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Kari Pöllänen

THE FINNISH LEADERSHIP STYLE IN TRANSITION
*A STUDY OF LEADERSHIP CRITERIA IN THE INSURANCE BUSINESS,
1997-2004*



SWEDISH SCHOOL OF ECONOMICS AND BUSINESS ADMINISTRATION, FINLAND

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The Finnish Leadership Style in Transition. A Study of Leadership Criteria in the Insurance Business, 1997-2004

Key words: leadership, effectiveness, insurance market, measurement, criterion, longitudinal, subordinate

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To Heidi

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Ihamaniemi, October 2007

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1. THE RESEARCH PROBLEM

1.1. Introduction

The insurance sector – the basis for the empirical study

One of the most significant economic developments of the past decade has been the convergence of the previously separate segments of the financial services industry - particularly the banking and insurance sectors. Convergence has been driven by increasing globalization of the financial services sector and the deregulation of financial markets. The shift in focus towards enterprise-wide corporate risk management solutions has created a growing demand for new risk management products. These developments have provided opportunities for the traditional wholesalers of risk management products, particularly investment banks and *reinsurers* (Cummins, 2005).

Globalization essentially includes liberalization and deregulation of the domestic financial sector as well as liberalization of the capital account. As economies progressively integrate globally, the financial structures of markets and the world of finance change. Advances in IT and computer technology are cited as one of the most important factors driving and supporting financial globalization. Transnational corporations also have helped in global financial integration. The prime movers in financial globalization have been governments, borrowers, investors, and financial institutions.

Private capital flows have become the major source of external finance for a good number of emerging market economies. Foreign Direct Investment became an important and dependable source of finance for the emerging markets and other middle-income economies during the decade of the 1980s and 1990s. Portfolio investment in stocks and bond markets also increased substantially. Global institutional investors found this channel of investment functional and profitable. Mutual funds, *insurance*

companies, and pension funds channelled large amounts through portfolio investment into the emerging market economies. As financial globalization progressed, presence of international financial intermediaries expanded considerably. This applied more to international commercial banks than to investment banks, *insurance companies* and mutual funds (Das, 2006).

This study looks at management in the insurance sector in Finland and the US. The insurance markets of Europe and Finland are steadily developing in the direction of *free competition and deregulation*, along the lines of the insurance market of the United States. Methods of distribution and regulation are going to change in Europe. The model of corporate governance in Finland has been in transition over the past decade, with the traditional continental European system (stakeholder framework) giving way to the Anglo American system (Ylä-Anttila et al, 2004). Consolidation of the insurance and banking businesses is underway in Finland. However, financial centres in the Nordic countries are still too small to satisfy the demands of European or global markets.

European insurance prices and conditions are largely subject to market forces, with government regulation being restricted mainly to solvency control. In addition, obstacles to foreign suppliers penetrating the market were virtually eliminated with the introduction of the single EU license. Companies need only a license from their home country to be able to conduct insurance business all over the EU. Swiss Re's empirical analysis (Sigma, 1996) forecasted that deregulation and the liberalization of market access would have three major effects: changes in market structures, market behavior and lower margins.

Financial convergence in Finland

According to Voutilainen (2006) banks and insurance companies have actively both competed and co-operated with each other during the last decades. Competition has mostly meant financial convergence in which various financial sectors assume each others' tasks. Insurance products may be replaced by bank or capital market products that perform the same task: for example bank guarantee and guarantee insurance, both of which can be used as loan collaterals in the same way. Co-operation between banks and insurance companies has appeared as cross industry alliance formation: almost all

Finnish banks and insurance companies are members in an alliance. The boundary between the financial sectors has become obscure. Finnish insurance companies experienced hard competition from the banks in the latter half of the 1990's because the bank-owned life insurance companies won greater market shares.

A recent trend in the financial sector is "one stop shopping", where a customer is offered many bank and insurance products at one customer service event. One typical example of cross-sector product combinations is a housing loan and a loan protection insurance. Another important trend in the financial industry in e.g. Nordic countries is the emphasis on long-term saving because for example in Finland about half of the financial assets of private individuals are still in bank deposit accounts.

Another recent trend in many European countries more than in Finland has been the opening of the value chain. It means that the financial organization begins to sell to its customers products produced in external companies that can even compete with the corresponding in-house products. So it is good service and business to sell the customer an external product when (s)he needs it. The customer oriented idea is that the best possible products might not always be produced inside the company (Voutilainen, 2006, 1-9).

Finland has well developed insurance market and insurance sector activities that have a key place in society. The deregulation of the financial markets, EU membership and globalization have changed Finnish insurance legislation and the operational environment of the insurance market in Finland. A key feature of the Finnish insurance market is that private insurance institutions deal with unemployment insurance and accident insurance, which belong to the arena of statutory social insurance. At the end of 2005 there were 47 Finnish insurance companies (Insurance Supervisory Authority, 2005).

Only one non-Finnish insurer had a presence in Finland in 2005. In 2005, a total of 453 companies registered in the European Economic Area had filed a notification with the Ministry of Social Affairs and Health of their intention to start business in Finland under the freedom to provide services. Despite this increase in interest, only 21

foreign insurance companies had a representation in Finland at the end of 2005 (Insurance Supervisory Authority, 2005).

US experience

Deregulation and a free market economy ideology are applied quite well in the United States, the source of trends that are widely copied in other countries. With some important exceptions, US insurance regulation can generally be characterized as falling more toward the liberal end of the international regulatory spectrum. The number of insurers is large, concentration is relatively low, and the products reasonably uniform. As an example of the low concentration ratio, no company (including groups) in either the life or non-life sectors has more than 11 per cent of the premiums in its respective market. A significant portion of the total premium volume is written by the older and larger companies that operate on a national scale.

Within the United States, the goal of insurance regulation is to ensure that *quality, affordable* products are *available* from *financially reliable* insurers. Certain US insurance regulatory practises could be worthy of emulation in other countries. Such regulation should be focused overwhelmingly on solvency concerns as opposed to other consumer protection matters, as the development of confidence in the industry must be a priority. In granting licenses governments should be neutral among competitors, especially as between locally owned and foreign-owned insurers. Governments should also foster competition to ensure sound product value and consumer choice etc. (Pöllänen, 2000).

In the United States, individualism, competition, the pursuit of immediate profit and the recognition of professionalism reign supreme. By contrast, in Europe greater emphasis is put on respect for and protection of the individual, the art of negotiation and recognizing the role of the trade unions, government and public services, and an awareness of the need to respect diversity. The European/Finnish value orientation is expressed in the role played by *social responsibility*, the consideration given to local interests in company location decisions, the attempt to find solutions on a consensus basis and the tendency towards long-term corporate strategies. Thus there are evident

differences between European & US management systems and there are clear reasons for them.

A prime task now in Europe is to define and build confidence in responsibility for the public good. That has implications for the developmental and social tasks of the public sphere, i.e. *a social market economy* in which free market forces are balanced to serve the public good. In spite of the different structure of the insurance markets, the concentration ratio, methods of distribution and regulation, differences in the power of employer organizations, the unionisation ratio and negotiation processes between employers and employees in the US and Finland, and finally also the legacy of Finland's social democratic past, the insurance contract itself is basically the same as before. However, global competition, changes in the ownership structure of companies and national culture have imposed new challenges on future global leaders (Eurocadres, 1996).

Before September 11, most insurance and reinsurance contracts included terrorist cover. Afterwards, perceptions regarding the size of the potential impact of terrorism increased dramatically: including exclusions, pricing, limits, right of termination, covering named perils only, using securitization and as an ultimate action opting out of that market.

Within this context it is vital that we succeed in developing a global future management model that steers clear of simplistic theories that do not aim to make financial criteria – especially short-term profit – the sole aim of management, and instead seek to organize and to regulate competition and markets in a way that takes account of economic and social consequences (Pöllänen, 2000).

But what do we actually know about the Finnish management style? In the following is presented a review of earlier Finnish management research and the aim of the study.

1.2. Review of earlier Finnish leadership research

The Finnish leadership style has been explored by only a few Finnish researchers and it is difficult to compare the studies because of the different samples, population, time periods and research methods used. Most of the studies seem to concern top management, and most look at leadership from the point of view of the leader, not the subordinate. Thus for the time being the overall picture of Finnish leadership is somewhat vague and fragmented. Based on earlier findings the picture of the Finnish manager looks like this:

Nordic/European management style

Nordic (Finland, Sweden, Denmark and Norway) management behavior is not homogeneous. The Nordic management style can be characterized as planning and order, delegation of responsibility, friendship with subordinates, and orientation toward innovation (Lindell a& Arvonen, 1997).

Finns improvise and are thus unpredictable. Finns are seen as 'wild' and uncontrollable in Swedish management thinking. Finns are found to be much more task-oriented compared to the Swedes' people-orientation. Finns are seen as straightforward while Swedes need more time and adjustment through personal involvement (Laine-Sveiby 1987/1991).

According to the results of the survey, Finland and Iceland contrast with the other Scandinavian nations in reporting very low scores for reliance regarding formal rules, a relatively low reliance on subordinates and a relatively high reliance on unwritten rules and one's own experience. The difference between the Finnish responses to the items concerning formal rules and informal rules suggests a greater predominance of tacit rather than explicit understandings of what has to be done within an organization (Smith et al., 2003).

The Swedish and Finnish type of culture at top management level is defined as: 'Consensus' (Kakabadse et al, 1995). The Finnish leadership culture differs distinctively from the other western leadership cultures. The strengths of the Finnish leadership culture are the basic values that form the core of the Finnish culture: honesty, justness, fairness, equality, diligence and respect for the individual combined with purposefulness and guts (Sydänmaanlakka, 2004). Finnish managers consider honesty to be the most important moral value, both in life in general and particularly in business. Finnish managers have high moral principles, even higher than managers and business people in other countries. Pursuit of excellence is considered to be more important in business life than in life in general (Kujala, 2000).

Based on Hofstede's cultural dimensions (1984), the results indicate that the national origin of managers affects their leadership beliefs. At a general level, Suutari's findings support the view that the Dutch, Finnish and Swedish cultures have many similarities. In an ecological factor analysis, two dimensions which were labelled social orientation and work orientation and which differentiate national cultures in Europe were identified. Finnish managers tend to see less need for role-clarification and conflict-management than had been expected and stressed the need for informing their subordinates and providing them with a vision of the future (Suutari, 1996).

Two earlier surveys (Suutari, Lindell & Arvonen) were based on Hofstede's dimensions from the 1980s. Hofstede placed the 40 countries he had studied into eight categories using cluster analysis to arrive at the classification. Each culture cluster comprises countries that are homogeneous in respect of their positioning in Hofstede's typology. The final score for each culture is thus the average value of that culture, which has limited predictive value. The culture is too complex to be pinned down to four dimensions. In every national culture, there are a large number of subcultures at variance with each other, and with the overall national culture. For example, a manager has to learn how to function as a team player and assume a collegial relationship with his/her boss and subordinates, even if he/she belongs to a culture that rates highly on the power distance index (Jacob, 2003, 112).

Finnish leader/follower aspect

There are significant connections between one's own values and self-assessments of leadership performance. Both parties (leaders and subordinates) have a different assessment of the values prevailing in the organizational culture. Their experiences of the business reality are different and they have different change pressures. Cost-effectiveness, efficiency and rationality correlate with the willpower to lead. (Junnola & Juuti, 1997, 198, 200).

A "good" leader in the Finnish sense is a man of honour with inborn skills of leadership. His leadership style could be called "leading amidst his followers". He is "one of the guys". He has charisma: it is emotion, not formal status, that binds his followers to him. As a leader he is able to build trust and commitment (Kostamo, 2004)

Three multicultural project leadership styles were found. Forty out of 47 Finnish project leaders indicated a solely task-oriented leadership style. The same leaders also indicated cultural blindness, ethnocentrism, parochialism, or in-group favouritism. The seven leaders that indicated an almost solely relations-orientation, or both a task and relations-orientation, also indicated cultural sympathy. Three leaders indicated leadership strategies to maintain team cohesion and to avoid cross-cultural problems (Mäkilouko, 2004).

Discussion

No systematic analyses have been performed of management behavior changes over time, either internationally or within Finland. Leadership research needs longitudinal studies in order to investigate the mechanisms and conditions under which management behavior changes (Lindell & Arvonen, 1997, 89). For example, most studies of executives do not include a wide range of evaluation criteria with short-term and long-term outcomes on different indicators representing the interests of different stakeholders (Yukl, 2002, 357). From the point of view of the present study, the most important reference material is that of Suutari (1996) and Junnola & Juuti (1997).

Although it may be self-evident that emotional experiences exist in leader-subordinate relationships, there is a lack of empirical data about how they interact

(Glaser & Einarsen, 2006, 70). In Finnish leadership research the leadership criteria opinions of both leaders and subordinates in the same branch have not been adequately studied; previous Finnish leadership research studies are mainly leader-oriented. Leaders' and subordinates' basic values have been studied (by Junnola & Juuti, 1997) but not their evaluation of the leadership criteria/style in their own company. We do not know what kind of leadership style Finnish subordinates prefer. This could also be very useful information for managers in practice. Because leaders have to be accepted by their subordinates in order to be effective.

Because the Nordic economic business environment has changed radically over the past ten years, it is interesting to study how this has affected the leadership criteria in use. Global competition, changes in the ownership structure of companies and national culture have imposed new challenges on leaders. People in different positions in organizations are living in different "worlds" and that is why they have a different value base for their leadership performance judgment (Junnola & Juuti, 1997, 198). What kind of values/leadership aspects will they have in the 21st century? The stability of leadership beliefs (leaders/subordinates) over time is a gap in leadership research which will be explored in the present study.

Future global leadership

What kind of leadership criteria will be needed in future global insurance markets? For example there is no global investigation of future leadership criteria in the insurance industry. What are the main factors affecting leadership criteria in global insurance markets? What kind of a vision of the world will the business/leadership criteria espoused by the different insurance companies represent as a whole? Will the vision be influenced more by 'European' or 'American' values? What kind of management model organizes and regulates competition and markets in a way that takes into account economic and social consequences? A comparison of the opinions of managers in two culturally different regions - North America and Northern Europe (Finland as an example) - might provide some pointers as to what course should be pursued. The ultimate direction of the effective future leadership needed is obviously a complicated compound of regional and politico-cultural factors of different countries, enterprises and individuals (Pöllänen, 2000).

