

The Relationship Between Financial Managers' Leadership Style and the Quality of Financial Reporting in Organizations

Sima Kalateh^{1,*}



¹ MA, Department of Accounting, University of Guilan, Guilan, Iran; 

* Correspondence: sima.kalateh230@gmail.com

Citation: Kalateh, S. (2026). The Relationship Between Financial Managers' Leadership Style and the Quality of Financial Reporting in Organizations. *Business, Marketing, and Finance Open*, 3(6), 1-14.

Received: 01 January 2026

Revised: 23 May 2026

Accepted: 30 May 2026

Initial Publication: 07 June 2026

Final Publication: 01 November 2026



Copyright: © 2026 by the authors. Published under the terms and conditions of Creative Commons Attribution-NonCommercial 4.0 International (CC BY-NC 4.0) License.

Abstract: This study was conducted to examine the relationship between financial managers' leadership style and the quality of financial reporting in organizations. This research is applied in terms of purpose and descriptive-correlational in terms of implementation method. The statistical population consisted of all financial managers, accountants, and auditors employed in organizations. A sample of 212 participants was selected using stratified random sampling. Data were collected using the standardized Multifactor Leadership Questionnaire (MLQ) and the Financial Reporting Quality Questionnaire developed by Kawasi (2021). Data analysis was performed at both descriptive and inferential levels using Structural Equation Modeling based on the Partial Least Squares approach (PLS-SEM) through SmartPLS version 3 software. The results indicated a positive and strong relationship between transformational leadership style and financial reporting quality ($\beta = 0.552$, $t\text{-value} = 8.899$), a positive and moderate relationship between transactional leadership style and financial reporting quality ($\beta = 0.358$, $t\text{-value} = 3.429$), and a negative and weak relationship between laissez-faire leadership style and financial reporting quality ($\beta = -0.259$, $t\text{-value} = 2.675$). All relationships were statistically significant at the 95% confidence level. Financial managers who adopt a transformational leadership style, characterized by inspirational motivation, intellectual stimulation, and individualized consideration, can significantly enhance the quality of financial reporting. In contrast, the laissez-faire leadership style exerts an adverse effect on reporting quality. Therefore, emphasizing transformational leadership competencies in the selection and development of financial managers is recommended as a key behavioral factor for improving the transparency and reliability of financial information.

Keywords: Leadership style, Transformational leadership, Laissez-faire leadership style, Financial reporting quality, Financial managers.

1. Introduction

The quality of financial reporting has become one of the most important indicators of organizational effectiveness and accountability in contemporary business environments. In an era characterized by increasing market complexity, globalization, digital transformation, and heightened stakeholder expectations, organizations are under growing pressure to provide transparent, reliable, relevant, and timely financial information. Financial reporting quality not only influences investors' decisions and market confidence but also serves as a foundation for effective corporate governance, risk management, and organizational sustainability. According to the Conceptual Framework for Financial Reporting issued by the International Accounting Standards Board, high-quality financial reporting should possess qualitative characteristics such as relevance, faithful representation, comparability, verifiability, timeliness, and understandability [1]. Deficiencies in financial reporting quality can lead to information asymmetry, agency conflicts, reduced investor trust, increased cost of capital, and

weakened organizational performance [2]. Consequently, researchers and practitioners have increasingly sought to identify the organizational, managerial, behavioral, and ethical factors that contribute to the production of high-quality financial reports. While traditional accounting research has primarily focused on technical, regulatory, and governance-related determinants of reporting quality, recent studies have highlighted the significant role of managerial characteristics and leadership behaviors in shaping financial reporting outcomes [3, 4]. This shift reflects a growing recognition that financial reporting is not merely a technical accounting process but also a behavioral and organizational phenomenon influenced by managerial decision-making and leadership practices.

Leadership is generally defined as a process through which individuals influence others to achieve organizational objectives and facilitate collective action toward desired goals. Leadership theories emphasize that leaders shape organizational culture, ethical climate, employee motivation, communication patterns, and decision-making processes, all of which can ultimately affect organizational performance and reporting outcomes [5]. Among the various leadership paradigms, transformational leadership has attracted considerable scholarly attention due to its ability to inspire followers, stimulate innovation, encourage ethical behavior, and foster organizational commitment. Transformational leaders motivate employees through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, thereby creating environments that promote accountability, transparency, and high performance [6, 7]. In contrast, transactional leadership relies primarily on exchanges between leaders and followers, emphasizing contingent rewards, compliance, and performance monitoring. Although transactional leadership can enhance operational efficiency and task completion, its impact on long-term organizational learning and ethical behavior may be more limited compared with transformational leadership [5]. A third leadership style, commonly referred to as laissez-faire leadership, is characterized by minimal managerial involvement, avoidance of decision-making, and limited supervision of subordinates. Such a passive approach may create ambiguity, reduce accountability, and weaken organizational controls, potentially leading to lower-quality financial reporting and increased reporting risks [8]. Therefore, understanding how different leadership styles influence financial reporting quality represents an important area of inquiry within accounting and management research.

The relationship between leadership and organizational outcomes has been extensively examined in the management literature. Research has demonstrated that leadership style significantly affects employee performance, organizational commitment, innovation capability, ethical conduct, and financial performance [9, 10]. Transformational leadership, in particular, has been linked to enhanced organizational adaptability, stronger ethical cultures, and improved strategic performance across various industries [6, 7]. Sharafi and Zarin found that leadership style positively influences organizational financial performance through digital transformation initiatives, highlighting the strategic significance of leadership behaviors in organizational success [9]. Similarly, Doosti et al. reported that transformational leadership contributes significantly to employees' psychological empowerment, which in turn enhances organizational effectiveness [10]. Leadership behaviors also influence communication quality, trust, and collaboration within organizations, creating conditions that support effective information sharing and accountability [8]. In recent years, scholars have increasingly recognized that these leadership effects may extend beyond operational and strategic outcomes to include financial reporting processes. Leaders establish expectations regarding ethical conduct, transparency, compliance, and accountability, thereby influencing the quality of financial information generated within organizations. Consequently, investigating leadership style as a determinant of financial reporting quality represents a logical extension of contemporary leadership research.

