THE INFLUENCE OF LEADERSHIP STYLES ON THE FINANCIAL PERFORMANCE OF CORPORATIONS IN KOSOVO

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Abstract

Corporations with stable financial performance are those that can stay in the business world for a long time, therefore leadership enables this financial performance to be achieved efficiently and sustainably. The purpose of the research is to evaluate the impact of four leadership styles on the financial performance of corporations in Kosovo, because the country's economy is in transition, and this phase of the development of corporations in Kosovo will be helped more by the implementation of leadership styles. Corporations in Kosovo have started to implement the corporate governance system and within this governance, an important part based on the results of the research is the implementation of leadership styles. The research is built on Classical leadership, Transactional leadership, Visionary leadership, and Organic leadership and financial performance of corporations in Kosovo, based on the OLS econometric model. The research data is primary, and the selected research sample is 478 respondents in the selected corporations in Kosovo, through a structured questionnaire that answers the corporate system in Kosovo.

Keywords: Leadership, Financial Performance, Corporate.

1. INTRODUCTION

Goodwin-Stewart & Kent (2006) created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investment. This ranking is based on eight more traditional aspects of financial performance including: one- and three-year total return, one- and three-year sales growth, one- and three-year profit growth, net margin and return on equity. However, it mentions other financial measures to include long-term investment value, financial stability and utilization of corporate assets. They also talk about the non-financial performance measures that should be included; innovation, ability to attract, develop and retain talented people, quality of management, quality of products or services and community and environmental responsibility. They (2006) mention accounting-based performance using three indicators: return on assets (ROA), return on equity (ROE) and return on sales (ROS). Each measure is calculated by dividing net income by total assets, total equity and total net sales, respectively.

Leaders must not only exert influence but also decide when, where, and how this influence will be exerted to achieve social objectives (Howell and Buck, 2012). To be effective, leaders need to focus on their credibility and legitimacy with, followers, developing a relationship by identifying followers' needs and motivations and exploiting resources to get the best of followers, with the aim of achieving the set goals; exploring and generating opportunities to build relationships and connections that create the social

capital of actors (Maak, 2007). In summary, leadership includes and develops skills that can be learned (Kouzes & Posner, 2002) to build and maintain relationships, motivate and inspire others, and in turn utilize potential resources. Rapid changes in business, technology, political and social factors have required the development of effective leadership skills (Cacioppe, 1998): to be effective, innovative leaders, to respond to changes in markets and competitive environments, to address challenges creatively and support high performance (Vardiman et al, 2006). But obviously, this is not an easy venture.

Previous leadership studies have relied heavily on the efforts of field researchers to identify the most appropriate traits that leaders should possess (Dixon, 2003). Thus, qualitative theory, promoting the idea that leadership is an innate ability, aims to identify the physical and mental traits as well as the personality of the person, such as appearance, intelligence, adaptability, aggressiveness, self-confidence, perseverance, initiative, and collaboration (Koontz & Weihrich, 2010). In later years this theory underwent significant improvements including within the discipline how many tasks a leader should complete, factors influencing the situation between leader and subordinate, and subordinate personality traits. However, in the 1960s the progressive theory was founded which was mainly based on the research of Fiedler (1967). This theory highlights the approach that becoming a leader requires not only personal attributes and personalities but also an active interaction between these elements and different transitional situations.

2. LITERATURE REVIEW

The "great man theory" developed around the middle of the 19th century and lasted until the early 20th century. Leadership according to these theories was an innate ability to lead. This simply means that great leaders are born (Kume et al, 2012). Between 1930 and 1940, there were changes in the approach to leadership that went beyond a person's abilities. Leadership is stronger and richer when led by a group (although within the group there is always a person leading the group). This can also be called the group theory period. Over time, in the years 1940 - 1950, the theory of leadership took another step forward and took into account personality traits, which means what characteristics leaders have in common.

During the years 1950 - 1960, behavior also comes into play as a factor that influences successful leadership. All these changes in theory came and got richer decade after decade, so during the years 1960 - 1970, we had to deal with all the features mentioned above as well as the change in the behavior of the leader in special cases (coincidence). During the years 1970 - 1980, all these combined and brought success in successful companies and this was the theory of excellence (Kume et al, 2012). Based on the theory of Hoy and Miskel (2001) theories are divided on the basis of two large groups: The first group includes theories related to behavior, personality, and situation, while the second group of theories is characterized by charismatic inspirational and transformative leaders.