One major issue is the extent to which leadership theories that were developed and tested in one culture can be generalized to another culture (Yukl, 2002, 414; Suutari, 1996, 84). The cross-cultural aspect of the present study could generalize the findings of the study.

In a social market economy, free market forces are balanced to serve the public good. In a captured market economy, free market forces serve the few. A captured market economy can be super-free or it can be super-regulated or it can be both. In any case, it serves the interests of particular groups of people, leaving divided, unjust societies behind them. How can we ensure that the interests of different countries, governments, institutions, and private companies serve the stability and prosperity of the EU and individual countries?

Is the incipient Finnish management model equipped to face such challenges as technological change and the transformation of the world economy? This includes such issues as globalization and the introduction of new technology. What is important for Finnish management models is that most states are reacting to these two challenges – regardless of whether or not we consider globalization to be a real threat – with deregulation policies, mainly at the behest of the business lobby. This is done in the hope that giving companies maximum freedom to act will allow them to react appropriately to the new situation (Eurocadres, 1996). A policy of this kind could have a deep impact on society.

There are many successful companies and leaders in Finland (Nokia, UPM-Kymmene, Sampo etc). What type of a leadership style do their subordinates prefer? In what direction should Finnish leaders develop their leadership style? There is a real and urgent need to investigate these questions.

1.3. The aim of the study

Regarding to previous review of Finnish leadership research the aim of this study is:

1. to describe the leadership criterion opinions of leaders/subordinates of the insurance business,
2. to explore the affect of different time period on leadership criterion opinions of leaders/subordinates in insurance business and
3. to outline the qualities of global insurance leadership.

So the overall purpose of the thesis is tackled and analyzed from four different perspectives:

- by examining the importance of the leadership criteria and style of Finnish insurance business leaders and their subordinates
- by examining the stableness of leadership criteria of Finnish subordinates over time
- by examining the opinions of insurance business leaders regarding leadership criteria in two culturally different countries: the US and Finland
- by examining the stableness of the leadership criteria of US insurance leaders over time

This thesis deals with the following research questions (RQ) in the three independent studies (Figure 1, page 16):

RQ1: What kind of leadership criteria do subordinates in Finnish insurance appreciate?

RQ2: What kinds of leadership criteria do Finnish insurance leaders appreciate?

RQ3: How stable are the leadership criteria of Finnish insurance subordinates over time?

RQ4: How stable are the leadership criteria of US insurance leaders over time?

RQ5: Where are leadership criteria heading in global insurance markets?

1.4. The structure of the thesis

The study began in the US in 1996 where the survey instrument (questionnaire), conceptual terrain and the first preliminary survey were accomplished (Pöllänen, 1997). Because the contributory papers were written at different phases of the overall project, the sample sizes and other characteristics of the data differ between papers. However, the same measuring instrument was used in all the three studies i.e. a questionnaire, which was developed in the US in 1996. Two independent empirical surveys (and one follow-up survey) were conducted in Finland and two in the United States. The results are reported in three different studies, and the respective goals were as follows:

Study 1: The opinions of employees in the insurance business about the importance of leadership (questionnaire survey, n=190 in 2000, n=173 in 2003 follow-up study)

What kind of a leadership style and criteria do Finnish leaders have?

What do their followers think about it?

How do they expect to be led?

What kind of interaction is needed between the leader and the follower?

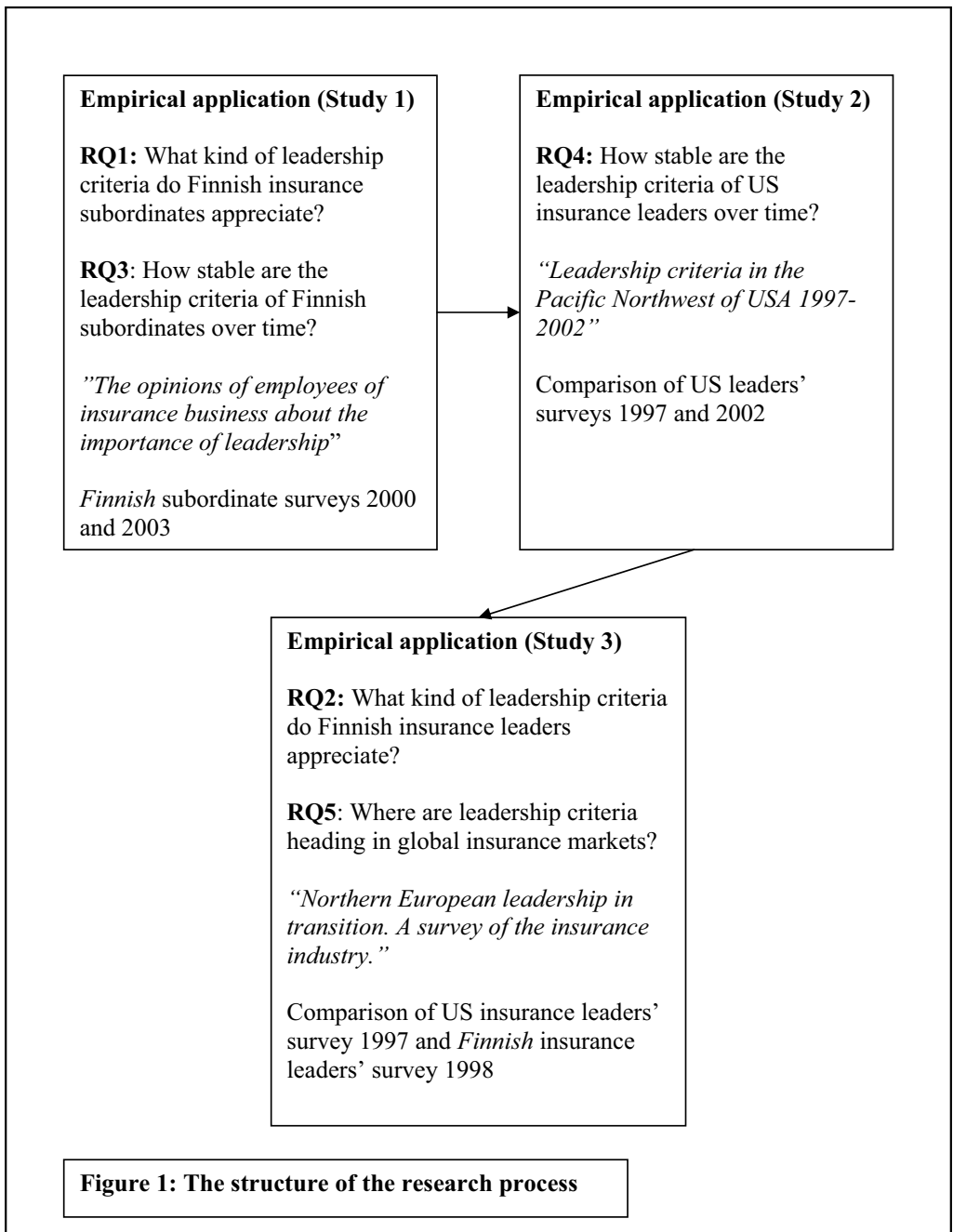
Study 2: Leadership criteria in the Pacific Northwest of the USA 1997-2002 (questionnaire survey n=30 in 1997 and n=36 in 2002)

To outline possible changes in the importance evaluation of leadership criteria by insurance managers in the Pacific Northwest between 1997 and 2002.

Study 3: Northern European leadership in transition. A survey of the insurance industry (questionnaire survey, n=132 Finnish leaders and n=30 US leaders)

The goal of the study is to explore what kind of leadership attributes could be required of effective global managers in the future

What kind of leadership is needed in the companies of the future in deregulated Northern European countries?



1.5. The definitions of central concepts

1.5.1. Definition of leadership and leadership criterion

Three massive reviews by Bass (1990) and Yukl (1989) provide excellent surveys of the leadership literature. Yukl notes that while conceptual disagreements are deep, most definitions emphasize leadership as an influence process. Beyond this common theme, researchers disagree on many other aspects, including how leaders are identified, who exerts influence, how leaders differ from followers, and which elements in the work situation influence leader behavior. Sample definitions include:

1. Leadership is the behavior of an individual when he is directing the activities of a group toward a shared goal.
2. Leadership is interpersonal influence, exercised in a situation, and directed, through the communication process, toward the attainment of a specified goal or goals.
3. Leadership is the influential increment over and above mechanical compliance with the routine directives of the organization.
4. Leadership appears to be the art of getting others to want to do something that you are convinced should be done.
5. Leadership includes influencing task objectives and strategies, influencing commitment and compliance in task behavior to achieve those objectives, influencing group maintenance and identification, and influencing the culture of the organization.

My vision of effective leadership is near the last definition (5). Achieving objectives, influencing commitment and group maintenance and the culture of the organization are intrinsic tasks of the leader in every organization. In order to succeed fully in his/her task the leader needs assistance and acceptance of subordinates. That is why the study assesses the importance of leadership criteria of the subordinates, too.

What is the meaning of *leadership criterion* in business decisions and how is the concept defined in this study? I believe that in every business decision the leader has a model or basis of his own on the grounds of which he makes the final transactional decision. The transactional criteria are both generic and specific. Depending on the importance of the transaction for the company the ultimate decision must be made without any delay.

Therefore I define the *leadership criterion* as *the very crucial basic business method, procedure or action (main principle for leading the business) which steers and optimizes the interests of the management, shareholders and employees of the company in the most efficient and effective way.*

1.5.2. Leadership effectiveness?

What we are ultimately looking for is a principal path for constructing a generic model of measuring leadership effectiveness. But first, one ought to find out what is the importance of the relevant criteria used in a real business life when measuring the effectiveness of leaders. When one knows the criteria and weight of each criterion, one could try to assess the effectiveness of leaders more precisely with that instrument.

What do we mean by *effectiveness*? Managerial effectiveness refers to the accomplishment of specific organizational goals and objectives, or “doing the right thing.” If an organization attains its long-term strategic goals, the organization and its leaders are seen as more effective. If the leader does the things right, he is efficient but not necessarily effective. He is just minimizing the cost of resources used to attain a certain level of performance. He has done a good job, but not very effectively which ought to be his main concern (Harvey and Brown, 1996). The effectiveness of a leader is usually measured on the basis of ratings given by his/her immediate supervisors or, whenever possible, by measuring the performance of the leader’s group.

1.6. The framework of the study

My working hypothesis is that different structure of insurance markets, concentration ratio, methods of distribution and regulation (regional, politico-cultural etc. factors in Figure 2 below) are affecting to the leadership style at the background of the American/Finnish surveys. Acceptance of the leader by followers facilitates leader effectiveness. Leaders who are not accepted by members of their organization will find it more difficult and arduous to influence these members than leaders who are accepted (House et al, 2004, 18-19). Leadership style (task-or relations oriented) is affecting to leadership criteria in use and vice versa. Management level and company size are also affecting to the leader and the leadership criteria he/she chooses to use in a specific situation.

When interpreting the results of the surveys you have to take into account also for example that Finnish work force is very different from its American counterpart. A much higher Finnish unionization ratio, strong employer organizations, a well-defined negotiation process between employers and employees, and a solid social democratic past will all be affecting as intervening variables when interpreting the results of the surveys. In any case I think there is a societal order for my leadership study to be implemented: we ought to be more aware of what we are doing and in which way also in the area of leadership and its applications. Otherwise we will regress and foreign more effective American leaders and their dominant leadership style will be in charge of our business life in the future. That is why we ought to at first measure the importance of leadership criteria which they actually use in their business decisions. Deregulation and free market economy ideology is quite well applied in the United States, because from there comes the latest breath of the great world which is very broadly and often without critique applied in other countries. *Does management action and corporation dynamics reveal any pattern or source in Europe and especially in Finland?*

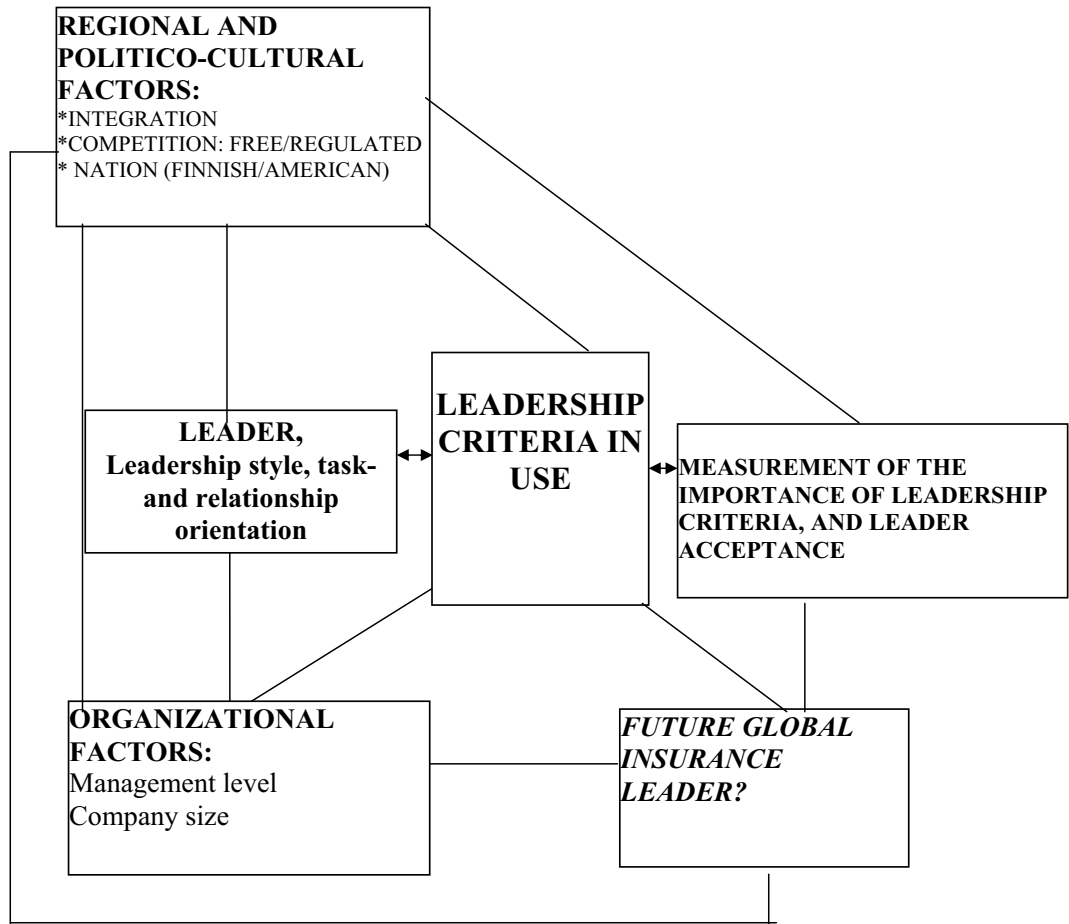


Figure 2 Framework of the study

1.6.1. Discussion of the theoretical framework of the study

Transformational or transactional leadership framework?