The accounting and financial reporting literature has similarly emphasized the importance of managerial characteristics in determining reporting quality. Research indicates that managerial personality traits, ethical orientations, educational backgrounds, and behavioral tendencies significantly influence financial reporting decisions and disclosure practices. For example, Osanloo et al. developed a financial reporting quality model emphasizing managers' personality dimensions and financial health, demonstrating that managerial characteristics play a critical role in reporting outcomes [4]. Mehrfar et al. reported that managers' optimism can significantly affect financial reporting quality by influencing judgments, estimates, and disclosure decisions [11]. Studies focusing on managerial narcissism have also shown that personality traits can shape transparency and reporting practices, often increasing the likelihood of biased reporting behaviors [12, 13]. Furthermore, Rashidi and Sharif Khafri found that the educational level of managers and employees is associated with financial reporting quality, suggesting that managerial competence and professional knowledge contribute to more reliable reporting processes [14]. Hosseini Sarani et al. demonstrated that financial managers' networking capabilities are positively related to financial reporting quality, particularly when organizational financial performance is strong [15]. These findings collectively indicate that financial reporting quality is influenced not only by technical accounting standards but also by behavioral and managerial factors, thereby underscoring the relevance of leadership style as a potential determinant.

Ethics represents another important mechanism through which leadership may affect financial reporting quality. Ethical leadership creates organizational environments characterized by honesty, integrity, accountability, and fairness, which are essential prerequisites for reliable financial reporting. Accounting ethics literature consistently emphasizes that ethical leadership reduces opportunities for earnings manipulation, fraudulent reporting, and opportunistic managerial behavior [16]. Recent studies have further highlighted the interconnected roles of leadership, ethics, and reporting quality. Rachmawati et al. demonstrated that leadership, authenticity, and ethical behavior collectively contribute to the development of high-quality financial reporting systems [17]. Khodabandeh et al. proposed a model of managerial ethical behavior aimed at improving financial reporting quality and concluded that ethical leadership practices significantly enhance transparency and accountability in financial disclosures [18]. Fathah and Karami found that leadership and accounting capacity positively influence accountability through improvements in financial reporting quality [19]. Moreover, Amanamah emphasized the importance of governance structures and managerial oversight in strengthening financial reporting quality within developing economies [3]. These studies suggest that leadership behaviors influence financial reporting quality not only directly but also indirectly through their impact on ethical climate, accountability systems, and organizational governance mechanisms.

The growing adoption of International Financial Reporting Standards (IFRS) and other global reporting frameworks has further increased the importance of managerial leadership in ensuring reporting quality. Although standards provide technical guidance for financial reporting, their effective implementation depends heavily on organizational leadership, managerial commitment, and ethical conduct. Research has shown that IFRS adoption alone does not guarantee high-quality reporting unless supported by appropriate managerial practices and organizational cultures [20, 21]. Effective leaders play a crucial role in promoting compliance, supporting professional judgment, allocating resources for reporting processes, and encouraging transparent disclosure practices. In addition, organizational efforts to improve financial literacy and financial awareness among stakeholders can contribute to stronger reporting systems and more informed decision-making [22]. Financial reporting quality is also increasingly viewed as a strategic organizational resource that influences investment

decisions, access to capital, stakeholder trust, and long-term sustainability [23]. Consequently, identifying leadership styles that facilitate high-quality reporting has become an important research priority for both scholars and practitioners.

Despite the growing recognition of behavioral influences on financial reporting quality, relatively limited empirical research has specifically examined the relationship between financial managers' leadership styles and financial reporting quality. Existing studies have primarily focused on governance mechanisms, accounting standards, managerial personality traits, ethical behavior, and disclosure practices, while the direct influence of leadership styles remains insufficiently explored [24, 25]. This gap is particularly important because financial managers occupy strategic positions within organizations and are directly involved in financial reporting processes, internal controls, compliance activities, and communication with stakeholders. Their leadership behaviors can shape organizational attitudes toward transparency, accountability, and reporting integrity. Moreover, contemporary organizations face increasing demands for high-quality financial information amid rapid technological, regulatory, and competitive changes, making leadership effectiveness more critical than ever [17, 22]. Therefore, investigating the relationship between transformational, transactional, and laissez-faire leadership styles and financial reporting quality can provide valuable theoretical insights and practical guidance for organizations seeking to strengthen reporting quality and financial transparency. Accordingly, the aim of the present study is to examine the relationship between financial managers' leadership styles and financial reporting quality in organizations.

2. Methodology

In the present study, conducted with the aim of examining the relationship between financial managers' leadership style and the quality of financial reporting in organizations, a descriptive-correlational research design was employed. This approach was selected because the objective was to identify and analyze the relationships among variables, particularly the influence of leadership style on financial reporting quality, without manipulating any of the research variables. The statistical population consisted of all financial managers, accountants, and auditors employed in organizations. A total of 212 participants were selected through stratified random sampling. Data were collected by distributing questionnaires among the selected sample. The research instrument consisted of three main sections: the first section included respondents' demographic information, the second section measured the leadership style of financial managers, and the third section assessed financial reporting quality.

