Martre Report (Commissariat général du plan, 1994) was instrumental in creating public bodies (such as the Haut Responsable à l’Intelligence Economique) aimed at helping French firms acquire intelligence (Moinet, 2010)

Assuming that France is a more statist country compared to Sweden and the UK, and assuming that firms operating in statist countries are likely to perceive the state as an important provider of intelligence, we further hypothesized that:

**H3: French managers acquire political intelligence from governmental sources more frequently than their British and Swedish counterparts.**

Business-government relations in Sweden and the UK are respectively described as corporatist and pluralist (e.g. Eising, 2003; Schmidt, 2003). A key feature differentiating such systems from statist systems is the institutionalized role played by business associations. In corporatist Sweden, national-level associations representing employer and industry-specific interests are actively consulted by officials during policy formulation processes. In the pluralist UK, a large number of business groups, representing interests of specific firms or industries and offering specialized information services to their members, compete for the attention of policymakers. As business associations in corporatist and pluralist systems are more active in policymaking, they can have more frequent and enduring relationships with
policymakers, and can enjoy greater access to policy-specific information, which they can subsequently distribute amongst their members.

Assuming that business associations play a more legitimate role in corporatist Sweden and the pluralist UK compared to statist France, and assuming that firms operating in corporatist and pluralist countries are likely to consider business associations to be important providers of political intelligence, we further hypothesized that:

*H4: British and Swedish managers acquire political intelligence from business associations more frequently than their French counterparts.*

**Control variables**

Our research aimed at identifying unique cross-country effects on managers’ scanning pattern. We therefore also considered control variables that, alongside country of origin, might affect managers' scanning patterns. Described below, these control variables were included to avoid charges of scholarly myopia.

*Firm size* Managers of smaller firms tend to attach less strategic importance to environmental scanning, establish more informal scanning systems, and focus their scanning activities on their immediate business environments (Liao et al., 2008). Small-business managers may rely on internal sources of information, either because they do not possess routines for acquiring information externally, or because they are reluctant to accept advice from outsiders (e.g. Lang et al., 1997).

*Industry membership* Managers’ environmental scanning practices can vary across industries. Hambrick (1982) found managers of insurance firms scanned their regulatory environments more frequently than their counterparts in higher education and hospital sectors. Xu et al. (2003) found managers working for food, chemicals and transportation firms monitored the
more remote legislative and socio-cultural sectors of their business environments more frequently than their counterparts in the computing and electronics sectors.

**Exposure to crisis** Environmental scanning behaviours can be influenced by the extent to which managers’ firms are exposed to crises. As demonstrated by Barron et al (2012), managers can scan their political environments more frequently during crises because their firms become increasingly dependent on acquiring information on political responses to crisis situations. Irrespective of country of origin, managers who consider their firms to be strongly exposed to the Euro crisis may thus increase the frequency of their political monitoring because they may consider their firms’ survival to be dependent on policymakers’ decisions.

**Dependence on Eurozone for export sales** Managers’ scanning behaviours have been explained by dependency on export markets. Lim et al (1996) found that active exporters scan changes in global business conditions more frequently compared to low-involvement exporters or non-exporters. Bennett (2005) observed that managers working for firms depending heavily on export revenues develop extensive crisis management plans involving frequent monitoring in their export markets.

**Methodology**

**Sample and data collection**

We analysed our hypotheses using data from an on-line survey of managers from France, Sweden and the UK identified using databases maintained by business schools in the three countries. We distributed our survey via e-mail to a total of 3,393 managers – 1,409 in France, 745 in Sweden and 1,239 in the UK. Our first mailing took place in April 2012, followed by a reminder two weeks later and a final reminder at the beginning of May. We received 169 responses from the first mailing, 110 responses from the second, and 161 responses from the third. We received a total of 440 responses, an overall response rate of 13%. Table 1 describes
the resulting sample. We assessed potential non-response bias by comparing the first response wave with third wave in each country. We found no statistical significant differences between these response waves on the constructs reported in Table 2.

(Table 1)

As shown in Table 1, our sample includes managers whose scanning behaviours might differ on the basis of their country of origin and geographical distance to the Euro crisis. In line with OECD definitions (OECD, 2012b), it also includes managers working for micro (<10 employees), small (10–49 employees), and medium-sized enterprises (50–249 employees) in different sectors (the third sector labelled ‘other’ includes managers working in agriculture, forestry, fishing, mining and public services). Overall, we consider our respondents are relatively active exporters to the Eurozone. Thus, we considered our sample appropriate for testing the effects of our dependent and control variables on scanning patterns.