The focus is on variables leadership style, leadership criteria and their proper measurement device. What kind of a theory is best as a framework of the study? Why the framework in Figure 2 is chosen? What kind of facts are affecting to the choice of framework of the study? In order to clarify the subject and the choice of the framework of this study description of the transactional/transformational leadership is given next. In Figure 2 above the choice between transactional or transformational theoretical basis for the research project has been made in aid of transactional one.

According to Yukl the “new” wisdom found in the literature on transformational leadership repeats themes of the 1960s, although the prescriptions are often clothed in different jargon. The distinction between transformational and transactional leadership has some utility for shifting the attention of researches to leadership processes that have been neglected. However, the distinction is fast becoming a two-factor theory of leadership processes that is an unwarranted oversimplification of a complex phenomenon (Yukl, 1989). Burns (1987) believed that transformational leadership and transactional leadership are at opposite ends of a continuum. However, Bass (1985) suggested that transformational leadership augments the effects of transactional leadership.

Bass (1985) describes *the transactional leader* in his relations with subordinates as follows:

1. Recognizes what it is we want to get from our work and tries to see that we get what we want if our performance warrants it.
2. Exchanges rewards and promises of reward for our effort.
3. Is responsive to our immediate self-interests if they can be met by our getting the work done.

The transactional leaders tend to survey their subordinates' needs and set goals for them on the basis of the effort they can rationally expect from their subordinates. Such managers do not question the goals of their organization. They assume their subordinates maintain a constant motivation to support the managers' plans. The

transactional managers concentrate on compromise, intrigue, and control. The exchange process in transactional leadership does not have to be limited to tangible benefits

Yukl (1989) states that similarities and differences between charismatic and transformational leadership also need greater clarification. The essence of charisma is being perceived as extraordinary by followers who are dependent on the leader for guidance and inspiration. The essence of transformational leadership is to empower followers to perform effectively by building their commitment to new values, developing their skills and confidence, and institutionalizing changes in the organization. These transformational processes appear more likely to reduce dependence and attribution of charisma to the leader than to increase it. According to Yukl it seems unlikely that a leader could be both transformational and highly charismatic at the same time. Bass (1985) proposed that charisma is a necessary component of transformational leadership, but the descriptive research suggests that most transformational leaders are not perceived as charismatic by followers. According to Yukl (2002) effective leaders try to understand the task requirements of their followers, situational constraints, interpersonal processes and changing events.

Reddin (1970) argues that every managerial job has effectiveness standards associated with it. The standards may not be written down or even known, but they are always there. These are the standards by which the performance of the manager in the job may be judged. Effectiveness standards carried to their logical conclusion lead to *management by objectives*. MBO is nothing more than designing an organization around the outputs of manager's jobs rather than inputs. There should be quantification in terms of percentages, dollars, or employees. Time bounds should be set. When this is done the effectiveness standards are transformed to objectives.

According to Reddin many managers are held back from focusing on effectiveness because of the way their position is defined. Job descriptions and position descriptions do not usually aid in increasing effectiveness.

Because of the broad usage of *management by objectives* (MBO) in insurance business the researcher has to take into account also the possible standardizing effects of the system. That means for instance that as the task requirements/job descriptions of certain level managers (e.g. branch managers) in different insurance companies are

equal, their potential subjective opinions about the importance of leadership criteria might differ very slightly from each other.

How a company succeeds in competition will depend on how market-orientation is implemented in its products and services, above all how employees in contact with customers behave. All in all the deregulation process is a question of changing a bureaucratic organization into a lean and competitive one. The adaptation process is more acute when an organization moves directly from a monopoly position to open competition (Lindell, 1998). The Finnish insurance leaders should be conscious and alert to respond to the different kinds of effects of the deregulation process in the near future.

Seltzer and Bass (1987) showed that the transformational leadership factors of charisma, individualized consideration, and intellectual stimulation added substantially to the effects of initiation and consideration on subordinates' satisfaction and effectiveness. Initiation and consideration were conceived by them to be primarily transactional in nature.

The choice for the framework of the study

US insurance samples consisted of different level managers of the insurance companies (CEOs, second level and branch managers) whose tasks and responsibilities were different due to their status in the organization. In Finland my research samples consisted of subordinates and different level managers. A major problem in leadership research on the content of leadership behavior has been the identification of behavior categories that are relevant and meaningful for all leaders (Yukl 2002, 61-66). Because the majority of respondents were managers (e.g. second-level managers and branch managers) the taxonomy of traditional two-factor approach of task oriented and relations oriented dimensions was chosen which seemed to be appropriate enough for the purpose of the study in the insurance businesses of US and Finland. Ekvall&Arvonen have developed a three-dimensional model with specific change-, production- and employee-orientation behaviors concerning primarily top management. However, Cribbin's mainly transactional philosophy and standardized litany of manager's ritual responsibilities seemed to fit best also to the traditional two-factor approach as a taxonomy and framework of the study (cf. Figure 2, p.20).

Cribbin's facts about organizational leadership

Managers seek to be appropriate, compatible, and consistent. They try to make their behavior appropriate to the demands of the situation. According to Cribbin leaders have three principal guides: clue sense, cue sense, and negotiation sense. *Clue sense* is skill in picking up those signals that every organization sends out to the observant. Without clue sense, which sociologists call sensing ability, theory will amount to naught. *Cue sense* involves the ability to pick up the signals that significant individuals and groups send the manager. Without the cooperation of superiors, peers, and key subordinates, managers will encounter more failure than success. *Navigational skills* is a descriptive term that has little meaning unless specified in terms of identifiable strategies. According to Cribbin there are four basic strategies available for managers: *Collaborative strategies* are used to bring about mutually beneficial cooperation. *Accommodative strategies* are useful when the realities of a given situation do not allow for collaborative strategies. *Defensive strategies* should be relied on when things do not go as planned, at least temporarily, and the leader is striving to remedy the situation while preserving a win-win orientation. *Assertive strategies* are employed when the leader is convinced, or the situation demands, that a more forceful approach should be applied to a problem, decision, or course of action (Cribbin, 1981, 10-12).

2. RESEARCH METHODOLOGY

2.1. Critique of three earlier measurement techniques

Fiedler's LPC, Hemphill's LBDQ and Reddin's MSDT deal with leadership behavior evaluation basically from the same theoretical approach that there are the two factors that describe leadership: consideration and initiation of structure. Leaders' tendencies to be considerate and to initiate structure have generally been found to correlate moderately with each other, whilst being factorially and conceptually independent. Schriesheim, Kinicki, and Schriesheim (1979) conducted five studies into the extent to which consideration and initiation of structure are biased by leniency effects. Even though consideration and leniency are conceptually distinct, leniency explained most of the variance in consideration. Leniency is likely to continue to bias the results along with halo effects when single sources of variance are used to evaluate both leadership and outcomes. Self-ratings seem unlikely to indicate what leaders do, according to their subordinates. So, it would seem desirable to explore the possibilities of a multifactor approach, rather than to rest content with a two-factor solution.

Other criticisms that have been presented against the three questionnaires (LPC, LBDQ and MSDT) are that they fail to weight the timing, appropriateness, *importance*, and specificity or generality of responses. They may assess the circumstantial requirements of the job, rather than the leader as a person with discretionary opportunities to behave in the manner indicated (Bass, 1990, 514, 543).

Although the various conceptualizations of task-orientation have similar-sounding labels, their intercorrelations are not necessarily high. In fact they may point to different attributes of an individual. For example, Fiedler's determination of task-orientation, based on a leaders' rejection of a co-worker with whom they have found it difficult to work, does not correlate as highly with other approaches to measuring task-

orientation. That is why it is very important to review results in the light of variations because of the way in which task and relations-orientation are measured. The researcher might artificially create a separation into categories of task or relations-orientation, and conceptually leaders may be greatly concerned about both tasks and relationships or neither (Bass, 1990, 473).

So-called “switch-hitters” complicate matters further. Although an autocratic leader is likely to be directive and caught up with getting the work done and a democratic leader is likely to be participative and concerned about maintaining relationships, some benevolent autocrats, who pursue a patronizing leadership style, are nevertheless still likely to be concerned about their relationships and the needs of their followers. Likewise, highly task-oriented democratic leaders may encourage participation in decision-making in the interests of reaching high-quality decisions.

Relations-oriented leadership is likely to contribute to the development of followers and to more mature relationships. However, task-oriented leadership can be the source of expert advice and challenging motivation for subordinates.

Blake and Mouton (1964), Cleveland (1980), and many others, strongly advocate leadership that integrates both the task and the relations-orientations. Leaders have to be strong and decisive, yet sensitive to people (Calloway, 1985). Blake and Mouton (1964) argued that maximum leadership effectiveness occurs only when the leader, both highly concerned for production and highly concerned for people, integrates the human and task requirements of the job. The exclusively task-oriented manager is seen to treat employees as machines, to the detriment of the employees' commitment, growth, and morale. The exclusively people-oriented manager is viewed as running a “country-club, to the detriment of productivity” (Bass, 1990, 473-474).

Yukl argues that there is disagreement about what research methods (e.g. questionnaires and observation) are appropriate for studying leadership. There is much evidence that leader behavior descriptions are biased by attributions, stereotypes, and implicit theories. According to Yukl, most leader behavior description questionnaires ask how often each behavior is used rather than asking whether it is used in a skillful manner at an appropriate time (Yukl, 1989, 459-460).

Earlier techniques for measuring leadership have come in for strong criticism and were not relevant instruments for my research work. That is why I decided to develop an instrument of my own which could be more appropriate for the evaluation of leadership criteria at leader/subordinate levels in insurance companies in the US and Finland.

2.2. The survey questionnaire

2.2.1. Reliability

Cribbin's standardized litany of manager's ritual responsibilities served as a preliminary foundation for the questionnaire. This was primarily chosen on account of its comprehensive coverage of managerial tasks (Cribbin, 1981). Consequently its relevance for the purpose of the study was tested by interviewing five managers from different insurance companies in the Seattle-Tacoma area. After having added the remarks and new items suggestions of those insurance managers, the mutual exclusivity of all the items in the questionnaire was carefully checked by the researcher and the directing professor of Pacific Lutheran University. That meant that the contents and meaning of each item were compared with those of all the other items to find any equalities/inequalities between them. As a result, only those items were approved which represented an essentially new aspect in the leadership questionnaire. After that, 24 items remained in the questionnaire and their representativeness as compared with Cribbin's litany and Yukl's managerial practises was verified.

Yukl's managerial practices consist of the following categories (*my leadership criteria equivalents in parenthesis in italics*): Planning and organizing (*future strategy, organizing, staffing*), problem-solving (*MBO, job-related needs*), clarifying roles and objectives (*priority functions, reviewing work, allocation*), informing (*mutual trust, cooperation, feedback system of subordinates*), monitoring (*monitoring*), motivating and inspiring (*example leading, motivation*), consulting, delegating (*delegation, autonomy*), supporting (*cooperation, mutual trust*), developing and mentoring (*job-related needs*), managing conflict and team building (*mutual trust, MBO*), networking (*new challenges, flexibility*), recognizing and rewarding (*job-related needs*). Many of my equivalents are

not exactly the same as Yukl's but they are quite close to the same dimensions and emphasize the leadership practise of the insurance manager. Yukl's categories are generic enough to be widely applicable to different kinds of managers, but specific enough to relate to the unique situational demands and constraints confronted by an individual manager (Pöllänen, 2000). For further analysis leadership criteria in use were classified to task oriented and relation oriented items (cf. Figure 2, page 20).

In order to evaluate the reliability of the measurement device Cronbach's α -coefficient was applied. Cronbach's α -coefficient in American survey/Finnish survey for task-oriented items (14) was 0,86/0,84 and for relationship-oriented items (10) 0,80/0,84. Because Cronbach's α -coefficients for both task-oriented items (dimension Structure) and relationship-oriented items (dimension Consideration) are in both surveys over 0,8 that means that the internal consistency of the questionnaire was empirically good and reliable.

My basic assumptions in the comparison of the American versus Finnish results were that the questionnaire and its translation was so well done that comparable results could be obtained and my research methods used per se did not involve any systematic bias. The ability of the questionnaire to give non-random results has been further approved by statistical inference (correlation coefficient, correlation diagram, and factor analysis in Study 1, page 288). Thus the reliability of this survey is a clearer matter, because it has presented all subjects with a standardized stimulus and gone a long way toward eliminating unreliability in observations made by the researcher. Moreover, the careful wording and translation of the questions have also reduced significantly the subject's own unreliability.

Still it seems obvious that respondents have some kind of answering pattern when filling in questionnaires like this. In that pattern they don't emphasize very much the difference between task-oriented v. relationship-oriented items or between situational aspects. In order to increase the accuracy and reliability of the measurement level, I decided to raise it from ordinal scale to interval scale level. In that way you can minimize the effects of possible acquiescence which means that if you have numerous questions that deserve to be supported, there is a risk that many a respondent will answer to them in such a way that there is not very much discrepancy (e.g. using just numbers 1, 2, 3) between the different items. So you do not get enough variation to be

measured in your survey. Another possibility of error is that every individual uses his own answering scale (from 1 to 10). It means that the absolute estimates, e.g. averages, do not tell the whole truth because of the different evaluation level of every person. In order to change the evaluation level of every individual/group more comparable, the differences of two basic aspects of the survey have been calculated. The new variables are averages of the basic variables of the survey:

So *Tscore*-variable is an average of all those scores which are designated as representing all the Task-oriented items (14), and *Rscore* (10) the Relation-oriented items. After computing the averages of those two variable scores they were subtracted from each other in such a way that one new variable TRDiff was generated. This new difference variable measured on the interval scale the differences of the averages of the surveys' two main aspects.