Avolio and Bass (2004), based on Burns' early work, concluded that a transactional leadership model was one that exploited a transaction between executives and followers, who were then rewarded or disciplined based on performance at work (Avolio and Bass, 2004). They concluded that transactional leaders need to be excellent communicators in order to clearly set goals for employees. Use rewards for encouraging achievement or exceeding goals and penalties for noncompliance. While identifying the individual strengths of subordinates, they make arrangements with subordinates based on rewards and incentives in relation to the results to be achieved (Avolio and Bass, 2004). According to Avolio and Bass (2004), transactional leadership is the typical focus of core management, using rewards as a control mechanism to motivate followers to the external level, or the exchange relationship between leader and follower to pursue their own interests.

The concept of the transformational model was first emphasized by Burns (1978) in a political science context and later formulated in the theory of leadership in organizations by Bass (1985). According to Burns's approach, transformational leaders motivate their followers to perform beyond expectations, using rewards to increase follower engagement and intrinsic motivation (Avolio and Bass, 2004). As followers' confidence increases, so does the motivation to overcome their own self-interests for the benefit of the group or organization, and consequently a higher level of support for increasing organizational effectiveness. According to Miloloža (2018), the impact of leadership style on financial performance varies across different types of enterprises. The democratic and laissez-faire leadership styles tend to positively influence the financial success of small enterprises and those in the stagnation phase, as well as enterprises oriented towards international markets. Conversely, the authoritarian style generally has a neutral or negative impact on financial performance across various enterprise groups (Miloloža, 2018). Performance is a measure of results achieved. Performance efficiency is the ratio between the efforts expended and the results achieved. The difference between the actual performance and the theoretical performance limit is the area of performance improvement. Performance presupposes an actor of some kind, but the actor can be an individual person or a group of people acting in concert. The performance platform is the infrastructure or equipment used in the act of performance.

According to likert scale, there are two main ways to improve performance: improving the measured attribute by using the performance platform more effectively, or improving the measured attribute by modifying the performance platform, which in turn allows a level of certain use to be more effective in producing the desired result.

3. METHODOLOGY

The paper is constructed by using cross-sectional sample research design and this helps to collect data from a wide range of respondents in the study. A cross-sectional design is one that is conducted at one point in time. This research design was appropriate in the sense that the information collected included the analysis of how the function of leadership styles affects the financial performance of corporations in Kosovo. The study focuses on the use of quantitative methodologies. The study used the method of

purposive sampling during the process of data collection from the respondents in the study. The study used purposive sampling technique as it enables the researcher to select a sample with experience and knowledge of the study variables and this method was used to select all the respondents in the study. To determine the number of questionnaires to be completed, the formula of Taro Yamane (1973) was used according to his theory of elementary sample selection, according to this formula, the number of elements of choice can be calculated as follows:

n = Sample

N = Population

e = 5% level of significance

Based on the reports of the Kosovar Council for Financial Reporting in Kosovo, which is the supervisory and controlling body for corporate reporting in Kosovo, in 2022 the number of large businesses or corporations was 256 businesses, with 64,000 employees. Based on the selected sample, we surveyed 478 corporate employees, where the manager, managing director, shareholder and shareholder board of corporations in Kosovo participated in the survey. The econometric model built to test the research hypotheses is the OLS model, which fits the structured specifications of the research.

$$FP_i = C + \beta_1 CL_i + \beta_2 TL_i + \beta_3 VL_i + \beta_4 OL_i + \varepsilon$$

FP- Financial Performance

CL- Classical leadership

TL- Transactional leadership

VL- Visionary leadership

OL- Organic leadership

C - Finding for variables

E - random error for period t

Table 1: Construction of dependent and independent variables

Variable type	Name of the variable	Questions represented by variable	Method of evaluation of the variable
Dependent Variable	Financial Performance	Q.3.1, Q.3.2, Q.3.3, Q.3.4, Q.3.5, Q.3.6, Q.3.7, Q.3.8, Q.3.9, Q.3.10, Q.3.11 Q.3.12, Q.3.13, Q.3.14	Arithmetic mean
Independent Variable	Classical leadership	Q2.1 Q2.8, Q2.9, Q2.14, Q2.16	Arithmetic mean
	Transactional leadership	Q2.2, Q2.5, Q2.12, Q2.17, Q2.18,	Arithmetic mean
	Visionary leadership	Q2.3, Q2.6, Q2.7, Q2.13, Q2.19,	Arithmetic mean
	Organic leadership	Q2.4, Q2.10, Q2.11, Q2.15, Q2.20,	Arithmetic mean

4. RESULTS

Descriptive analysis of the variable "Classical Leadership" in Table 2 shows that the statement "My direct supervisor has all the say" has an arithmetic mean of 2.96, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

The statement "My direct supervisor controls everything I do in this group" has an arithmetic average of 3.74, which is close to the 4-Agree code, so respondents are confident that this statement is based on the practice of their work in corporations, the standard deviation and variance are in normal statistical parameters.