Dependent variables

Our study includes four variables inspired by previous studies into environmental scanning and adapted to fit the context of the present study. Our measurement of the importance attached to scanning the political environment draws on Jennings and Lumpkin (1992) by capturing on a five-point Likert scale (1=not important; 5=very important) the threat perceived by respondents of the Euro crisis to the markets in Portugal, Ireland, Greece and Spain. Thus, the threat underlies how important they thought it was to monitor developments in these countries. Our measurement of the formality of managers’ routines for scanning their political environment draws on Raymond et al (2001) and is based on four survey questions asking managers to assess on a five-point Likert scale (1=completely disagree; 5=completely agree) how they rated their firms’ capabilities to monitor political responses to the crisis. Following McKee et al (1989) who examined managers’ scanning frequency, we use two
variables to measure how frequently (on a five-point Likert scale, 1=never; 5=frequently) managers respectively used governments and business associations as sources of political information.

Control variables

Our four control variables capture firms’ exposure to the Euro crisis, industry sector, size, and dependency on the Eurozone as an export market. The variable measuring firms’ exposure to the Euro crisis was constructed from five survey questions asking respondents to comment (using a five-point Likert scale, where 1 = completely disagree and 5 = completely agree) on five statements regarding the impact of crisis on their sales, capacity to export, capacity to raise finance, relationships with customers and suppliers, and their firm’s growth. We measured firms’ dependency on the Eurozone as an export market by asking respondents to indicate which proportion of their total sales was derived from operations with customers based in the Eurozone.

Assessment of measurement properties of multiple-item constructs

We assessed the reliability, convergent and discriminant validities of multiple-item constructs by examining individual factor loadings in the full confirmatory factor analysis (CFA) model (reported in Table 2) and the values of average extracted variance (AVE). Overall, the fit of the five-factor CFA measurement model is very good: SRMR = .049; ChiSq/df = 2.53, RMSEA=0.059; CFI=0.94. In general, the higher the factor loading, the greater the explanatory power of the indicator for a given construct. Hair et al (2010) suggest that a factor load should exceed 0.7. Fornell and Larcker (1981) argue that the AVE should exceed or be in the proximity of 0.5. The latter condition is met for all constructs, whilst some items exhibit loadings of less than 7. However, values of .5 have been suggested as acceptable (Hair et al, 2010) in the exploratory setting, which is the context of this study.
(Table 2)

All constructs show good internal consistency (ranging from .71 for use of government sources to .89 for the importance of political scanning, as measured by Cronbach alpha). To assess discriminant validity of the proposed constructs, we compared the AVE of each construct and the squared correlations among the constructs. Table 3 reports the results of this analysis.

(Table 3)

The AVE by far exceeds any squared correlation. The proposed measures thus exhibit sufficient discriminant validity. Finally, we ruled out the possibility of common method bias (Podsakoff et al, 2003) by conducting a Harman one-factor test. This test indicated that the one-factor model exhibits exceptionally poor fit: ChiSq(156)=2290, p=.00; RMSEA=.18. SRMR=.15.

Results

We tested our hypotheses using the multivariate analysis of covariance (MANCOVA). This first allowed us to test the equality of country-of-origin effects on the four dependent variables (importance of political scanning, formality of scanning routines, use of government sources, and use of business sources) adjusted for the control factors. It also enabled us to account for the interrelationship among the four aspects of environmental scanning behaviour covered by our study.

First, we ensured that the assumption of multivariate normality across groups was met: none of the observations’ Mahalanobis distances $D^2$ exceeded 18.47, the critical value of chi-square distribution with 4 degrees of freedom at p<.001; 90% of observations have Mahalanobis distances of less than 7.7. Inspection of the $D^2$ plotted versus quintiles of chi-square
distribution also ensured absence of high leverage points and outliers. Our data respected the assumption of the equality of covariance matrices (Box’s M = 381.30; F=.99; p=.52); finally, error variance of the dependent variables is equal across groups as Levene’s test is not significant at p>.05 for all independent variables.

Table 4 reports the multivariate test of significance, Wilk’s Λ for the effects of firm’s country of origin, industry, size, exposure to Euro crisis and dependency on the Eurozone for export sales.