To measure financial managers' leadership style, the Multifactor Leadership Questionnaire (MLQ), developed by Bass and Avolio, was utilized. This standardized instrument contains 36 items and comprises three dimensions: transformational leadership with 20 items, transactional leadership with 12 items, and laissez-faire leadership with 4 items. The questionnaire assesses various dimensions of transformational leadership (including idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration), transactional leadership (including contingent reward and management-by-exception), and laissez-faire leadership using a five-point Likert scale ranging from "Never" to "Always." The validity and reliability of this instrument have been confirmed in numerous national and international studies. In the present study, Cronbach's alpha coefficient for the entire questionnaire was 0.94, while the coefficients for all dimensions exceeded 0.70, indicating satisfactory reliability.

Financial reporting quality was measured using the questionnaire developed by Kawasi (2021). This instrument consists of 27 items rated on a five-point Likert scale ranging from "Very Low" to "Very High." The questionnaire

evaluates six qualitative characteristics of financial reporting: comparability (8 items), understandability (7 items), relevance (3 items), faithful representation (4 items), timeliness (3 items), and verifiability (2 items). The content validity of the questionnaire was confirmed through expert judgment by specialists in accounting and financial management. Furthermore, its reliability was assessed using Cronbach's alpha, which yielded a coefficient of 0.92, indicating a satisfactory level of reliability.

Following data collection and extraction, the data were analyzed at both descriptive and inferential levels. At the descriptive level, frequency distributions, means, and standard deviations were employed. At the inferential level, due to the complexity of the relationships among variables and the presence of latent constructs, Structural Equation Modeling using the Partial Least Squares approach (PLS-SEM) was applied. SmartPLS version 3 software was used for data analysis. Both the measurement model (including convergent validity, discriminant validity, and composite reliability) and the structural model (including path coefficients, t-values, and coefficients of determination [R^2]) were evaluated. A significance level of 0.05 was adopted for hypothesis testing.

3. Findings and Results

Among the 212 respondents, 68% ($n = 144$) were male and 32% ($n = 68$) were female. Regarding educational attainment, 22% held a bachelor's degree, 58% held a master's degree, and 20% possessed a doctoral degree. The average work experience in the fields of finance and accounting was 12.4 years ($SD = 4.7$), while the mean age of respondents was 38.6 years ($SD = 6.2$). In terms of occupational position, 45% of the sample consisted of financial managers, 33% internal auditors, and 22% senior accountants.

Table 1. Descriptive Statistics of Financial Managers' Leadership Styles and Financial Reporting Quality Dimensions

Research Variables	Mean \pm SD
Transformational Leadership	3.87 \pm 0.72
Transactional Leadership	3.41 \pm 0.85
Laissez-Faire Leadership	2.63 \pm 0.94
Comparability	3.52 \pm 0.81
Understandability	3.78 \pm 0.74
Relevance	3.69 \pm 0.79
Faithful Representation	3.44 \pm 0.88
Timeliness	3.95 \pm 0.69
Verifiability	2.38 \pm 0.92

Table 2. Correlation Matrix Between Leadership Styles and Financial Reporting Quality

Leadership Style	Correlation Coefficient with Financial Reporting Quality	Significance Level
Transformational Leadership	0.68	0.001
Transactional Leadership	0.45	0.003
Laissez-Faire Leadership	-0.32	0.018

A positive and relatively strong relationship was observed between transformational leadership and financial reporting quality ($r = 0.68$), while a moderate positive relationship was found for transactional leadership ($r = 0.45$). Laissez-faire leadership exhibited a weak negative relationship with financial reporting quality ($r = -0.32$), which was statistically significant at the 0.05 level. These descriptive findings provided the necessary foundation for conducting Structural Equation Modeling in the inferential analysis phase.

The measurement model was evaluated in terms of both standardized factor loadings and the significance of factor loadings. The standardized solution indicated that the majority of factor loadings exceeded the threshold value of 0.50. Furthermore, the significance values associated with the factor loadings fell outside the critical range of ± 1.96 , indicating that all measurement indicators significantly represented their respective latent constructs. Therefore, the measurement model was considered acceptable.