With an arithmetic mean of 3.69, the statement "My direct supervisor plans, organisers and monitors everything in this group" aligns closely with the 4-Agree code, instilling confidence in respondents that it accurately reflects their corporate work practice, while maintaining normal statistical parameters for standard deviation and variance.

The statement "My direct supervisor likes to keep some distance from staff in this group" has an arithmetic average of 2.81, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the practice of their work in corporations, standard deviation and variance are in normal statistical parameters.

For "My direct supervisor's view dominates in this group" the arithmetic mean is 3.02, which is close to the code 3-Not sure. Respondents are not sure if this statement is based on the practice of their work in corporations, as the standard deviation and variance are in normal statistical parameter

Table 2: Descriptive analysis of Classical Leadership

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
My_direct_supervisor_has_all_the_say	478	1	5	2.96	1.665	2.646
My_direct_supervisor_controls_everything_I_do_in_this_group	478	1	5	3.74	1.487	1.810
My_direct_supervisor_plans,_organizes_and_monitors_everything_in_this_group	478	1	5	3.69	1.565	1.864
My_direct_supervisor_likes_to_keep_some_distance_from_staff_in_this_group	478	1	5	2.81	1.493	1.537
My_direct_supervisor's_view_dominates_in_this_group	478	1	5	3.02	1.451	1.764
Valid N (listwise)	478					

Descriptive analysis of the variable "Transactional leadership" in Table 3 shows that: The statement " I do not have much power here " has an arithmetic mean of 2.57, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

"Agreements between management and me govern what I do around here" has an arithmetic average of 1.58, which is close to the 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

"I am held accountable only for achieving goals agreed upon between my direct supervisor and me" has an arithmetic mean of 2.41, which is close to the 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

"My direct supervisor consults with me and then he/she makes the final decision" has an arithmetic average of 1.68, which is close to the code 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

"My commitment comes mostly from the rewards, agreements and expectations I negotiate with my direct supervisor" has an arithmetic average of 1.93, which is close to the code 2-Disagree code, suggesting that respondents are unsure if this statement reflects their work practice. The standard deviation and variance are within normal statistical parameters.

Table 3: Descriptive Analysis of Transactional Leadership

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
I_do_not_have_much_power_here	478	1	5	2.57	1.260	1.445
Agreements_between_management _and_me_govern_what_I_do_aroun d_here	478	1	5	1.58	1.110	1.220
I_am_held_accountable_for_achievi ng_my_direct_supervisor's_vision	478	1	5	2.41	1.067	1.136
My_direct_supervisor_consults_with _me_and_then_he/she_makes_the_ final_decision	478	1	5	1.68	1.049	1.100
My_commitment_comes_mostly_fro m_the_rewards,_agreements_and_e xpectations_I_negotiate_with_my_di rect_supervisor	478	1	5	1.93	1.066	1.133
Valid N (listwise)	478					

Descriptive analysis of the variable " Visionary leadership" shows that: The statement "My direct supervisor's vision of the future governs what I do around here" has an arithmetic mean of 2.89, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

The statement "I have a medium amount of power here" has an arithmetic average of 2.81, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters. The statement "I am held accountable for achieving my

direct supervisor's vision" has an arithmetic mean of 2.13, which is close to the 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

The statement "My commitment comes mostly from our relationship and because I share my direct supervisor's vision" has an arithmetic average of 2.59, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

The statement "My direct supervisor shares issues with me and then he/she makes the final decision" has an arithmetic average of 2.68, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

Table 4: Descriptive analysis of Visionary Leadership

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
My_direct_supervisor's_vision_of_the_future_governs_what_I_do_around_here	478	1	5	2.89	1.453
I_have_a_medium_amount_of_power_here	478	1	5	2.81	1.197
I_am_held_accountable_for_achieving_my_direct_supervisor's_vision	478	1	5	2.13	1.067
My_commitment_comes_mostly_from_our_relationship_and_because_I_share_my_direct_supervisor's_vision	478	1	5	2.59	1.439
My_direct_supervisor_shares_issues_with_me_and_then_he/she_makes_the_final_decision	478	1	5	2.68	1.525
Valid N (listwise)	478				