(Table 4)

Testing the equality of country effects suggest that managers’ country of origin has a significant effect (Λ=.92, p=.00) on the dependent variables. All other factors have a significant effect on firms’ political scanning practices as well. In the interest of brevity, we report only Wilk’s Λ, as the other three conventionally used tests (Pillai’s trace, Lawley–Hotelling trace, and Roy’s largest root) are significant at p=.00 for all factors.

Having established the presence of a unique country effect, we proceeded to examine the coefficients of the multivariate regression model underlying the MANCOVA. Table 5 reports regression coefficients and their significance for the four independent variables presented in the table header. All equations are significant at p=.00 level.

(Table 5)
The *COUNTRY* coefficients for the importance of political scanning suggests that neither managers from the UK (\(\beta=.12; \ p=.44\)) nor from France (\(\beta=.01; \ p=.95\)) are different from managers in Sweden, yielding no support for H1. UK managers have more formal scanning routines (\(\beta=.25; \ p=.03\)) compared to their counterparts in Sweden or France, thus contradicting H2. UK managers, and not their French counterparts as hypothesized in H3, use government sources most frequently (\(\beta=.21; \ p=.05\)). Finally, French SMEs use business sources least frequently (\(\beta=-.41; \ p=.05\)), which supports H4.

A closer examination of the control variable effects suggests that managers working for firms that are highly exposed to the crisis consider it more important to scan political developments, have developed formal scanning routines, and use both government and business sources frequently as the *EXPOSURE* variable is positively and significantly associated with all aspects of environmental scanning covered by our study. Dependence on the Eurozone *DEPENDENCE* has a significant effect only on the importance attached to scanning and use of business sources. Coefficients for *INDUSTRY* show that managers from the manufacturing sector have the least formal scanning routines (all other industries report higher formality at \(p<.02\)), while firms in trade and finance attach the highest importance to political scanning (\(\beta=.45; \ p=.01\)). Finally, the effects of *SIZE* suggest that, compared to their micro and small counterparts, managers from medium-sized firms have developed more formal scanning routines, and use both government and business sources more frequently (\(p<.01\)); managers

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1 A simple comparison of mean values across the three countries using univariate ANOVA revealed statistically significant differences at least at \(p < .02\) for all dependent variables. Contrary to MANCOVA, such direct comparison provides support for H1 and suggests that British and French managers exhibited similar use of government sources.

2 We examined the stability and robustness of our results by using bootstrapping and jackknife estimation, which yielded results identical to those reported. We also used alternative specifications of both dependent variables and controls: using log-transformed values of dependence on Eurozone, removing items with smaller loadings from constructs. Overall, the results are stable as the direction and significance of the effects do not change. We also used the nearest neighbour matching procedure (Abadie et al., 2004) to examine further the country-specific effects on environmental scanning. The results of nearest neighbour matching are identical to those of MANCOVA.
from small sized firms use business sources of information more frequently than their micro counterparts.

**Findings and discussion**

Our study includes several key findings that engage with the academic debate surrounding the convergence versus continued divergence of executives’ scanning behaviour.

*Divergence of scanning behaviours*

On the one hand, our research exposes instances when country of origin has significant impacts on managers’ scanning behaviours, thus suggesting as per previous research (e.g. Elenkov, 1997; May et al, 2000; Sawyer et al, 2000) that managers’ scanning practices diverge across countries. For example, when testing H2, we found that British managers reported the most formal routines for scanning political developments during the Euro crisis. Interestingly, this finding contradicts our expectation that French managers would have the most sophisticated scanning procedures. It implies that UK managers are similar to – and French and Swedish managers different from – their South Korean and U.S. counterparts (e.g. Ghoshal, 1988) who develop advanced, active scanning practices. It challenges prior research (e.g. Schneider, 1989: Schneider and De Meyer, 1991) hypothesising that managers from European Latin countries, owing to their bureaucratic and risk-avoiding cultural preferences, develop the most formalized environmental scanning capabilities.

That British managers reported more formal scanning routines than their French counterparts might be explained by the UK national economy being more strongly affected by the global financial crisis that preceded the Euro crisis. British managers might have already developed political scanning capabilities during this previous crisis. This finding echoes research (e.g. Garg et al, 2003) suggesting that prior investments in scanning capabilities lead to higher scanning performance.
When testing H3, we found that British managers used government sources of information more frequently than their French and Swedish homologues. That neither French nor Swedish managers made frequent use of governments and their agencies as sources of political intelligence suggests that their scanning behaviours are similar to those of U.S. managers (e.g. Daft et al, 1988) who make infrequent use of impersonal, bureaucratic sources of intelligence.