The differences of averages of the main aspects of the two samples (Finnish/American) were also tested in order to find out the possible differences **between** them. The averages of *Tscore* (2,99/3,06), and *Rscore* (2,62/2,77) per se were quite near each other in the two surveys (averages in order American/Finnish) and the differences of averages were not statistically significant. So, I decided to go further and test the differences between the two samples' averages.

The difference between task-oriented v. relationship-oriented items was in the American sample 0,37 and in the Finnish sample -0,28. It means that American insurance leaders (n=30), as a whole, prefer to task-oriented criteria of leadership whereas Finnish insurance leaders (n=132) appreciate more relationship-oriented criteria of leadership (statistically very significant on $\leq 0,001$ level).

The different concepts used in the analysis are usually derived from the mental images (conceptions) that summarize the collections of seemingly related observations and experiences. Although the observations and experiences are real, one must remember that the concepts are only mental creations. The terms associated with the concepts here are merely devices created for the purpose of *filing and communication*. Specifying the different dimensions of a concept (e.g., as relationship motivated/task motivated) often paves the way for a more sophisticated understanding of what we are studying. Very often there is a chance to fall into the trap of believing that terms have real meanings. That danger seems to grow bigger when one begins to take the terms

seriously and attempts to use them precisely. Once you have assumed that terms have real meanings, you begin the tortured task of discovering what those real meanings are and what constitutes their genuine measurement.

Reification was avoided by making the survey questionnaire as simple and clear as possible for the executives/second-level managers to answer. After each question, I also left some space for respondents' comments - so they didn't have to accept my proposed criteria as a relevant device for measuring leadership criteria.

The original American English survey questionnaire was first translated into Finnish and then translated back into American English. Comparing the back-translated English text with the original and resolving differences by means of discussions with two English translators solved any possible non-equivalence in translations (Pöllänen, 2000).

The choice for the object of the study was the insurance industry because the environment of the insurance business had obviously become more turbulent and uncertain on account of deregulation and the September 11 catastrophe.

2.2.2. Validity

The strategy of the both surveys is the easiest and the most frequently used: especially paper- and pencil -"instruments". These are supposed to provoke behavior which is used to predict other behavior, both verbal in other situations and nonverbal. The validity of these predictions is assumed without further proof – as *face validity*. However, the questions were retested by the five interviewed American insurance leaders who accepted the questionnaire to be used in the US survey. Whereas a rigid test has to include the *predictive validity*; a comparison between predicted and observed behavior. That kind of comparison of behaviors was not possible in my research's strategy. Hence, the next best solution was to avoid putting all one's eggs into one basket: to use more than one approach to operationalization simultaneously, and look for convergence between these approaches. That was done only in America when including one case study (CEO's interview) to the whole research project (Pöllänen, 2000).

In comparison with American leaders' written comments (40% of the respondents gave comments) there were almost as many Finnish leaders (32%), who also gave written comments on questionnaire's different items. So you could conclude that the surveys interested respondents in both countries quite a lot. But Finnish leaders did not wish any ethical or visionary aspects to be added to the list of leadership criteria as compared to their American colleagues, who wished such increments. They were just criticizing the questionnaire and maybe trying to give "a good image of their leadership thoughts". But this is a question of *face validity*. The questionnaire has functioned well in practice and has been tested in five independent surveys (nearly 600 respondents) in US and Finland.

The criticisms against the other three measuring device (LPC, LBDQ, and MSDT) presented here earlier, were that they fail to weight for instance the timing, appropriateness, *importance*, and specificity or generality of responses. The ILCI measures the *importance* of leadership criteria in insurance business. *When you know what the intrinsic criteria used in business organizations are, you can go further and study in which way they are connected, e.g. with the effectiveness of leadership.* But you have to know first what the most important things to be investigated are before you can go further and ask why and in which way they are interconnected to other variables.

The implications of the improvements of the questionnaire require careful consideration. Now it represents a job description of insurance manager's most important daily routine and planning tasks. The possible augments in the pattern of variables of the questionnaire are ethical aspects. Based on the interview with an American CEO of a financial company, ethics still seems to be an intrinsic dimension that is explicitly missing from the items of the questionnaire (Pöllänen, 2000). Including explicitly ethical items to the questionnaire would need also another framework, theory to be tested.

3. EMPIRICAL RESULTS

In the following the evaluations of Finnish insurance personnel of the leadership style or the criteria they value most are presented (study 1 and 3: 1998 survey). After that the essential leadership style differences between American and Finnish insurance leaders are presented (study 3).

3.1. Finnish leadership criteria and styles

3.1.1. Finnish leaders' evaluations

Below a two-factor analysis and loading plot figures of the Finnish leadership style are presented as based on the answers of Finnish insurance leaders (1998) and their subordinates (2000 and 2003). The two-factor common variance of the variables is 36.4%. The biggest factor loadings on factor 1 were organizing, human resources, cooperation, delegation, autonomy, mutual trust, working conditions, staff development, customer needs and new challenges. Because the biggest loadings concern cooperation at the workplace in one way or another, the first factor is called the *cooperation factor*. The biggest factor loadings on factor 2 were priority functions, MBO, allocation, job-related needs, feedback system of subordinates, optimizing resources, monitoring and flexibility (cf. Figure 3 and Table 1 below). Because most of the variables represent some kind of supervising, controlling subordinates in their work environment, the second factor is called the *optimizing factor*.

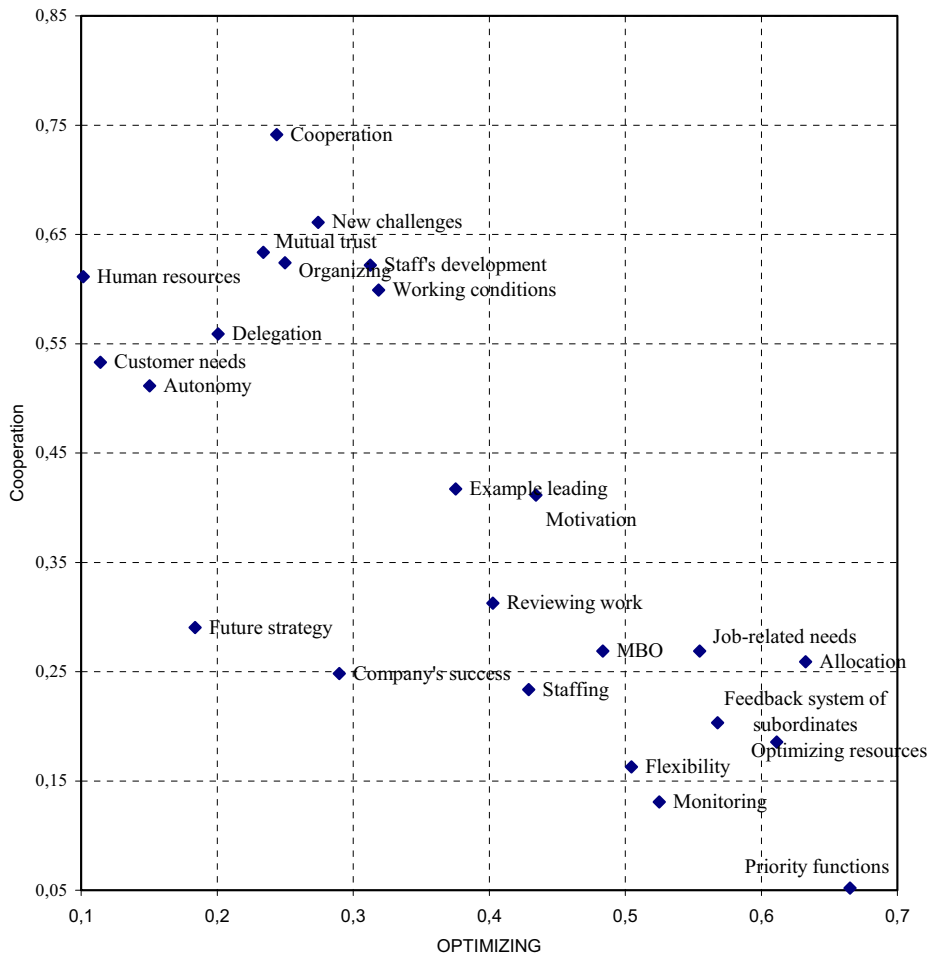


Figure 3: Loading plot of factors of Finnish leaders of insurance business (1998)

Table 1: Varimax rotated factor matrix (leaders 1998)

		Fact 1	Fact 2
<i>Name of the variable</i>	<i>Number</i>	<i>Cooperation</i>	<i>Optimizing</i>
Future strategy	1	0.29	0.18
Organizing	2	0.62	0.25
Staffing	3	0.23	0.43
Human resources	4	0.61	0.10
Leading by example	5	0.42	0.38
Cooperation	6	0.74	0.24
Delegation	7	0.56	0.20
Priority functions	8	0.05	0.67
MBO	9	0.27	0.48
Allocation	10	0.26	0.63
Autonomy	11	0.51	0.15
Mutual trust	12	0.63	0.23
Working conditions	13	0.60	0.32
Job-related needs	14	0.27	0.55
Feedback system of subordinates	15	0.20	0.57
Reviewing work	16	0.31	0.40
Staff development	17	0.62	0.31
Motivation	18	0.41	0.43
Optimizing resources	19	0.19	0.61
Company's success	20	0.25	0.29
Monitoring	21	0.13	0.52
Customer needs	22	0.53	0.11
New challenges	23	0.66	0.27
Flexibility	24	0.16	0.50

3.1.2. Finnish subordinates' evaluations

What do *Finnish subordinates* think about their company's leadership? Although the leadership practise of the respondents' companies had not changed during 2000, over half of the Finnish employee respondents with comments on the leadership practise were of the opinion that the leadership and leadership criteria of the insurance company were not in order. The above-mentioned reflects something of a permanent crisis in insurance companies' leadership and was also verified by the follow-up survey in 2003. The arrival of new young leaders, an organizational change, a more humane and open management policy, the decentralization of responsibility, team-building and assertiveness by leaders were regarded as positive reflections of leadership. Correspondingly, the arrival of new leaders, team-building, an organizational change and the enhancement of accountability were considered to be negative change signals. Subordinates were of the opinion that changes in management practise have either positive or negative consequences. Evidently, it largely depends on the leader and on the manner of implementing guidance methods (e.g. team-building, management by objectives), or how followers experience the real benefit or disadvantage of each method of leadership (study 1). As a rule, insurance leaders appreciated the importance of leadership criteria more than their subordinates did (Pöllänen, 2004, 26). The employees of insurance companies evaluated their leaders and their leadership style more critically than the leaders themselves did, which is consistent with earlier research findings (Bass, 1990).

Implicit leadership theories can be a source of biased ratings in leadership behavior questionnaires because they influence the expectations that followers have of their leaders and their assessment of leaders' actions. Although the survey questionnaire was aimed at measuring the importance of leadership criteria in his or her company, the respondent might have personalized the criterion concerned as an evaluation of the actions of the leader of that company. In that way leaders who do things that are relevant for the situation but inconsistent with their followers' expectations may be evaluated less favourably than leaders who conform to role expectations. If most followers in a survey have a similar implicit theory, their biases might influence the factor structure found in a leader behavior questionnaire (Yukl, 2002, 129).

Table 2: Varimax rotated factor matrix (subordinates surveys 2000-2003)

Variable	Number	<u>Survey 2003</u>		<u>Survey 2000</u>	
		Fact 1	Fact 2	Fact 1	Fact 2
		Cooperation	Monitoring	Cooperation	Monitoring
Future strategy	1	0.52	0.46	0.43	0.39
Organizing	2	0.61	0.53	0.65	0.33
Staffing	3	0.60	0.51	0.68	0.30
Human resources	4	0.26	0.60	0.55	0.32
Example leading	5	0.72	0.36	0.68	0.24
Cooperation	6	0.93	0.22	0.91	0.14
Delegation	7	0.67	0.25	0.48	0.41
Priority functions	8	0.46	0.58	0.24	0.55
MBO	9	0.36	0.70	0.36	0.61
Allocation	10	0.38	0.51	0.31	0.62
Autonomy	11	0.72	0.34	0.66	0.34
Mutual trust	12	0.92	0.27	0.85	0.26
Working conditions	13	0.82	0.38	0.82	0.27
Job-related needs	14	0.67	0.42	0.80	0.31
Feedback system of subordinates	15	0.49	0.53	0.48	0.48
Reviewing work	16	0.28	0.60	0.15	0.69
Staff development	17	0.60	0.56	0.41	0.68
Motivation	18	0.72	0.45	0.63	0.46
Optimizing resources	19	0.49	0.61	0.47	0.61
Company's success	20	0.12	0.65	0.29	0.68
Monitoring	21	0.19	0.71	0.08	0.74
Customer needs	22	0.58	0.47	0.53	0.53
New challenges	23	0.56	0.56	0.45	0.58
Flexibility	24	0.77	0.31	0.60	0.44