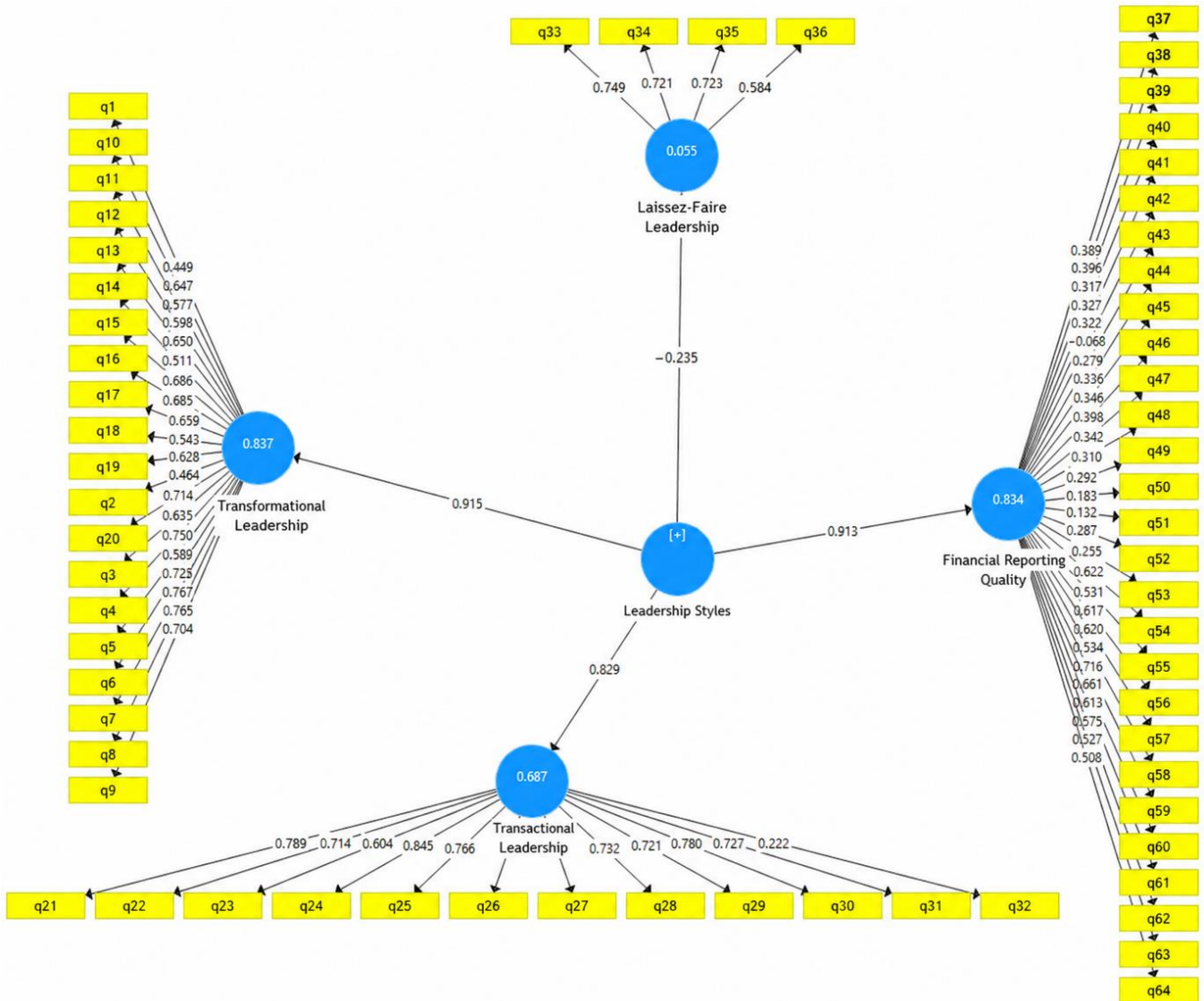


Figure 1. Measurement Model with Standardized Factor Loadings

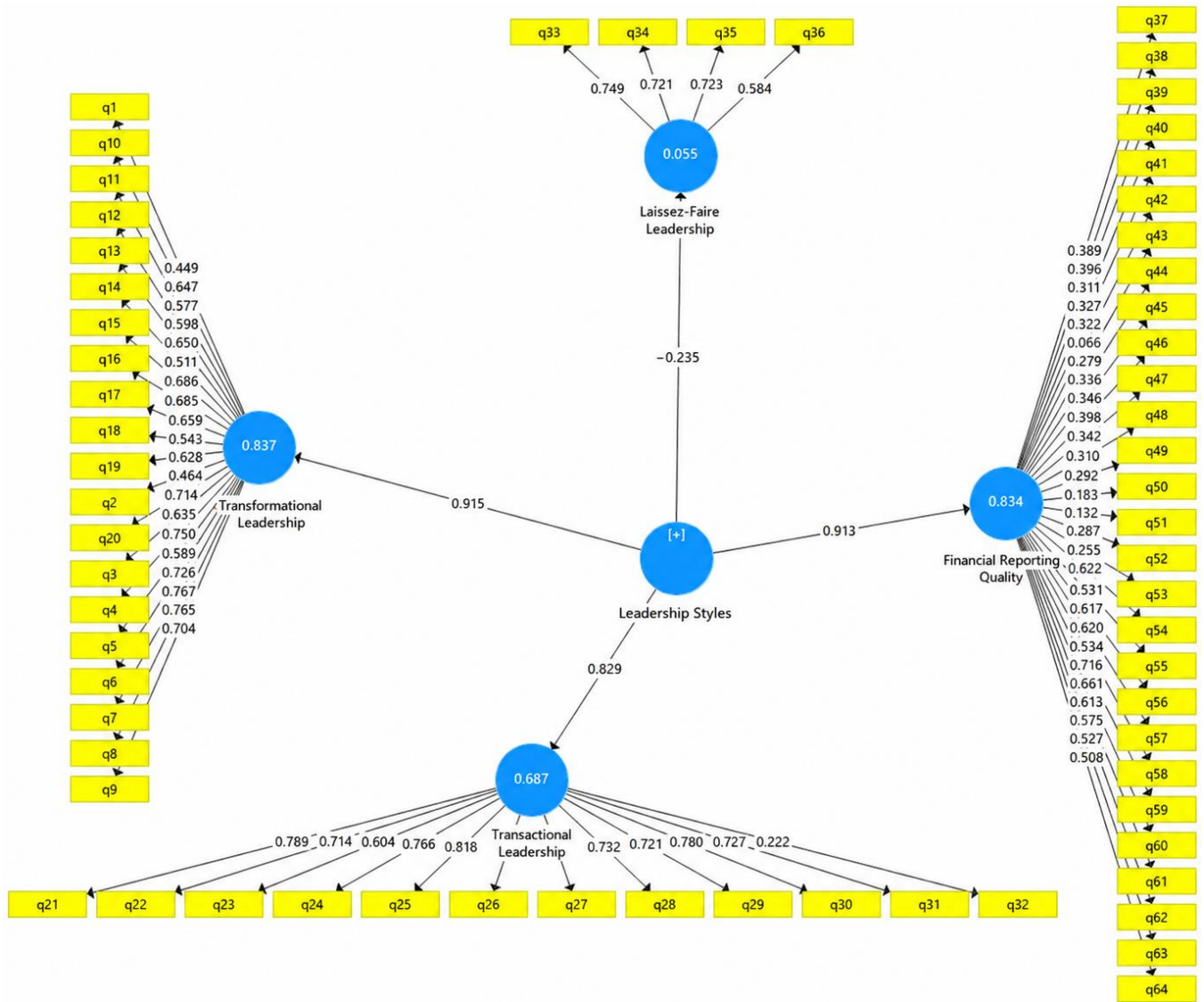


Figure 2. Measurement Model with Significance Values of Standardized Factor Loadings