Again, this finding is at odds with our original hypothesis, which predicted that French managers would have the most frequent recourse to government sources of information. One possible explanation behind British managers’ frequent use of government sources may reside in the degree of trust that managers placed in governmental information. For example, British SME managers have historically tended to be wary of the EU (Grant, 2008). They may thus have perceived the Eurosceptic Conservative government to be a trustworthy source of information on developments in the Eurozone. Conversely, our French respondents may have placed less trust in governmental information sources, especially since our survey was conducted during the twilight days of Nicolas Sarkozy’s presidency when the President’s and government’s popularity was at all-time lows (e.g. Gaffney, 2012).

Evidence of divergent scanning behaviour also emerged when testing H4: as expected, we found that British and Swedish respondents used business intelligence sources more frequently than French managers. That French managers tend not to use such sources suggests that their scanning practices are also different from those of U.S. managers (Daft et al, 1988) who frequently use personal business networks (including business associations) as sources of intelligence. This finding makes sense insofar as business associations are relatively underdeveloped in France’s historically-entrenched system of statism (e.g. Eising, 2003; Schmidt, 2003). Having infrequent contacts with policymakers, French business associations have less access to policy-specific information and are subsequently in a less favourable position to pass on this information to their network members.
Convergence of scanning behaviours

On the other hand, our findings point to occasions when factors other than country of origin also have significant impacts on how managers scan their external environments. For example, we found significant differences between managers from the larger and smaller firms in our sample and the formality of routines and types of sources they used to collect political information. Our research thus chimes with previous research in demonstrating that managers’ environmental scanning behaviours can be explained by firm size (e.g. Churchill and Lewis, 1983: Lang et al, 1997; Liao et al, 2008; Strandholm and Kumar, 2003). As per extant research (e.g. Hambrick, 1982; Peters and Brush, 1996; Xu et al, 2003), we also found significant cross-industry variations in managers’ environmental scanning practices, with respondents from the manufacturing sectors emerging as the least active scanners.

We found no unique country effects on – and no significant differences in – the importance that British, French and Swedish managers in our sample attached to scanning political developments in the PIGS countries. Instead, respondents judged it important to scan political change in these countries when they considered their organisations to be exposed to the Euro crisis and dependent the Eurozone for export sales. In fact, our results indicate that exposure to the Euro crisis affected every aspect of scanning behaviour examined in our study. Alongside deeming it strategically important to scan political events in the PIGS economies, managers who considered their firms to be highly exposed to the Euro crisis also claimed to possess highly-developed scanning processes. They also reported frequent use of both governments and business associations as sources of political information.

This finding suggests that, irrespective of their country of origin, our British, French and Swedish respondents adopted broadly comparable scanning practices during the period of political and regulatory upheaval that characterised the Euro crisis. As such, it appears to
confirm enquiries conducted in Nigeria (e.g. Sawyerr et al, 2000) and Bulgaria (e.g. Elenkov, 1997) demonstrating the importance that managers attach to monitoring their political and legal environments – and not just their market environments – during periods of significant political and institutional change.

This finding is at odds with research (e.g. Meglino et al, 1989; Ravlin et al, 2000) theorizing that people respond to uncertainty in ways prescribed by their national culture’s predispositions. National culture might have an impact on the scanning behaviours of managers, but this impact is less visible during times of crisis. Instead, our research is more consistent with scholars (e.g. Leung et al, 2001) arguing that it is more useful to address when – rather than if – national country contexts are an important predictor of managerial behaviour. In this respect, the Euro crisis seems to have thrown up situational characteristics (e.g. Gibson et al, 2009) that moderate the impact of country context on individual perceptions and behaviour.