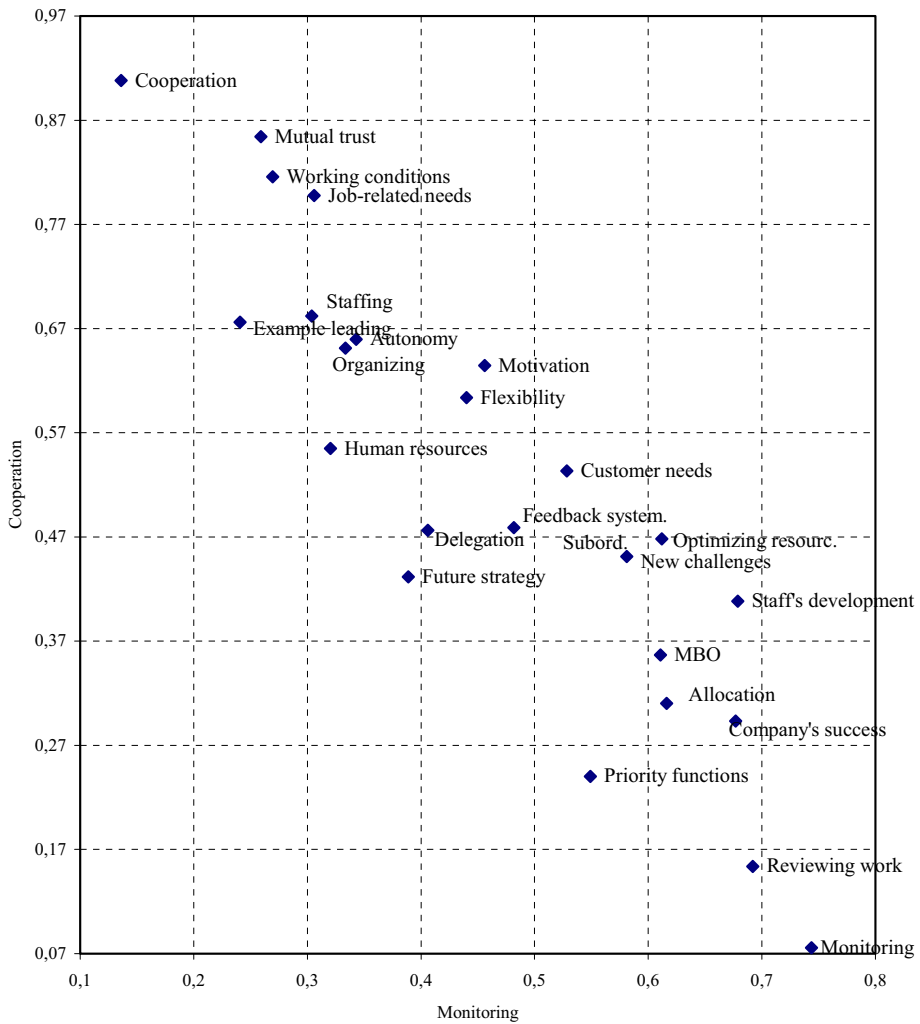


Figure 4: Loading Plot of factors of Finnish subordinates of insurance business (2000)

In the 2000 survey of subordinates, the two factors' common variance of the variation of variables is 55.4 %. The biggest factor loadings on factor 1 were future strategy, organizing, staffing, human resources, leading by example, cooperation, delegation, autonomy, mutual trust, working conditions, job-related needs, feedback system of subordinates, motivation, optimizing resources, customer needs, new challenges and flexibility. Because most of these have to do with cooperation in working life in one way or another, the first factor is called the cooperation factor.

The biggest factor loadings on factor 2 were priority functions, MBO, allocation, feedback system of subordinates, reviewing work, monitoring, reviewing work, staff development, motivation, optimizing resources, company's success, monitoring, customer needs and new challenges. Priority functions, MBO, monitoring and reviewing work are aspects of controlling how well work is done and staff development is an instrument for ensuring the company's overall success. That is why the second factor is labelled monitoring. The loading plot of the factors cooperation and monitoring in Figure 4 on the next page is drawn on the basis of the two-factor solution in Table 2, page 36 (2000 survey of subordinates).

The factor analysis in the 2003 survey of subordinates produced in practise the same kind of two-factor solution result as in the 2000 survey of subordinates, which means that the dimensions found were valid irrespective of the different time period and leadership practise in use. Next the results of studies 1 and 2 are presented on the stableness of leadership criteria evaluations.

3.2. How stable are leadership criteria over time? (studies 1, 2)

3.2.1. How stable are the leadership criteria of Finnish insurance subordinates over time? (study 1)

There has been very little longitudinal leadership behavior research, e.g. on the relationship of the time/business cycle as a contextual factor.

In two surveys (2000/2003), evaluations by Finnish subordinates of the importance of their company's leadership criteria seem to be quite stable in spite of the changed situation (large-scale dismissals, change of leadership practise in use or time period).

As in 2000, 51% of the subordinate respondents (n=191) said that the management system of their insurance company was up to standard, whereas in 2003 only 22% of respondents (n=173) were similarly disposed. The samples in 2000 and 2003 were not identical. What happened between 2000 and 2003? According to 69 % of the respondents in 2003, management practises had changed over the last three years. And employees were not happy with the changes that had taken place. There had been a sharp increase of large-scale dismissals, especially in the biggest insurance companies (Pohjola and If), which was also evident in the responses by subordinates in those insurance companies.

The basic social security and protection against summary dismissal for employees had been questioned and put at risk. That is why leaders and their leadership criteria were not rated highly by employees in 2003 compared to 2000, for example. However, subordinates' preferences in terms of the evaluation of leadership criteria were essentially the same irrespective of their response to the question: "Is your company's management system up to standard?", which provides further support for the argument that *subordinates' evaluations of their company's leadership criteria appear to be quite stable in spite of the different situation/time* (Pöllänen, 2003).

3.2.2. How stable are the leadership criteria of US insurance leaders over time? (study 2)

In two surveys (1997/2002), US insurance leaders' evaluations of the importance of their company's leadership criteria seem to be quite stable in spite of changes in the market situation (soft or hard market).

In study 2, an investigation of the US insurance industry was carried out. Management behavior was studied in the beginning and at the end of the five-year period 1997-2002. 1997 marked a soft period in the market and an environment where insurance was plentiful and sold at lower cost, also known as a buyer's market. 2002 was a hard market and a seller's market where insurance was expensive and in short supply.

Summarizing the main results, one could say that compared to their colleagues in 1997 insurance managers in the Pacific Northwest in 2002 seem to have changed their evaluations of the importance of leadership criteria only slightly: most of the leadership criteria (22 out of 24) were approximately at the same level as in 1997. That might imply that the management of people had not changed over five years, but that the way the business was managed, for example during a hard market period, had changed.

My working hypothesis is that opinions about leadership criteria depend partly on the economic circumstances in the insurance market and reflect the softness or hardness of the market situation. However, it is not necessary to change one's basic leadership style completely every year. But depending on the issue at stake and the market situation (logistics, investment decisions, premium rates etc.), leaders can call on help from specialists and choose the best practise to be applied without changing their basic leadership style. Choosing the right option in a certain situation can be a daily routine or a strategic decision that demands a more thorough decision and strong leadership. In a hard market situation, leaders must clarify the goals of the company and

give new instructions personally to subordinates in order to make money in hard competition. That will demand a more task-oriented leadership style and technical skills. During soft market periods leaders may well have more time for a relations-oriented style and training people's skills and granting autonomy, gaining cooperation from and among people and motivating them.

The insurance environment changed fundamentally in 2002. Leading by example was one criterion that was more important to managers in 2002 compared to managers in 1997. Leading by example emphasizes important values and demonstrates commitment to the leader's vision and strategy. It would seem natural for transformational/change behavior to be evaluated especially highly during the hard business cycle in the US insurance market in 2002. Staffing to get today's job done was the other important task identified by managers in 2002 compared to their colleagues in 1997. Leaders had to put in place a jobs structure and staff it with individuals suited to the jobs, provide training for those who needed it and decide how much authority to delegate and to whom (Kotter, 1990, p. 45). 2002 was a seller's market: premiums were high and profitable investment policy was the main goal of insurance companies. And during a hard market period everyone in the company must move in the same direction and make money. That would obviously imply a clear transition from a relations-oriented leadership style to a more task-oriented style and decision procedure. In a turbulent market period more directive leadership is needed, which means giving orders with or without explanation. Thus the stability of the market in which a company operates will obviously affect the behavior of leaders (Bass, 1990, p. 567).

The internal market system in the US is organized to stress financial returns and to motivate managers to achieve financial targets. Because managers are measured on their short-term performance, their investment goals understandably focus on the near-term appreciation of the share price (Porter, 1998, p. 440). The leadership criteria printed in bold italics in Figure 6 page 56 (organizing, delegation, mutual trust, human resources and job-related needs) are examples of criteria that lay great emphasis on making money efficiently at the behavioral level and thus on performing like managers in the United States as a rule do: individualism, competition, the pursuit of immediate profit and the recognition of professionalism reigning supreme.

Study 2 suggests that during a soft market period (buyer's market) managers use a more relations-oriented leadership style and correspondingly change their leadership style to a more task-oriented style in a hard market phase (seller's market).

As regards studies 1 and 2 (stability of leadership criteria over time, RQ3 and RQ4), it seems that the leadership criteria are quite stable irrespective of the comparatively short time period (3–5 years) and hierarchical level (subordinate/leader). Leaders have major difficulties in changing their leadership style. In fact, in order to bring about an efficient organizational change in the company you have to alternate the leader.

Next future global leadership will be dealt with resulting the light of the findings of the survey of US and Finnish insurance managers. The United States represents one extreme of a captured free economy and Finland the other end of the extreme – a social deregulated economy.

3.3. Future global leader

The oligopoly situation in the Finnish insurance markets and the high centralization ratio mean that competition is not effective enough. In recent times, insurers have increasingly been forming groups, and the trend has meant further concentration in the market. On an European scale, however, Finnish insurance groups are still comparatively small. Only a few foreign insurance companies are active in the Finnish insurance market so far. European insurance prices and conditions are largely subject to market forces, with government regulation being restricted mainly to solvency control. International competition in the Finnish insurance market will probably increase in the near future (Pöllänen, 2000).

Methods of distribution and regulation are going to change in Europe. Consolidation of the insurance and banking businesses is underway in Finland. However, financial centres in the Nordic countries are still too small to satisfy the demands of European or global markets. Global competition, changes in the ownership

structure of companies and national culture have imposed new challenges on future global leaders.

3.3.1 Where are leadership criteria heading in global insurance markets? (study 3)?

Finnish insurance leaders seem to be more interested in organizing, staffing, and leading by personal example (Figure 5, next page), whereas their American colleagues prefer creating a climate of cooperation and mutual assistance. Budgeting the four major assets (time, thought, talent, and behavior) or optimizing all the resources of the company is also more important to Americans than to Finnish leaders. The discrepancy in the evaluations of Finnish and American insurance leaders shown by this budgeting aspect variable is really so big that one might even think that they did not think the matter through properly. Otherwise the result implicates a really big cultural evaluation gap between Finnish and American insurance leaders (Pöllänen, 2000).

On the whole, American insurance leaders prefer task-oriented leadership criteria, whereas Finnish insurance leaders appreciate relationship-oriented leadership criteria more. American leaders also prefer to use power of their position as a leadership instrument. According to Yukl, effective leaders exert both position and personal power in a clever way that minimizes status differentials and avoids threatening the self-esteem of others. These leaders attempt to empower followers in ways that are appropriate for the situation. They use power in ethical ways and seek to integrate the competing interest of different stakeholders (Yukl, 2002, 426).

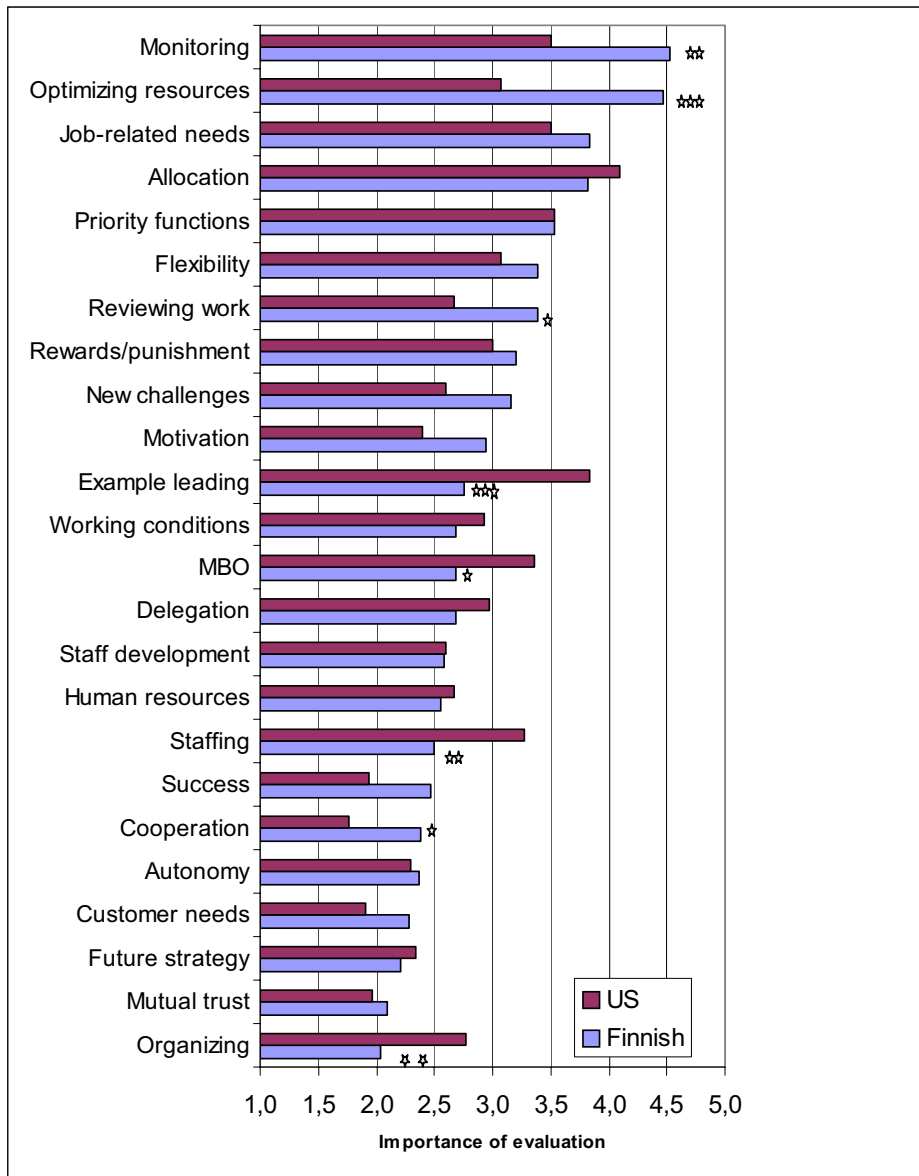


Figure 5: Leadership criteria differences between US and Finnish insurance managers; 1=very important, 10=not important (*) $p < 0,001$; ** $p < 0,01$; * $p < 0,05$, two-tailed test)**

With regard to Figure 5 above, a typified interpretation of a US/Finnish business manager is as follows:

Table 3: Comparison of US and Finnish managerial style

Managerial dimensions	US	Finnish
Type of cooperation	Free competition (e.g. <i>monitoring, optimizing resources, reviewing work and cooperation</i>))	Socially restricted (safety net) free competition (e.g. <i>leading by example, accountability, staffing and organizing</i>)
Initiative	Personal initiative and decision-making	Collective decision-making
Rights	Individual rights	Collective (employees') rights
Role of company	To promote personal goals	To promote societal goals

US insurance leaders prefer to cooperate, monitor and optimize all the resources of the company, which is consistent with the three roots of the American leadership model (individualism, cooperation, and authoritarianism), as discussed by Lipman-Blumen (1996). Finns could probably learn more effectiveness from US leaders in order to succeed in doing business better in the more deregulated environment of Northern Europe. On the other hand, US leaders could probably learn something about the sense

of social responsibility of the Finns by focusing more on organizing, staffing and leading by example, variables that generally represent more a sense of social responsibility and flexibility (Table 3 above).