Table 3. Measurement Model Reliability and Convergent Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Transactional Leadership	0.910	0.928	0.926	0.522
Transformational Leadership	0.923	0.932	0.932	0.512
Laissez-Faire Leadership	0.662	0.751	0.662	0.552
Financial Reporting Quality	0.911	0.922	0.925	0.540

In PLS-SEM, several criteria are used to evaluate the reliability and validity of the measurement model. Factor loadings greater than 0.50 indicate acceptable indicator reliability, which was confirmed in the present study. According to Cronbach (1951), Cronbach's alpha values above 0.70 demonstrate acceptable reliability. As shown in Table 3, all constructs met this criterion. Composite Reliability (CR), which assesses internal consistency, should exceed 0.70. The results indicated that all constructs satisfied this requirement. The rho_A coefficient, regarded as a more accurate measure of internal consistency than Cronbach's alpha (Chin, 1998), also exceeded the recommended threshold of 0.70 for all constructs. Moreover, the Average Variance Extracted (AVE) values exceeded 0.50, demonstrating that each latent variable explained at least 50% of the variance in its indicators.

Convergent validity was confirmed because all factor loadings exceeded the threshold value of 0.50.

Discriminant validity was assessed using the Fornell–Larcker criterion (Fornell & Larcker, 1981). According to this criterion, discriminant validity is established when the square root of the AVE of each construct exceeds its correlations with other constructs.

Table 4. Discriminant Validity Assessment Using the Fornell–Larcker Criterion

Constructs	Transactional Leadership	Transformational Leadership	Laissez-Faire Leadership	Financial Reporting Quality
Transactional Leadership	0.723			
Transformational Leadership	0.544	0.642		
Laissez-Faire Leadership	0.219	0.183	0.635	
Financial Reporting Quality	0.399	0.504	0.593	0.583

The values reported along the main diagonal are greater than the corresponding inter-construct correlations, indicating satisfactory discriminant validity and strong construct validity of the measurement model.

The CV-Communality (CV Com) index was used to evaluate the predictive quality of the measurement model. Positive values indicate acceptable model quality, with values of 0.02, 0.15, and 0.35 representing weak, moderate, and strong predictive relevance, respectively.

Table 5. CV-Communality Values

Construct	CV Value	Interpretation
Transactional Leadership	0.452	Strong
Transformational Leadership	0.557	Strong
Laissez-Faire Leadership	0.552	Strong
Financial Reporting Quality	0.415	Strong

The results presented in Table 5 indicate that all constructs exhibit strong predictive quality, confirming the robustness of the measurement model.

In the structural model assessment, relationships among latent variables were examined using SmartPLS. This stage enabled the testing of the study hypotheses through the evaluation of path coefficients and their significance levels.

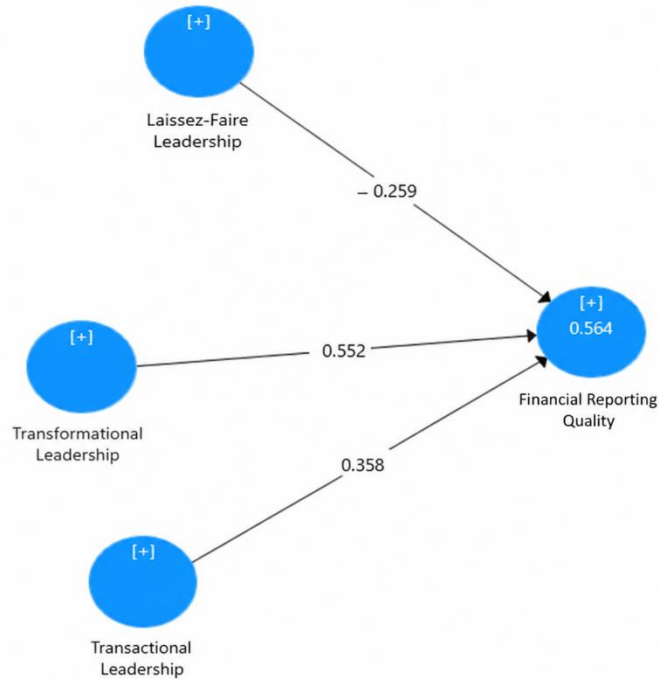


Figure 3. Structural Model with Standardized Path Coefficients

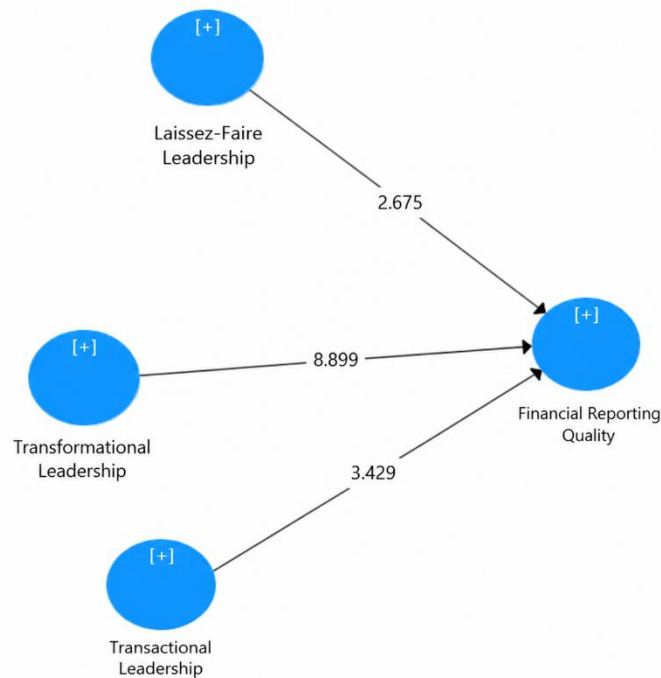


Figure 4. Structural Model with t-values

According to the results of the structural model, the path coefficient between laissez-faire leadership and financial reporting quality was $\beta = -0.259$, indicating an inverse relationship. The corresponding t-value was 2.675, exceeding the critical threshold of ± 1.96 , which confirms a statistically significant negative effect. The path coefficient between transformational leadership and financial reporting quality was $\beta = 0.552$, indicating a positive relationship. The associated t-value was 8.899, which substantially exceeded the critical threshold and demonstrated a highly significant positive effect. Furthermore, the path coefficient between transactional

leadership and financial reporting quality was $\beta = 0.358$, indicating a positive relationship, with a corresponding t-value of 3.429, confirming a statistically significant positive effect.