Descriptive analysis of the variable "Organic leadership" shows that: The statement "Staff tend to have all the say in this group" has an arithmetic mean of 2.13, which is close to the 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

The statement " My direct supervisor is concerned about helping me to lead and organize myself" has an arithmetic average of 3.46, which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

The statement "My direct supervisor and I make decisions together" has an arithmetic average of 2.21, which is close to the 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters. The statement "My direct supervisor does not display all the power he/she has" has an arithmetic average of 1.89, which is close to the 2-Disagree code, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters. The statement "I am held accountable for achieving a mutual vision with

other staff members in this group" has an arithmetic average of 3.41 which is close to the code 3-Not sure, so respondents are not sure if this statement is based on the work practice of their corporate, standard deviation and variance are in normal statistical parameters.

Table 5: Descriptive analysis of Organic leadership

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Staff_tend_to_have_all_the_say_in_this_group	478	1	5	2.13	1.152
My_direct_supervisor_is_concerned_about_helping_me_to_lead_and_organize_myself	478	1	5	3.46	1.766
My_direct_supervisor_and_I_make_decisions_together	478	1	4	2.21	.906
My_direct_supervisor_consults_with_me_and_then_he/she_makes_the_final_decision	478	1	5	1.89	.849
I_am_held_accountable_for_achieving_a_mutual_vision_with_other_staff_members_in_this_group	478	1	5	3.41	1.668
Valid N (listwise)	478				

4.1 Econometric Testing

Normal distribution testing shows how the model will perform in terms of econometric model distribution and econometric parameter estimation. The histogram of the model shows us that the econometric model has normal distribution, as the values are distributed in a form that deviates neither from the left nor from the right.
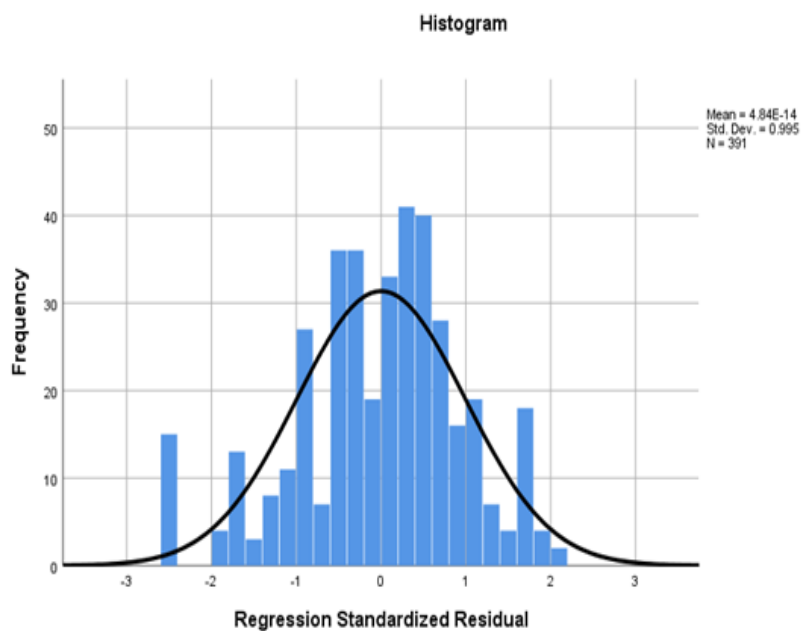
Figure 1: Histogram of econometric model

Autocorrelation testing enables the econometric model to have a very low standard error rate in the model. The test for assessing autocorrelation is the Durbin-Watson coefficient, which takes values from 0 to 4, values between 1.5 and 2.5 indicate that the model has a low standard error rate in the coefficient, while values from 0 to 1.5 indicate positive autocorrelation and values from 2.5 to 4 indicates negative autocorrelation. The econometric model tested shows that the Durbin-Watson has a test value of 2,214, an indication that autocorrelation does not appear in the econometric model.

Table 6: Testing autocorrelation

Model Summary[b]	
Model	**Durbin-Watson**
1	2.214[a]
a. Predictors: (Constant), Organic_leadership, Transactional_leadership, Classical_leadership, Visionary_leadership	
b. Dependent Variable: Financial_Performance	

Multicollinearity shows a very strong relationship between independent variables and dependent variables. Various tests show that a display of regression multicollinearity influences the level of significance in the econometric model to be influential on the dependent variable.

Testing through "Collinearity Diagnostics" shows that at no level of the combination of the econometric model does not exceed the value of 10, therefore the Index for multicollinearity at 5 levels is less than the value of 10.