Many companies have no particular identity, but are distinctly Northern European. Working life is changing dramatically in that international companies require the assistance of regional operators. Individual local markets are simply too small to be of sufficient interest for Anglo-American private-equity houses to establish a local presence. That is why they need Northern European hubs for capital markets activity in the region. A particular interest of the study has been Finnish managers who can serve as a good example of Northern European managers.

4. DISCUSSION AND IMPLICATIONS

The research questions of the study were:

RQ1: What kind of leadership criteria do subordinates in Finnish insurance companies appreciate?

RQ2: What kind of leadership criteria do Finnish insurance leaders appreciate?

RQ3: How stable are the leadership criteria of Finnish insurance subordinates over time?

RQ4: How stable are the leadership criteria of US insurance leaders over time?

RQ5: Where are leadership criteria heading in global insurance markets?

The following section discusses research questions RQ1, RQ2, RQ4, and RQ5 and after that is presented the findings and aims of the study, a presentation of the applicability of the questionnaire and the theoretical implications of the study.

4.1. Findings

4.1.1. The leadership criteria of Finnish leaders and subordinates (studies 1 and 3: survey 1998)

What kinds of leadership criteria do Finnish insurance leaders and subordinates appreciate? (RQ1, RQ2)

Cooperation factor

Finnish subordinates and leaders agreed on the following cooperation factors: organizing, human resources, cooperation, autonomy, mutual trust, working conditions, customer needs, and new challenges. Finnish leaders thought that only staff development was missing from the set of cooperation variables. In addition to the common factors agreed upon, Finnish subordinates thought that cooperation also presupposes at least the following aspects: staffing, leading by example, feedback system of subordinates, motivation, optimizing resources, and flexibility. Staffing, optimizing daily resources, having a feedback system of subordinates, and a certain amount of flexibility in leadership are important tasks for a leader and they ought to be done in the proper way. But Finnish insurance leaders disagreed in some extent with their subordinates in these matters. Insurance subordinates wanted their superiors to motivate them to do the job by giving them an example.

Motivation and leading by example are basic leadership skills that Finnish insurance leaders seem to lack, according to their subordinates' evaluation (cf. Table 1, Table 2). However, leading by example is not a good basis for managers to lead because it can demoralize employees in the long run. The power motive of a leader comes in two forms: personalized or socialized. A leader with personalized motivation draws strength from controlling others and making them feel weak, while the strength of a leader with socialized motivation comes from empowering people (Spreier et al, 2006, 75-77). Finnish insurance leaders seem to be more socially motivated and emphasize more the empowering aspect of leadership.

Monitoring/Optimizing factor

With regard to the second factor, subordinates and leaders agreed on the following variables: priority functions, MBO, allocation, feedback system of subordinates, optimizing resources, and monitoring. Leaders added only flexibility to the optimizing factor. Subordinates, however, thought that monitoring requires feedback system of subordinates, reviewing work, staff development, company's success, customer needs and new challenges. Feedback system of subordinates, reviewing work and staff development are clearly aspects of monitoring people, whereas the company's success, customer needs, and new challenges are business objectives which ought to be among a leader's preferences. In fact two of them (customer needs and new challenges) featured among leaders' responses to the cooperation factor. But the company's success was not at all an important issue for Finnish insurance leaders (cf. Table 1)!

Are Finnish leaders ashamed/afraid to do what they should be doing? Or do they think that these basic tasks are well enough taken care of so that they can concentrate on other intrinsic issues/leadership criteria at the workplace? And there are also shop stewards, whose main role is to solve disagreements between employees (subordinates) and employers (managers). They ought to mitigate any misunderstandings and discrepancies between parties, due for example to different interpretations of the monitoring/efficiency factor in practice (cf. Table 1, Table 2). Table 4 below shows that the parties only have three leadership criteria in common in the top ten preference list.

Table 4: Top ten leadership criteria preferences of Finnish leaders and subordinates

Leaders prefer most	Subordinates prefer most	Differences
<i>On factor cooperation</i>	<i>On factor cooperation</i>	(+=same;-=diverse)
Cooperation	Cooperation	+
Mutual trust	Mutual trust	+
Working conditions	Working conditions	+
Staff development	Motivation	-
New challenges	Flexibility	-
<i>On factor optimizing/monitor</i>	<i>On factor optimizing/monitor</i>	
Priority functions	Human resources	-
Allocation	MBO	-
Job-related needs	Reviewing work	-
Feedback system of subordinates	Company success	-
Optimizing resources	Monitoring	-

The study investigates the leadership criteria assessments of both employers and employees in the Finnish insurance business using the same measurement device (ILCI). The two-factor solution of the study seemed to show a very similar picture of both Finnish subordinates' and managers' leadership style preferences as assessed by the importance of leadership criteria. Of course, the emphasis and contents of factors as expressed by managers and their subordinates were different, depending on their different position in the organizational hierarchy. Finnish insurance leaders seem to lack three essential leadership criteria: motivating their subordinates, leading them by personal example, and emphasizing the importance of the company's success.

What kind of leadership style do subordinates desire from their superiors and the company as a whole? They prefer a style which includes leading by example, autonomy, mutual trust, staff development, good working conditions, respect for job-related needs, and cooperative reviewing and monitoring. In an employment relationship they value a cooperative, trustworthy, and secure employer. But they have been heavily disappointed in their expectations because of the large-scale dismissals in the insurance sector, which clearly affected the erosion of confidence between subordinates and managers (Pöllänen, 2003).

Earlier findings suggest that emotional experiences seem to mean more to subordinates than to leaders. That might also be connected to the psychological aspects of being in a superior or inferior role (Glaso & Einarsen, 2006, 70). Glaso & Einarsen (2006) found that leader-subordinate relationships are strongly colored by positive and negative moods and especially by four basic affective factors: recognition, frustration, violation, and uncertainty. These factors correlate strongly with subordinates' job satisfaction and the quality that they experience in interaction with their immediate superiors. Interviews with three Finnish insurance shop stewards (Pöllänen, 2004) revealed very strong emotions and emotionally laden judgments about their immediate superiors, which is consistent with the findings of Glaso & Einarsen (2006). Junnola & Juuti (1997) found that the difference between the values and reality of subordinates has to do with tension, which means inner psychological contradictions, dissonance. Their research results suggest that the pressure to change was very high when it came to rewarding, participation, and human relations.

However, the first factor, *cooperation*, was almost the same for both employees and employers. Evidently both parties are searching for consensus in their human relations. Managers ought to pay more attention emotionally to subordinates who might feel a lack of recognition and maybe fear losing their job. The parties are not equal in their mutual negotiations (employer vs. employee) because the employer has a greater claim to interpret the laws and agreements to be applied. Shop stewards in insurance companies are a group of trusted followers and represent an in-group for leaders and function as negotiators/advisors in collective agreements. All shop stewards have approved the values and objectives of the leaders of their companies, which mean that they in a way share the visions of their leaders and thus are better prepared to support them when help is needed (Pöllänen, 2004).

There is no doubt that Finnish leadership styles are also influenced by certain transformational leadership traits such as charismatic leadership and individualized consideration. In this study the two transformational traits become apparent, especially in the strong emphasis on cooperation and mutual trust by both subordinates and managers. The similarity in the factors cooperation and monitoring (or optimizing) compared to the dimensions of task and relations-orientation is pronounced and supports earlier findings, e.g. the significance of Fiedler's situational moderator variables (leader-member relations, leader position power and task structure). Thus both parties (employees and employers) admit the necessity of the two dimensions (cooperation-monitoring) in working life. The real problem is how to emphasize and balance them in real life in such a way that both parties are happy to work together on a common basis.

The similarities of this study's results to Vesa Suutari's ecological factor analysis with two dimensions labelled social orientation and work orientation are quite clear because cooperation as a concept is close to social orientation and monitoring/optimizing implies merely a work orientation or controlling work.

The biggest difference between the two studies in this regard is that the items customer needs and new challenges are variables that are typical for making money in the insurance industry and are not included in Suutari's study. But in Hofstede's/Suutari's classification providing a conceptual vision is close to the item

new challenges, which is defined in the questionnaire as *'Seeks to tune in on new pressures, new developments, innovations and new requirements that may subtly or sharply alter how they go about their work'*. So the human resources item in Finnish insurance leadership is supplemented with the capacity to provide a vision. In Suutari's study (1997, 171), Finnish managers stressed the need to informing their subordinates and provide them with a vision of the future, which is in line with the present study.

The results of the present study support the findings of earlier studies (Hofstede 1984, Suutari 1997) that searched for cultural dimensions, although these earlier studies dealt with different variables. Two cultural dimensions, called cooperation (social orientation) and optimizing (work orientation), that differentiate national cultures in Europe were also identified among Finnish insurance managers. The cultural dimensions identified by subordinates were mostly in line with those of their managers, whilst emphasizing more the aspect of monitoring employees, which could be seen from their point of view as another element of managers' optimizing requirements

4.2. Time factor and other possible explainers of leadership criteria opinion changes (study 2)

How stable are the leadership criteria of US insurance leaders over time? (RQ4)

Insurance managers in the Pacific Northwest seemed to change their evaluations of the importance of leadership criteria only slightly during the five-year period 1997–2002 (cf. page 40). Organizational changes, mergers, new leaders, and the change in leadership practises in respondents' companies are obvious background factors that affected the opinions of insurance managers in the Pacific Northwest in 2002. The disaster of September 11 2001 and some basic fundamentals of making money like timing and the investment policy of an insurance company are obviously also some of the common background factors affecting the whole policy and leadership style of insurance leaders in the United States in 2002. The same conclusion could be found in two respondents' written comments in the 2002 survey.

According to Walter Wehrmeyer (1995, p. 85), cultures change very slowly and success is often not directly tangible within two years. He thinks that successful cultural transformation lies in the congruent communication between personal and organizational values and beliefs. According to Wehrmeyer successful environmental management styles enable, facilitate, and support rather than monitor, control, and dictate. According to the qualitative comments on the 2002 survey questionnaire, leadership practise had changed in recent years in almost all the companies and organizational changes had occurred in two thirds of the respondents' companies. In most cases the organizational change had meant hiring new CEOs, new managers, flattening the leadership structure, decentralizing and departmentalizing the organization, moving away from low-profit capital-intensive lines of business, moving to more project-related teams, introducing new products and methods for agents, and selling and buying companies (mergers). New leaders in the business generally meant reorganization, new strategies and operations.

Gary Yukl (1989) emphasizes that it is difficult to assess the effectiveness of a leader because there are so many alternative measures of effectiveness, and it is not clear, for example, how to assign a weight to each measure. According to him, negatively correlated multiple criteria are especially troublesome because there are trade-offs among criteria – as one increases, others decrease. He gives an example of this kind of relationship between criteria: growth in sales and market share by cutting prices and increasing advertising is sometimes achieved at the cost of lower profits. On the other hand, profits may be increased in the short run by eliminating costly activities that have a delayed effect on profits (e.g. equipment maintenance, research and investments in new technology and employee skills training). Consequently increased investment in these activities is likely to reduce immediate profits but increase long-term profits. Furthermore Yukl argues that there is a considerable delay (months or years) before the effects of leaders' actions are evident. These end-result criteria are more likely to be influenced by extraneous events such as the economy and market conditions (Yukl, 1989, 7).

Bass states that an attribute of the outside environment that is likely to influence leaders' behavior is the stability of the market in which a firm operates. In a stable

market phase less total leadership is needed and more substitutes for leadership can be employed. Policies can be set and leaders can be directive when needed. In a more turbulent market situation more leadership, and particularly continual consultation basis, will be needed (Bass, 1990, 567).

In order to provide further explanation for the effect of time factor, two organizational explainers were added: management level and company size. Their relevance as possible explainers is due to earlier management research: a manager's level in the authority hierarchy of the organization has appeared to be one of the most important situational influences on the manager's activity patterns (Mintzberg, 1973). The implications of work unit size or "span of control" for leader behavior have been investigated in several types of research, ranging from studies with small groups to studies of chief executives. Managers of larger organizational subunits have been found to have more demanding jobs compared to managers of smaller units (Yukl, 2002, 35). The American managers in this study were classified into two management levels: executives and second-level managers.

In study 2 the size of the company was operationally measured by the amount of salesmen (<200) the company had. When drawing a parallel between the concepts "size of the organizational unit" and "size of the company", it is important to emphasize the particular leadership style which the leader had to have in order to cope with the work load and pressure caused by the different amount of subordinates which s/he had. But how can the dramatic economic turbulence in the US insurance market in 2002 be explained by possible shifts in leadership criteria evaluations?