Thus, our findings – when considered overall – appear to lend more support to extant research (e.g. Ghoshal, 1988: Stewart et al, 2008) suggesting that scanning practices of managers from different country contexts are more similar than they are dissimilar. Crisis events, such as the crisis in the Euro zone, appear to lead to a convergence of environmental scanning behaviours. In line with Daft et al. (1988), our research suggests that managers increased their scanning activities in the PIGS countries during the Euro crisis not only because they considered their political environments to be more uncertain, but also because they deemed developments in those political environments to be strategically important to their firms. Our finding thus echoes the work of Barron et al (2012) who suggest that – particularly during periods of crisis – political environments can become more immediate and strategically important for managers as their firms’ well-being and ultimate survival can increasingly depend on policymakers’ responses to crises.
Conclusions

Using original data gathered from an on-line survey conducted in 2012, this paper compared how British, French and Swedish managers scanned developments in their political environments during the Euro crisis. We explicitly adopted a high-context research perspective (Child, 2000), giving fuller consideration than the mainstream scanning literature to the effects of country of origin on managers’ scanning behaviours.

We found that country of origin had a significant effect on respondents’ political scanning practices. Essentially, British managers claimed to possess the most developed political scanning capabilities, and made the most frequent use of government sources of information. British and Swedish managers used business associations as sources of political intelligence more frequently than their French counterparts. However, we also found that being exposed to the Euro crisis affected managers’ scanning behaviours. Alongside considering it strategically important to scan political events during the crisis, managers who judged their firms to be strongly exposed to the crisis’ effects also claimed to have developed formal scanning routines and processes. They also reported frequent use of both governments and business associations as sources of political information.

Our research contributes generally to the environmental scanning literature. Crucially, whilst prior research (e.g. Brush, 1992; Smeltzer et al, 1988) suggests that political environments are remote sectors of low strategic importance for managers, we find in line with Barron et al (2012) that political environments can become immediate and strategically important sectors for managers during periods of crisis. Our findings engage specifically with the convergence versus divergence debate in emergent cross-country studies on environmental scanning. Contrary to previous work (e.g. Elenkov, 1997; May et al, 2000; Sawyerr et al, 2000) demonstrating the existence of divergent scanning practices across different country contexts,
our research points as per Ghoshal (1988) and Stewart et al (2008) to the emergence of a universal scanning mind-set.

Our research, of course, should be handled with some degree of caution. Our relatively small sample size means our findings do not necessarily generalize to all managers based in each country, nor that they necessarily apply to other national contexts. Although we find that scanning patterns of British, French and Swedish managers converge during periods of political upheaval periods, we cannot say whether they diverge during non-crisis periods. Research should thus be undertaken to compare managers’ scanning routines during periods of environmental stability and instability. Such research would more effectively expose the situational characteristics (e.g. Gibson et al, 2009) that moderate the impact of country context on managers’ behaviours.

Our study relied exclusively on export sales as a proxy for dependence on the Eurozone. Further studies could incorporate more elaborate measures that consider other modes of internationalisation, such as imports, foreign direct investment investments, and international alliances. The unexpected findings of our research also demonstrate the need for further enquiry, especially since we provide only tentative explanations here. For example, future empirical work could be conducted to better understand why small-business managers in the UK, despite being socialised in risk-accepting national cultures (Hofstede, 2001), should have developed formal, bureaucratic routines for environmental scanning. Future research could also investigate in more detail the trust that managers place in government sources of political information. It would be particularly interesting to uncover whether managers’ confidence in government sources of information varies depending on which political parties hold offices of power.
**Table 1.** Description of sample