4. Discussion and Conclusion

The present study examined the relationship between financial managers' leadership styles and financial reporting quality in organizations. The findings demonstrated that transformational leadership had a strong and positive effect on financial reporting quality ($\beta = 0.552$), transactional leadership had a moderate positive effect ($\beta = 0.358$), and laissez-faire leadership had a significant negative effect ($\beta = -0.259$). Furthermore, the correlation analysis confirmed a strong positive relationship between transformational leadership and financial reporting quality, a moderate positive relationship for transactional leadership, and a negative relationship for laissez-faire leadership. Collectively, these findings suggest that leadership style constitutes an important behavioral determinant of financial reporting quality and that the effectiveness of financial reporting systems is influenced not only by technical accounting standards and regulatory frameworks but also by the leadership behaviors exhibited by financial managers. The explanatory power of the structural model further indicated that a substantial proportion of variance in financial reporting quality could be attributed to leadership-related factors, emphasizing the strategic importance of managerial leadership in shaping organizational transparency, accountability, and reporting effectiveness.

The strongest finding of the study was the positive influence of transformational leadership on financial reporting quality. This result suggests that financial managers who inspire employees, articulate a compelling vision, encourage innovation, stimulate critical thinking, and provide individualized support are more likely to establish organizational environments that promote transparent and reliable financial reporting. Transformational leaders tend to foster trust, commitment, ethical awareness, and organizational citizenship behaviors, all of which contribute to greater attention to reporting accuracy and accountability. From a theoretical perspective, transformational leadership enhances intrinsic motivation and encourages employees to align their behaviors with organizational goals rather than focusing solely on personal interests. Consequently, accounting personnel operating under transformational leaders may exhibit greater diligence, responsibility, and commitment to professional standards. This finding is consistent with the arguments of Northouse, who emphasized that transformational leadership enhances organizational effectiveness by creating higher levels of motivation and commitment among followers [5]. The result is also aligned with Miller's findings regarding the positive role of transformational leadership in fostering innovation-oriented cultures and strengthening organizational commitment [6]. Similarly, Ahsan demonstrated that transformational leadership contributes significantly to organizational performance through its influence on culture and socially responsible behavior [7]. Because financial reporting quality relies heavily on ethical judgment, professional responsibility, and effective communication, the positive impact of transformational leadership observed in the present study appears theoretically and empirically justified.

Another explanation for the positive association between transformational leadership and financial reporting quality relates to ethical leadership mechanisms. Financial reporting is inherently vulnerable to bias, manipulation, and opportunistic behavior when organizational controls and ethical standards are weak. Transformational leaders often promote ethical values, fairness, integrity, and transparency, thereby reducing incentives for misrepresentation and encouraging compliance with accounting standards. This interpretation is strongly supported by the findings of Rachmawati et al., who concluded that leadership, authenticity, and ethical behavior

collectively strengthen financial reporting quality [17]. Likewise, Khodabandeh et al. found that ethical managerial behavior significantly contributes to improving financial reporting quality and organizational transparency [18]. The present findings therefore reinforce the notion that transformational leadership functions as an indirect governance mechanism that improves reporting quality through the establishment of ethical organizational cultures. Such leadership practices may enhance employees' willingness to report information accurately, disclose unfavorable outcomes when necessary, and maintain compliance with professional accounting principles.

The results also revealed a significant positive relationship between transactional leadership and financial reporting quality, although the magnitude of this relationship was lower than that observed for transformational leadership. Transactional leadership operates through formal exchanges between leaders and followers, relying on contingent rewards, performance monitoring, and corrective actions to achieve organizational objectives. Within financial reporting contexts, this leadership style may contribute positively by clarifying expectations, strengthening accountability, and ensuring adherence to established procedures and regulations. Financial reporting activities require precision, consistency, and compliance with formal standards, making transactional leadership particularly relevant for monitoring performance and reducing procedural deviations. These findings are consistent with leadership theory, which suggests that transactional leadership can improve task performance and operational efficiency by reinforcing desired behaviors through reward systems [5]. Furthermore, Jabbari et al. emphasized the importance of leadership styles in shaping communication effectiveness and managerial performance, factors that can influence the quality of accounting and reporting processes [8]. While transactional leadership may not create the same level of organizational commitment and innovation as transformational leadership, it nevertheless appears capable of enhancing reporting quality through structured supervision and performance management mechanisms.

The moderate rather than strong effect of transactional leadership may be explained by the limitations inherent in reward-based management approaches. Financial reporting quality depends not only on procedural compliance but also on professional judgment, ethical sensitivity, and proactive problem-solving. Excessive reliance on external rewards and monitoring may encourage employees to focus narrowly on compliance requirements while neglecting broader ethical considerations and continuous improvement. Consequently, transactional leadership may be effective in maintaining minimum reporting standards but less effective in fostering the organizational culture necessary for exceptional reporting quality. This interpretation is consistent with studies emphasizing the importance of managerial characteristics and organizational culture in shaping reporting outcomes [4, 11]. Therefore, while transactional leadership contributes positively to reporting quality, its effectiveness appears to be enhanced when combined with transformational leadership characteristics that encourage ethical commitment and organizational engagement.