Three-way variance analysis

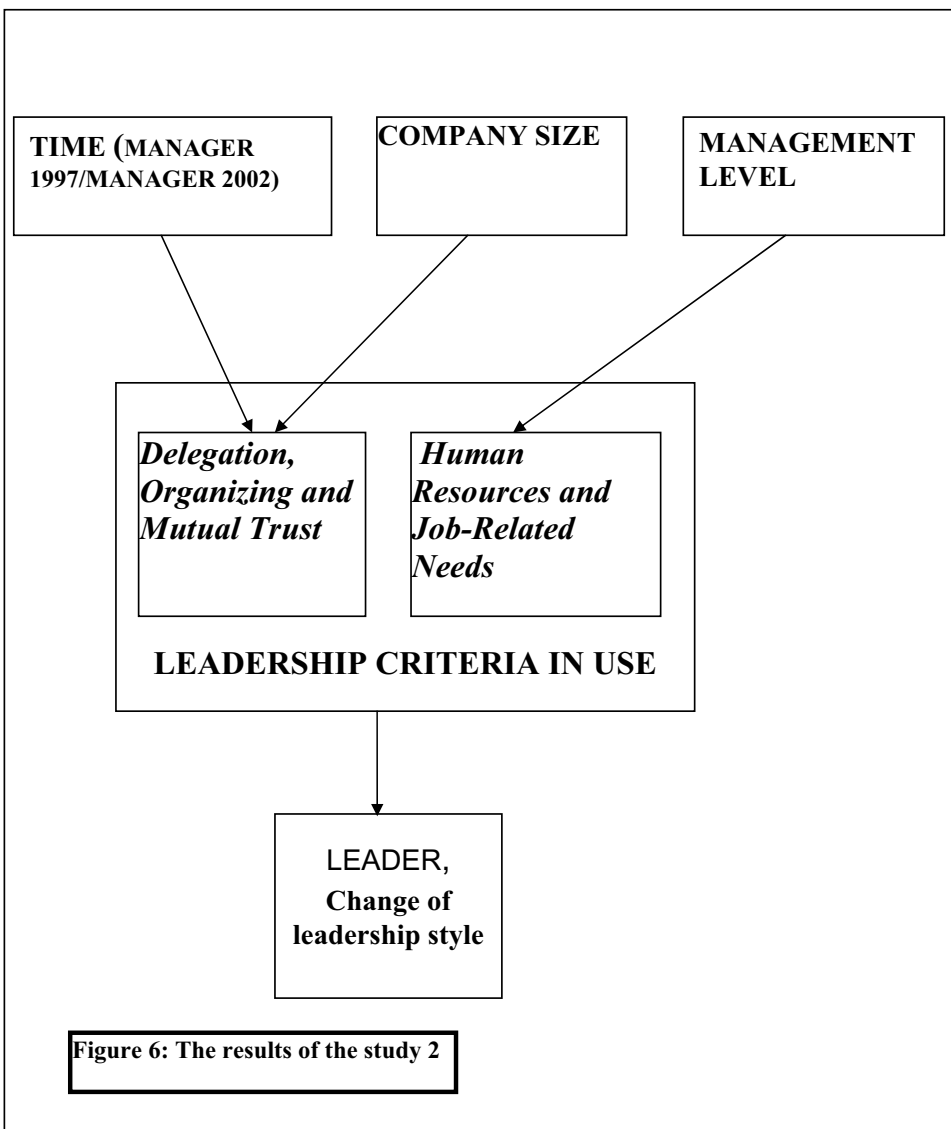
Five dependent variables (Organizing, Human Resources, Delegation, Mutual Trust, and Job-Related needs) were statistically significant at the 0.05 level and six variables (MBO, Staff Development, Success, Customer Needs, New Challenges and Flexibility) were statistically indicative at the 0.1 level when combined with the three background factors *management level*, *size of the company*, and *time*. According to three-way variance analysis, the different time period (soft or hard market situation) and company size seem to have affected three leadership criteria: insurance managers in big companies in 2002 seemed to rate *organizing*, *delegating*, and *mutual trust* more highly than their colleagues did five years earlier (Figure 6 on next page). The statistically significant leadership criteria found in the study are given *in italics* inside the sub boxes containing leadership criteria.

Over the same period managers in small companies seem to have lowered their evaluation of the same variables. What is the reason for this apparent shift? Why did those three leadership criteria become more important to big company managers than to small company managers? Can it be explained by the soft/hard market situation? Partly yes, but possible other reasons for the evaluation shift can be found, e.g. in regional and politico-cultural factors, mergers and the size of the organization (economies of scale).

Organizing the manpower, money, machines, methods, and materials of the firm into well integrated units so that objectives may be attained is a much bigger and time-consuming project in big companies than in smaller ones. The economic pressure to make the right decisions is also different in big/small companies. Delegation is also more important in larger organizations than in smaller ones. In a hard market period managers must “organize” to create human systems that can implement strategic plans as efficiently as possible.

Analyzing the six variables’ tests of between subjects effects (MBO, staff development, goal achievement, customer needs, new challenges, and flexibility), which had an indicative statistical significance in the corrected model, at least at the 0.1 level, an interesting point was that CEOs in big companies in 2002 emphasized the leadership criteria of goal achievement, new challenges and flexibility more than in 1997. They

were also more interested than before in organizing, MBO, and delegation but not in human relations, job-related needs, and staff development. One could conclude that these shifts in CEOs' emphases (especially on the criteria of success, new challenges, flexibility, organizing, MBO, and delegation) are consistent with the turbulence in the insurance markets in 2002: strong and more decisive top-down management action and proactive strategic leadership were needed under changing circumstances to encourage and lead adaptive behavior among other leaders and subordinates of the company.



The same kind of opinion shift was to be found when cross-tabulating management level and the size of the company. Compared to their colleagues in small companies, executives in big companies thought that it was not so important to take care of human resources and the job-related needs of staff. But among second-level managers in big and small companies the situation was reversed: big company managers rated the variables human resources and job-related needs more highly than their colleagues in small companies. How can these results be explained?

In big companies it is mainly the task of second-level management to take care of HRM and maybe that is why they rated that criterion as important. Human resource management and taking care of the staff's job-related needs is not the primary task of executives. In smaller companies one might think that executives have to participate more in HRM and related matters. Consequently one could also reason that second-level managers in small companies are not always ultimately in a hierarchal position to assess HRM. However, one has to take into account the turbulent environment in the insurance business in 2002, which must have affected both big and small company managers and their insurance and HRM policy (e. g. higher premiums to cover risks and lower capital gains).

The Pearson correlation between the factor scores 1 and 2 was 0.446 and was significant at the 0.01 level (2-tailed). Using REGR factor score 1 (called *the leadership-member relations/human resource management factor*) as the dependent variable and the number of salesmen, management level, and manager 1997/manager 2002 as independent variables in three-way variance analysis, the corrected model was significant at the 0.01 level. In that corrected model the interaction of the number of salesmen and manager 1997/ manager 2002 was statistically significant at the 0.05 level and the interaction of the number of salesmen and management level was significant at the 0.001 level. So one could conclude that all the three independent variables of the study (number of salesmen, management level, and time aspect variable, i.e. manager in 1997 vs. manager in 2002) provide further explanation for the shift in the evaluation of leadership criteria among insurance managers in the Pacific Northwest between 1997 and 2002.

4.3. Explaining the interdependence of the main background variables by the American survey 1997/Finnish survey 1998 data

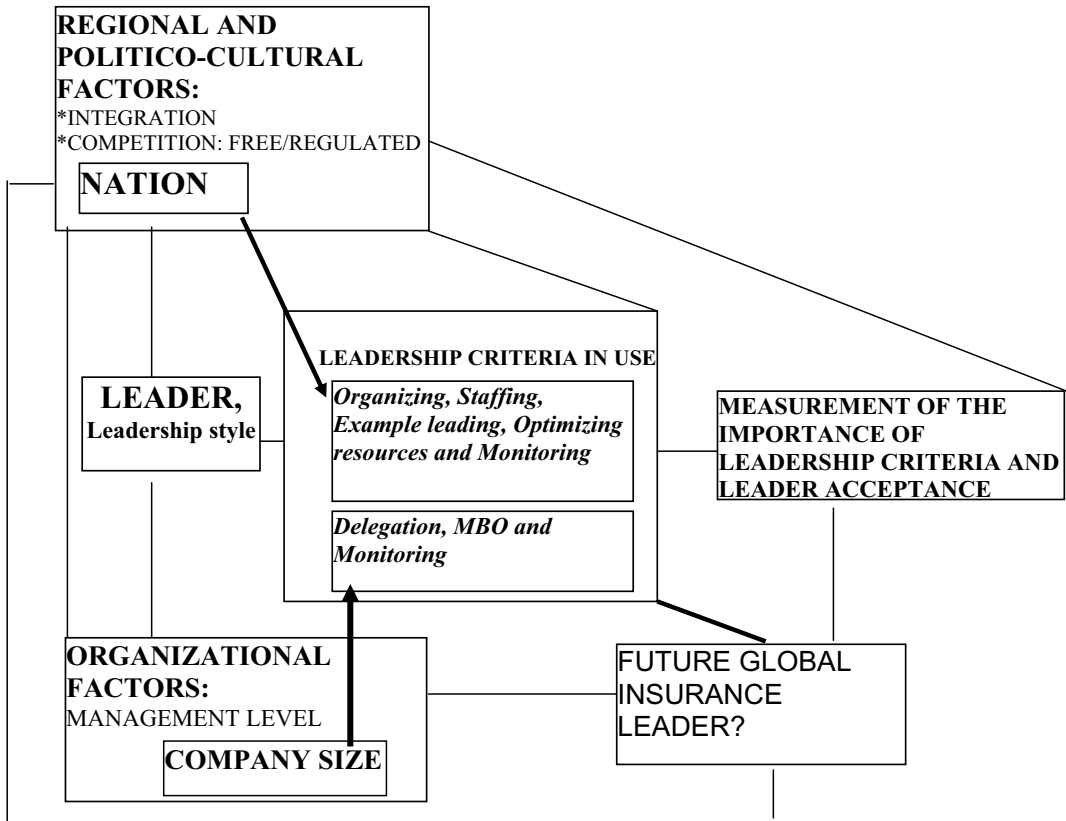


Figure 7: Revised framework of the study

When testing the three background variables of the framework as X variables following leadership criteria as Y variables were significant: *Organizing, Staffing, Example leading, Delegation, MBO, Optimizing resources, and Monitoring* (Figure 7 above).

The best regressor of leadership criteria was nationality (in *Organizing, Staffing, Example leading, Optimizing resources, and Monitoring*). Level of management was not significant at all in explaining the variation of Y and finally the company size was explaining the variation of the criteria of *Delegation, MBO, and Monitoring*. The best common multiple correlation effect and explanation of the three background variables was obtained by the variable **Monitoring**: the big company bosses do not care much about monitoring their subordinates because they obviously have some more important work to do. Further you could also explain with the results of the regression analysis, e.g. that when the size of the company grows, it means that more **Delegation** in the organization is required.

The framework of the study is revised (Figure 7 above) to justify if the model fit to the research process or not. Compared to original Figure 2 on page 20 the interconnections which could be verified to function quite well in this study are marked here with bold lines. The axis between the organizational factors and leadership criteria in use in the model was operating well. The organizational factors (management level and company size) were relevant variables which affected to the opinions of the insurance leaders of the both countries. The intrinsic impact of regional and politico-cultural background factors (especially nation) on the answers of leaders could be realized as was expected in the beginning of the research process. The statistically significant leadership criteria are put in italics inside the subboxes of the leadership criteria in use-box. About the future goal of measuring the effectiveness of leadership in different contexts and leadership styles could be said less because they were not the principal goals of the study.

It seems obvious that the culture-free and culture-specific views are not opposing but rather complementing each other. The core intentions of leadership criteria of insurance leaders might be universal but the expression of these core intentions is very likely to be specific to their organizational culture context: when crosstabulating

the level of management and the leadership criteria evaluations of the American insurance leaders as a whole, they seemed to be a more homogeneous group than the Finnish insurance leaders who had different importance evaluation in three aspects (staffing, leading by example, and allocation).

In comparison with Finnish middle management Finnish presidents/vice presidents were emphasizing task-structural/organizational criteria over those criteria dealing with position power. But when crosstabulating the size of the company and the leadership criteria opinion there were more discrepancies within the American leaders' group than in the Finnish one. One possible explanation also might be that the American insurance companies are so much bigger compared to the Finnish ones which all could be judged as small by the American standards. The leadership criteria in use affects evidently to the different leadership styles and effectiveness of the insurance leaders of the two countries and vice versa. There now follows a discussion about the implications of future global leadership.

4.4. Future global leader (study 3)

Where are leadership criteria heading in global insurance markets? (RQ5)

A major contribution of the surveys lies in the examination of the national management systems (leadership criteria) of US and Finnish managers, keeping one dimension constant (that of the insurance industry), and in emphasizing what is country-specific and what is universal. The comparison of US and Finnish managers is mostly cross-national rather than cross-cultural research. According to Usunier (1998, 140), the 3A framework (Anglo-American Assumptions), which was also inspirational for this research, is not wrong as such, and contains many elements that are generally applicable.

The main results of study 3 do not lend support to the existence of a universal model of leadership criteria in the insurance business. As a matter of fact, the possible model seems to be based more on the special organizational and cultural circumstances of the country in question.

The results of the study support Blake and Mouton's argument (1964) that maximum leadership effectiveness occurs only when the leader, both highly concerned for production and highly concerned for people, integrates the human and task requirements of the job. Compared to Finnish managers, US managers prefer to cooperate, monitor and optimize all the resources of the company. American insurance leaders seem to prefer using their position power more than their Finnish colleagues do (Pöllänen, 2000). The Finns place more emphasis on organizing, staffing, and leading by example, variables which generally also represent more a sense of social responsibility. Previous cross-cultural studies (e.g. Hofstede, 1984 and Brodbeck et al, 2000) support the findings of the present study.

Study 3 suggests that the social safety net of the European welfare state ideology has so far shielded the culture-specific sense of social responsibility of Finnish managers from the hazards of free competition and globalization.

The advance of a shareholder mentality in European stakeholder societies will generate debate, controversies, and resistance. This will stimulate the search for new types of specific European strategies and governance systems. Tainio (2000) suggests that the unique European approach could be built on the notion of "balanced countervailing powers", where both owners and managers have a strong relative power to question, debate, and challenge each other.