<table>
<thead>
<tr>
<th></th>
<th>France</th>
<th>Sweden</th>
<th>UK</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of the SMEs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro enterprises</td>
<td>66</td>
<td>29</td>
<td>65</td>
<td>160</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>40</td>
<td>58</td>
<td>36</td>
<td>134</td>
</tr>
<tr>
<td>Medium-sized enterprises</td>
<td>64</td>
<td>36</td>
<td>46</td>
<td>146</td>
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<td><strong>Main industry sectors</strong></td>
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<td></td>
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<tr>
<td>Manufacturing</td>
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<td>65</td>
<td>22</td>
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<tr>
<td>Services</td>
<td>69</td>
<td>27</td>
<td>46</td>
<td>142</td>
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<tr>
<td>Trade and Finance</td>
<td>43</td>
<td>17</td>
<td>23</td>
<td>83</td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>14</td>
<td>56</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>170</td>
<td>123</td>
<td>147</td>
<td>440</td>
</tr>
<tr>
<td><strong>Sales to customers in Eurozone,</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>% of total sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>57.18</td>
<td>34.96</td>
<td>16.42</td>
<td>37.18</td>
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<td>Median</td>
<td>60.00</td>
<td>25.00</td>
<td>8.00</td>
<td>23.50</td>
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<tr>
<td><strong>Response rate</strong></td>
<td>12%</td>
<td>17%</td>
<td>12%</td>
<td>13%</td>
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<tr>
<td>Number of contacted SMEs</td>
<td>1 409</td>
<td>745</td>
<td>1 239</td>
<td>3 393</td>
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Table 2. Properties of multiple-item measures.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Measurement Items</th>
<th>Factor loading</th>
<th>t</th>
<th>AVE</th>
<th>Alpha</th>
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</thead>
<tbody>
<tr>
<td><strong>Exposure to eurocrisis</strong></td>
<td>The euro crisis has negatively impacted our sales</td>
<td>.60</td>
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<td>Fixed</td>
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<tr>
<td></td>
<td>The euro crisis has negatively impacted our capacity to export</td>
<td>.61</td>
<td>10.69</td>
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<tr>
<td></td>
<td>The euro crisis has negatively impacted on our capacity to raise finance</td>
<td>.66</td>
<td>11.24</td>
<td>.53</td>
<td>.85</td>
</tr>
<tr>
<td></td>
<td>The euro crisis has negatively impacted on our relationships with clients and suppliers</td>
<td>.85</td>
<td>13.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The euro crisis has negatively impacted our growth</td>
<td>.88</td>
<td>13.62</td>
<td></td>
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<tr>
<td><strong>Importance of political scanning</strong></td>
<td>Greece</td>
<td>.80</td>
<td></td>
<td></td>
<td>Fixed</td>
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<tr>
<td></td>
<td>Ireland</td>
<td>.82</td>
<td>18.91</td>
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<tr>
<td></td>
<td>Portugal</td>
<td>.78</td>
<td>17.73</td>
<td>.68</td>
<td>.89</td>
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<tr>
<td></td>
<td>Spain</td>
<td>.91</td>
<td>21.36</td>
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<td><strong>Use of government sources</strong></td>
<td>European institutions</td>
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<td>.71</td>
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<td></td>
<td>National governmental bodies</td>
<td>.70</td>
<td>9.91</td>
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<td><strong>Formality of scanning routines</strong></td>
<td>Our company has developed effective methods</td>
<td>.53</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Our company has good channels to obtain information</td>
<td>.75</td>
<td>9.94</td>
<td>.48</td>
<td>.78</td>
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<tr>
<td></td>
<td>We receive the information we need about policy maker initiatives</td>
<td>.69</td>
<td>9.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>For us there is no risk of surprises</td>
<td>.78</td>
<td>10.11</td>
<td></td>
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<tr>
<td><strong>Use of business sources</strong></td>
<td>Chambers of commerce</td>
<td>.69</td>
<td></td>
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<td>11.75</td>
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<td>.75</td>
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<td></td>
<td>SME associations</td>
<td>.65</td>
<td>10.93</td>
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N=440. Goodness of fit of full CFA model: SRMR = .049; ChiSquare/df = 2.53.
### Table 3. Assessment of discriminant validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Exposure to eurocrisis</th>
<th>Importance of political scanning</th>
<th>Use of government sources</th>
<th>Formality of scanning routines</th>
<th>Use of business sources</th>
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<tr>
<td>Exposure to eurocrisis</td>
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<td>(.68)</td>
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<td>Use of government sources</td>
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<td>.05</td>
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<td>(.46)</td>
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<tr>
<td>Formality of scanning routines</td>
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<td>.12</td>
<td>.35</td>
<td>(.48)</td>
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<td>Use of business sources</td>
<td></td>
<td>.03</td>
<td>.05</td>
<td>.31</td>
<td>.13 (.51)</td>
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### Table 4. MANCOVA results: tests of no overall effect

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<th>Effect</th>
<th>Wilk’s Λ</th>
<th>F</th>
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<td>COUNTRY</td>
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Table 5. Assessment of individual effects

<table>
<thead>
<tr>
<th>Effect</th>
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<th>Use of government sources</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>p</td>
<td>β</td>
<td>p</td>
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<tr>
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<td>France</td>
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<td>.95</td>
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<td>.88</td>
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<td>Manufacturing</td>
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<td>.00</td>
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<td>.39</td>
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<tr>
<td>Other</td>
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<td>Micro</td>
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<td>Small</td>
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<td>.09; .00</td>
<td>.13; .00</td>
<td>.09; .00</td>
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