A particularly important finding of the study was the negative relationship between laissez-faire leadership and financial reporting quality. Laissez-faire leadership is characterized by managerial passivity, avoidance of responsibility, delayed decision-making, and minimal supervision of organizational activities. Such leadership behavior creates ambiguity regarding expectations and weakens organizational control systems. In financial reporting environments, where accuracy, accountability, and timely decision-making are critical, the absence of active leadership can have detrimental consequences. Financial managers who adopt laissez-faire approaches may fail to provide sufficient guidance, oversight, and support for accounting personnel, increasing the likelihood of reporting errors, omissions, and inconsistencies. This finding supports the theoretical position that effective leadership is necessary to establish organizational accountability structures and ensure compliance with

professional standards [5]. The result also aligns with studies emphasizing the importance of leadership and managerial oversight in promoting accountability and reporting quality [3, 19].

The negative effect of *laissez-faire* leadership can also be interpreted through the lens of organizational governance and control. High-quality financial reporting requires coordination among accounting personnel, auditors, managers, and other stakeholders. Passive leadership may reduce communication quality, weaken monitoring processes, and create opportunities for information asymmetry. Previous research has demonstrated that deficiencies in governance mechanisms increase the risk of poor reporting quality and reduce stakeholder confidence in financial information [2]. Furthermore, studies focusing on managerial behavior have shown that individual managerial characteristics significantly influence reporting outcomes [12, 13]. The present findings extend this literature by suggesting that leadership style itself constitutes a behavioral factor capable of either strengthening or undermining reporting quality. In particular, *laissez-faire* leadership appears to undermine the organizational structures necessary for producing reliable financial information.

The findings of the present study also contribute to the broader literature on financial reporting quality by reinforcing the importance of behavioral and managerial determinants. Previous accounting research has primarily focused on technical factors such as accounting standards, disclosure regulations, governance mechanisms, and financial performance. While these factors undoubtedly influence reporting quality, the current results demonstrate that leadership style represents an equally important organizational variable. Studies examining financial reporting quality have identified the roles of managerial education, financial health, managerial networking, optimism, and ethical behavior in influencing reporting outcomes [11, 14, 15, 18]. The present study complements this body of knowledge by highlighting leadership style as a key behavioral mechanism through which these characteristics may be translated into organizational practices and reporting outcomes. Moreover, the findings support the argument that effective implementation of reporting standards and disclosure frameworks requires not only technical expertise but also strong leadership capable of fostering transparency and accountability [20, 21].

Another noteworthy implication concerns the strategic role of financial managers within contemporary organizations. Financial managers increasingly serve not only as technical accounting specialists but also as organizational leaders responsible for guiding teams, managing information flows, and supporting strategic decision-making. The significant relationships identified in this study suggest that leadership competencies should be regarded as essential qualifications for financial management positions. Organizations that prioritize leadership development among financial managers may therefore be better positioned to improve reporting quality, strengthen stakeholder trust, and enhance organizational performance. This conclusion is further supported by studies linking leadership practices to organizational performance and accountability outcomes [9, 19]. Ultimately, the results indicate that improving financial reporting quality requires a comprehensive approach that integrates technical accounting competence with effective leadership capabilities.

The present study has several limitations that should be considered when interpreting the findings. First, the research employed a cross-sectional design, which limits the ability to establish causal relationships between leadership styles and financial reporting quality. Second, the study relied on self-reported questionnaire data, making the findings potentially susceptible to common method bias and social desirability effects. Third, the sample was limited to financial managers, accountants, and auditors within a specific organizational context, which may restrict the generalizability of the results to other sectors and countries. Finally, the study focused exclusively on leadership styles and did not examine other potentially influential variables such as organizational culture, governance quality, technological capabilities, or regulatory environments.

Future studies should employ longitudinal designs to examine how leadership styles influence financial reporting quality over time and to provide stronger evidence regarding causal relationships. Researchers may also investigate the mediating and moderating roles of variables such as ethical climate, organizational culture, digital transformation, internal control effectiveness, and corporate governance mechanisms. Comparative studies across industries, organizational sizes, and national contexts could provide additional insights into contextual influences on the leadership–reporting quality relationship. Furthermore, future research may explore the interaction between leadership styles and individual managerial characteristics, including emotional intelligence, financial expertise, and professional ethics, to develop a more comprehensive understanding of behavioral determinants of financial reporting quality.

Organizations should place greater emphasis on leadership competencies when selecting and developing financial managers. Leadership development programs should focus particularly on transformational leadership capabilities, including inspirational communication, ethical decision-making, intellectual stimulation, and individualized support. Financial reporting quality can be enhanced by creating organizational cultures that prioritize transparency, accountability, and continuous improvement. Managers should actively engage with accounting teams, provide clear guidance, encourage open communication, and establish robust monitoring systems to ensure compliance with reporting standards. In addition, organizations should integrate leadership assessment into performance evaluation and succession planning processes to ensure that individuals responsible for financial reporting possess both technical expertise and effective leadership skills.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

Acknowledgments

Authors thank all participants who participate in this study.

Conflict of Interest

The authors report no conflict of interest.

Funding/Financial Support

According to the authors, this article has no financial support.

References

- [1] B. International Accounting Standards, "Conceptual Framework for Financial Reporting," IFRS Foundation, 2018.
- [2] F. Kheirallahi, F. Ivani, and A. Mohebi, "Consequences of Financial Reporting Failure for Non-Executive Managers," (in English), *Empirical Studies in Financial Accounting Quarterly*, vol. 14, no. 56, pp. 107-132, 2017.
- [3] R. B. Amanamah, "Examining the Moderating Role of Firm Characteristics in the Corporate Governance-Financial Reporting Quality Nexus: Evidence From a Developing Country," *Business Ethics and Leadership*, vol. 8, no. 1, pp. 28-44, 2024, doi: 10.61093/bel.8(1).28-44.2024.