The evolution of competition and the development of corporate strategic power have given rise to new problems and stakes. They reinforce the social responsibilities of the company and the demand for ethical behavior. The globalization of competition and the need for a 'triadic' (Europe/United States/Asia) approach requires businesses to master considerable strategic capability (Calori and de Woot, 1994).

According to study 3, Finnish insurance managers could probably concentrate more on task-oriented items like these:

- *reviewing what constitutes the essential tasks of any leader*
- *budgeting assets, which is the basis of all activities in the company*
- *goal-orientation (successfully achieving the goals of the company: growth, profitability, market share, stability, and customer service)*
- *monitoring subordinates more effectively, i.e. checking on subordinates' performance more carefully than before*
- *seeking to adapt to new pressures, innovations, and requirements*

and also on following relations oriented items:

- *creating a climate of cooperation and mutual assistance*
- *stimulating and motivating subordinates to do their best*

Big US multinationals have already arrived in the North European countries and have had their financial and cultural effect on Northern European leaders and people. So is the Northern European manager's stark choice in the matter either to resist every cultural/financial Americanization or just to approve assimilation as a forthcoming fact? In that case, what kind of leadership style and judgment is required from the leader?

What are the lessons learnt for European and American leaders? The European leaders could learn more effectiveness from the American leaders in order to succeed in doing business better in the more deregulated environment of Europe. There will be a worldwide convergence of management systems and styles between Europe and United States (Calori and de Woot, 1994) even though the Americanization of culture and leadership will continue to represent a major factor in the near future.

European leaders will continue their more long-term corporate position including ownership structure and government process that incorporate the interests of employees, suppliers, customers and local community. Values and norms are strong in

Europe therefore the stress on social market economy will also continue. However more consideration ought to be given on a short-run basis, and even profitability and also social security have to be critically analyzed. Perhaps some of the social benefits have to be reduced or even totally eliminated. Further there is a need for increasing the mobility of labour from region to region, country to country and industry to industry. Labour forces and knowledge have to be utilized more efficiently.

Employees and other stakeholder groups also have to be taken into consideration more in Europe than in the USA. The European markets are heterogeneous. Therefore effective American leaders ought to recognize the local and regional roots, opportunities and cultural differences. Europe is far from the homogeneity of the US markets. Further short-run profitability is not the only main goal in Europe. Owners have to understand the industry and business more deeply and be more heavily involved in the strategic development of the companies.

Managers should expect cultural difference and treat it as a possible resource and not as a 'problem'. Their understanding of cultural difference should be broad. The management of class, gender, and age difference is intrinsic to the art of managing. Many individuals are in fact both followers and leaders at the same time. Followers are usually considered to be a relatively homogeneous group of individuals in most leadership studies. Managers should emphasize that followers are egalitarian collaborators with leaders in the daily work of organizations.

They should focus on actions not attitudes; it is misleading to assume that in the specific context of managerial work attitudinal differences necessarily lead to significant differences at the level of actions.

4.5. The findings and aims of the study

The aims of the study were:

- 1 to describe the leadership criterion opinions of leaders/subordinates of the insurance business,
- 2 to explore the affect of different time period on leadership criterion opinions of leaders/subordinates in insurance business and
- 3 to outline the qualities of global insurance leadership

and correspondingly the research questions were:

RQ1: What kind of leadership criteria do subordinates in Finnish insurance appreciate?

RQ2: What kinds of leadership criteria do Finnish insurance leaders appreciate?

RQ3: How stable are the leadership criteria of Finnish insurance subordinates over time?

RQ4: How stable are the leadership criteria of US insurance leaders over time?

RQ5: Where are leadership criteria heading in global insurance markets?

The first aim (RQ1, RQ) was achieved by description and comparison of leadership criterion opinions of Finnish subordinates and leaders (3.1. and 4.1.1.). In factor analysis of Finnish leaders' data two factors (cooperation and optimizing) were found and correspondingly in Finnish subordinates' data cooperation and monitoring factors. Employers and employees had only three important leadership criteria in common: cooperation, mutual trust and working conditions. Finnish insurance leaders seem to forget the importance of motivating their followers, leading them by personal example and emphasizing the importance of the company success. The results of the present study support the findings of earlier studies (Hofstede 1984, Suutari 1997) that searched for cultural dimensions, although these earlier studies dealt with different variables. Two cultural dimensions, called cooperation (social orientation) and optimizing (work orientation), that differentiate national cultures in Europe were also identified among Finnish insurance managers.

The second aim (RQ3, RQ4) was attained also successfully by evaluation of the affect of different time period of leaders/subordinates on leadership criterion opinions. Finnish subordinates' (RQ3 in 3.2.1.) evaluations of the importance of their company's leadership criteria seem to be quite stable in spite of certain situational contexts (large-scale dismissals, change of leadership practise or time).

During the five-year period 1997-2002 American insurance leaders (RQ4 in 3.2.2. and 3.3.1.) seem to change their leadership criterion opinions very slightly in spite of different market period. The American insurance leaders' findings suggest that during a soft market period (buyer's market) managers use a more relation-oriented style and correspondingly change their leadership style to a more task-oriented style in a hard market phase (sellers' market). The different time period (soft/hard market situation) and company size seem to have affected three leadership criteria: big company leaders in 2002 were rating organizing, delegating and mutual trust items more highly than they did five years earlier.

The third aim (RQ5 in 4.4.) was to outline the qualities of future global insurance leader. The main results of the study do not lend support to the existence of a universal model of leadership criteria in the insurance business. The possible model seems to be based on the special organizational and cultural circumstances of the country in question. The study also suggests that the social safety net of the European welfare state ideology has so far shielded the culture-specific sense of social responsibility of Finnish managers from the hazards of free competition and globalization.

It looked like American insurance leaders seem to prefer task-oriented leadership while their Finnish colleagues correspondingly prefer relationship-oriented criteria. Typical of US insurance style is to cooperate, monitor and optimise all the resources of the company effectively. Whereas they probably could learn something about the sense of social responsibility of the Finnish insurance managers by focusing more on organizing and staffing.

4.6. Applications of ILCI (Insurance Leadership's Criteria Instrument)

The development of an adequate Insurance Leadership's Criteria Instrument (ILCI) has just been initiated. Most probably, the two main aspects of the questionnaire's items (task- and relation orientation) ought to be broadened with extra variables comprising explicitly ethical dimensions. The ILCI instrument ought to be tested by a similar survey in other EU countries and service sectors (e.g. commerce, banking).

Much of research on leader behavior and effectiveness is inconclusive. Effective managers select behavior types that accomplish task and relationship concerns simultaneously. This dual concern varies with the situation and from one subordinate to another. The integrating taxonomy proposed by Yukl identifies 14 specific behavior categories applicable to all managers (see page 27). All these behaviors are relevant for leadership effectiveness, but the relative importance of the behaviors varies from situation to situation (Yukl, 1989).

Leadership is intertwined with most other topics in organizational behavior. Motivation is at the heart of leadership: getting people to do what is wanted. Leadership is embedded in the culture of an organization, and involves major changes in the culture and strategies of an organization or a social system. Along Yukl in the future we can expect to see more agreement on leadership behaviors beyond the overly general "concern for task versus concern for people" distinction. Leadership involves relationships, both one-to-one and between the leader and his/her work team. Critics of leadership theory want a general theory of leadership success and specific guidance for leaders in diverse work situations (Yukl, 1989).

4.7. Theoretical implications

In Mintzberg et al.'s (1976) model of strategic decision-making, for example, management must recognize problems or opportunities, develop a diagnosis of the situation, come up with a solution, satisfy stakeholders, and gain authorization. Mintzberg et al's teleological life-cycle theory presupposes event-based time and seems to fit best with the decision making practise of insurance leaders in the Seattle-Tacoma area during 1997-2002. The decision-making unit's purpose and strategy are enacted in a series of events whose significance stems from their contribution to the overall pattern that emerges during the activities. Mintzberg et al's life-cycle theory emphasizes convergence. For change to occur, the unit must be guided by a unifying goal that lends coherence to its activities.

Proactive processes seem to be the most natural model for most US social scientists, in view of the common emphasis on the classical conception of rationality in the economic and decision-making traditions. However, while processes may unfold in an anticipated manner, sometimes reason operates after the fact (March, 1994). In such cases, agents rearrange the process as they make sense of what is happening (Weick, 1995). As the process unfolds their understanding of it changes and they act according to their emerging sense of the situation; their actions form the basis for future interpretations that in turn re-establish the grounds for action. In the case of such sense-making processes, the "plan" emerges post hoc, refashioned according to formal patterns or intentions. Mintzberg has labelled this "emergent strategy".

Complex change processes are usually generated by the interaction of more than just one of the process theories (life-cycle, teleology, dialectic, and evolution). Very few applied theories of change, development, or innovation are built around a single ideal-type theory as defined in Van de Ven and Poole (1995). Most involve two or more theories operating together, at different levels, or during different time periods (Van de Ven, 2004, 374-379).

Because there are many substantial differences between Finnish/US culturally endorsed leadership concepts (cf. Figure 5) we argue that the US management model does not as such fit the leadership style of the Northern European cluster (Finland, Denmark, Norway, Sweden, and the Netherlands). Secondly it seems that the safety net of Northern European countries will remain in the future.

The following suggestions about the behavioral characteristics of effective Euromanagers by Goffee et al (1995) also seem apt:

First, they should expect cultural difference and treat it as a possible resource and not as a 'problem'.

Second, their understanding of cultural difference should be broad. The management of class, gender, and age difference is intrinsic to the art of managing.

Finally, they need to be sensitive to their own cultural origins and to recognize that these derive from more complex sources than 'national identity' alone.

Hofstede has summarized that organizational cultures are shaped by management practices and not by cultural values. Employers cannot change the values of their employees (Hofstede, 1999).

4.8. Implications for further research

It appears that culture-specific/non-culture-specific views do not contradict but rather complement each other. The core intentions behind the leadership criteria of insurance leaders might be universal but the expression of these core intentions is very likely to be specific to their organizational and cultural context (Tayeb, 1994, Smith et al, 1989). The leadership criteria in use evidently affect the different leadership styles and effectiveness of insurance leaders in the two countries (Finland and the US) and vice versa.

Differences between countries are measurable on common conceptual dimensions. That means that identifying universals and cross-cultural differences between different country-specific (emic) leadership styles is an intrinsic future research task.

Further research is especially needed:

to continue Finnish leadership research at different hierarchical levels of the company in the service sector (banking, commerce). Are the leadership criteria used in banking and commerce different from those in the insurance business? One could presume that because they are also in service sector the criteria would be fairly similar.

to study the effective functioning of Finnish corporate governance from the viewpoint of employees. The discussion concerning the incentive system of leaders will have to be expanded to apply to all employees of the enterprise.

to explore the effects of soft and hard market cycles in the European insurance business on leadership criteria.

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APPENDIX A Survey questionnaire

Survey questionnaire on the subject: THE IMPORTANCE OF LEADERSHIP CRITERIA FOR LEADERS IN THE INSURANCE BUSINESS

Background information: Please circle the appropriate response.

Hierarchical position in the company:

1. Chairman, President, Vice President, CEO, Executive
2. Manager
3. Other _____

Gender:

1. Man
2. Woman

The company size:

1. Insurance company, salesmen over 200
2. Insurance company, salesmen under 200

Please indicate how important each of the leadership criteria are to your company. According to the ranking scale 1 means that the item is very important to your company and 10 that it is not at all important. Please circle the number on the scale provided to indicate the importance of each leadership criterion. Please feel free to write comments if you wish for each criterion.

	Very important	Not important
A. Anticipates the future so as to control it if possible, and to capitalize on the opportunities that the future always offers the thoughtful.	1 2 3 4 5 6 7 8 9 10	

Comments:-----

Very Not
important important

E. Directs work by giving an example. 1 2 3 4 5 6 7 8 9 10

Comments:-----

F. Creates a climate of cooperation and mutual assistance.

1 2 3 4 5 6 7 8 9 10

Comments:-----

G. Allocates authority.

1 2 3 4 5 6 7 8 9 10

Comments:-----

Very important Not important

H. Determines necessary functions. 1 2 3 4 5 6 7 8 9 10

Comments:-----

I. Sets criteria for acceptable output by exacting
accountability for results according to those criteria1 2 3 4 5 6 7 8 9 10

Comments:-----

J. Assigns personnel to specific tasks . 1 2 3 4 5 6 7 8 9 10

Comments:-----

K. Allows key people the autonomy to perform and achieve.

1 2 3 4 5 6 7 8 9 10

Very important Not important

O. Controls the efforts of subordinates by maintaining a feedback system that provides valid data early enough in the game to allow corrective action (rewards or punishment) of performance on the basis of justice rather than of politics or charity.

1 2 3 4 5 6 7 8 9 10

Comments:-----

P. Reviews and evaluates the work of the person informally and formally to satisfy the requirements of the firm.

1 2 3 4 5 6 7 8 9 10

Comments:-----

Q. Helps subordinates become more productive and more valuable to the organization.

1 2 3 4 5 6 7 8 9 10

Comments:-----

	Very	Not
	important	important
<i>U.</i> Monitors subordinates to improve all products, Services, and processes.	1 2 3 4 5 6 7 8 9 10	

Comments:-----

<i>V.</i> Focuses the organization’s attention on understanding and responding to customer needs.	1 2 3 4 5 6 7 8 9 10
--	----------------------

Comments:-----

<i>X.</i> Seeks to tune in on new pressures, new developments, innovations, and new requirements that may subtly or sharply alter how they go about their work.	1 2 3 4 5 6 7 8 9 10
---	----------------------

Comments:-----

	Very important	Not important
Z. Responds flexibly to the requests, demands, and requirements of significant individuals and groups in their occupational life space so as to retain these people's goodwill.	1 2 3 4 5 6 7 8 9 10	

Comments:-----

Besides the above mentioned criteria we in our company apply the following criteria:

1.-----

2.-----

3. -----

How has the leadership practise of your company changed during the last two years?

Describe the organizational changes in your company.

Please indicate how your personal goals match with your company's goals

If you are interested to be interviewed later by the researcher himself, please write your contact information below and he will contact you:

Name: _____

Address:

Phone: _____

Email:

Thank you for your cooperation!

STUDIES

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