Table 7: Testing multicollinearity

Collinearity Diagnostics[a]								
				Variance Proportions				
Model	Dimension	Eigen value	Condition Index	(Constant)	Classical_ leadership	Transactional_ leadership	Visionary_ leadership	Organic_ leadership
1	1	4.835	1.000	.00	.00	.00	.00	.00
	2	.122	6.286	.84	.00	.01	.00	.00
	3	.033	2.102	.03	.07	.11	.02	.08
	4	.005	3.285	.10	.93	.01	.01	.86
	5	.004	3.224	.03	.00	.87	.97	.06
a. Dependent Variable: Financial_Performance								

Table 7 presents the summary of the regression. In this table "R", "R2" and "R2 Adjusted" present the correlation coefficients. The term "R" represents the correlation, which takes values from -1 to +1, so the correlation has positive and inverse or negative relationships, the positive relationship has values from 0 to +1, which is interpreted as increasing variable increases the variable next, the positive bond is weak and strong, the positive bond is from 0 to +0.5, while the strong bond is from +0.5 to +1. In our case, R = 0.656, so the correlation has a positive correlation. "R2" indicates the coefficient of determination or permeability, i.e. how much% of the independent variables explain the dependent variable, in our case R2 = 0.712, so 71.2% of the independent variables explain the dependent variable, while 100% -71.2% = 28.8%, ie 28.8% have other variables outside

the economic model that explain the dependent variable, while R2 Adjusted represents the contingency coefficient, i.e. the exact value of the coefficient of determination.

Table 7: Model Summary

Model Summary[b]									
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Change Statistics**				
					R Square Change	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.656[a]	.712	.782	.1239	.862	12737.328	4	474	.000
a. Predictors: (Constant), Organic_leadership, Transactional_leadership, Classical_leadership, Visionary_leadership									
b. Dependent Variable: Financial_Performace									

4.2 Testing hypotheses

Hypothesis 1: The classic leadership style has a statistically significant impact on financial performance in Kosovo corporations. Testing for Hypothesis 1 is based on Table 8, which indicates that the significance level for classical leadership is sig=0.000 with a t-value of 39.178. These parameters suggest that classical leadership significantly impacts financial performance in Kosovo corporations.

Hypothesis 2: The transactional leadership style has a statistically significant impact on financial performance in Kosovo corporations. Testing for Hypothesis 2 is also based on Table 8, showing that the significance level for transactional leadership is sig=0.000 with a t-value of -19.332. These results indicate that transactional leadership significantly affects financial performance in Kosovo corporations.

Hypothesis 3: The visionary leadership style has a statistically significant impact on financial performance in Kosovo corporations. Hypothesis 3 testing, based on Table 8, reveals a significance level of sig=0.000 and a t-value of 4.361, indicating that visionary leadership has a significant impact on financial performance in Kosovo corporations.

Hypothesis 4: The organic leadership style has a statistically significant impact on financial performance in Kosovo corporations. According to Table 8, the significance level for organic leadership is sig=0.000 with a t-value of 24.007. These findings confirm that organic leadership significantly influences financial performance in Kosovo corporations.

Table 8: Coefficients of econometric model

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.332	.006		21.101	.000
	Classical_leadership	.614	.019	.607	39.178	.000
	Transactional_leadership	-.663	.026	-.330	-19.332	.000
	Visionary_leadership	.111	.015	.242	4.361	.000
	Organic_leadership	.490	.019	.450	24.007	.000
a. Dependent Variable: Financial_Performance						

5. CONCLUSION

Seeing that the main aspects of the Kosovo leadership lie in the fact that there are contradictions and inconsistencies, and all cultural aspects within the enterprise are held by the owners as exclusivity, while according to international best practices and elaborations in the theoretical overview of this paper that senior management, owners, shareholders should decentralize competencies to middle and lower management levels according to the respective position.

The financial performance of corporations in Kosovo in recent years has been on an upward trend since the labor market began to open up with the countries of the European Union and the United States of America, which has influenced the leadership of corporations in Kosovo to develop additional professional skills. to support corporate governance objectives and goals.

Our research produced econometric results that show that generally, the four leadership styles have a positive impact on Kosovo corporations, and this fact is supported by our research, as well as by the assessment of corporate governance in Kosovo, where the financial performance of corporations in Kosovo from the year 2015-2022 has marked the trend of rapid economic development, and this performance is undoubtedly influenced by leadership, as a mechanism for sustainable professional development of business communication

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