- [4] N. Osanloo, M. R. Pourali, M. Samadi Largani, and M. A. Nasimi, "Presenting a Financial Reporting Quality Model with Emphasis on Managers' Personality-Type Dimensions and the Mediating Role of Financial Health," (in English), *Financial Accounting Quarterly*, vol. 15, no. 57, pp. 16-37, 2023.
- [5] P. G. Northouse, *Leadership: Theory and Practice*. Sage Publications (in English), 2018.
- [6] P. J. Miller, "Moderating Impact of Country Culture on Transformational Leadership in Innovation Cultures," 2024. [Online]. Available: https://www.researchgate.net/publication/388047786_Cultural_Perspectives_on_Transformational_Leadership_and_Organizational_Commitment_A_Study_of_US_Financial_Sector.
- [7] M. J. Ahsan, "Unlocking sustainable success: exploring the impact of transformational leadership, organizational culture, and CSR performance on financial performance in the Italian manufacturing sector," *Social Responsibility Journal*, vol. 20, no. 4, pp. 783-803, 2024. [Online]. Available: <https://doi.org/10.1108/SRJ-06-2023-0332>.
- [8] M. R. Jabbari, K. Dorani, and A. Rahiminejad, "Explaining Managers' Leadership Styles and Communication Skills," (in English), *Management Studies Quarterly: Improvement and Transformation*, vol. 28, no. 94, pp. 109-136, 2019.
- [9] Z. Sharafi and J. Zarin, "Investigating the Effect of Leadership Style on Financial Performance through the Mediating Role of Digital Transformation in Water and Wastewater Companies: A Case Study of Hamadan Water and Wastewater Company," (in English), *New Research Approaches in Management and Accounting*, no. 90, pp. 1609-1625, 2023.
- [10] A. Doosti, M. S. Omid, and A. Doosti, "The Effect of Managers' Transformational Leadership Style on Psychological Empowerment of NAJA Headquarters Employees," (in English), *Resource Management in Law Enforcement Quarterly*, vol. 6, no. 2, pp. 217-240, 2018.
- [11] A. Mehrfar, H. Kazemi, and F. Rezaei, "Managers' Natural and Motivational Optimism and Its Effect on Financial Reporting Quality," (in English), *Financial Accounting and Auditing Research*, vol. 12, no. 48, pp. 165-180, 2023.
- [12] S. Farrokhi and A. Jahanshad, "Managers' Narcissism and the Choice of Leadership Styles in Accounting," (in English), *Financial Accounting and Auditing Research*, vol. 14, no. 56, pp. 221-241, 2022.
- [13] R. Taheri Abed, M. Alinejad Sarookalaei, and K. Faghani Makrani, "The Effect of Managers' Narcissism on Financial Reporting Transparency," (in English), *Financial Accounting and Auditing Research*, vol. 12, no. 48, pp. 71-93, 2020.
- [14] M. Rashidi and S. Sharif Khafri, "Investigating Financial Reporting Quality Based on the Education Level of Company Managers and Employees," (in English), *Financial Accounting and Auditing Research*, vol. 16, no. 63, pp. 1-22, 2024.
- [15] M. H. Hosseini Sarani, M. Dasineh, and H. Rostami Jaz, "Investigating the Relationship between Financial Reporting Quality and Financial Managers' Networking Considering the Moderating Role of Financial Performance in Health-Care Organizations," (in English), *Governmental Accounting Scientific Biannual Journal*, vol. 10, no. 19, pp. 182-192, 2023.
- [16] R. F. Duska, B. S. Duska, and J. A. Ragatz, *Accounting Ethics*. Wiley-Blackwell (in English), 2018.
- [17] A. Rachmawati, T. M. Kuang, T. K. En, M. Meythi, and E. I. Marpaung, "Building Financial Reporting Quality Through Ethics, Authenticity, and Leadership: A Study in Indonesia," *Cogent Business & Management*, vol. 12, no. 1, pp. 1-30, 2025, doi: 10.1080/23311975.2025.2523414.
- [18] A. Khodabandeh, F. Rezaei, G. Kordestani, and K. Bigler, "Modeling Managers' Ethical Behavior to Increase Financial Reporting Quality," (in English), *Ethics in Science and Technology Quarterly*, vol. 20, no. 1, pp. 106-117, 2025.
- [19] M. H. Fathah and R. Karami, "The Effect of Leadership and Accounting Capacity on Accountability through Financial Reporting Quality," (in English), *Accounting and Social Interests*, vol. 13, no. 3, pp. 63-92, 2023.
- [20] A. Rahmani and A. Valizadeh Larijani, "International Financial Reporting Standards (IFRS) and Financial Reporting Quality," (in English), *Financial Accounting Research*, vol. 12, no. 46, pp. 59-78, 2020.
- [21] L. Salari, F. Ahmadi, B. Abedini, and M. H. Ranjbar, "A Proposed Model of Information Disclosure Quality within the Framework of International Financial Reporting Standards Based on Grounded Theory," (in English), *Management Accounting and Auditing Knowledge Quarterly*, vol. 11, no. 44, pp. 465-482, 2022.
- [22] M. Sajid, "Fostering financial literacy in children: A cornerstone for economic well-being," *Journal of Community Leadership and Social Innovation*, vol. 3, no. 1, pp. 01-07, 2025, doi: 10.71085/joclsi.03.01.39.
- [23] A. A. Daryaei and M. Imani, "Financial Reporting Readability and Cost of Capital: Emphasizing the Role of Financial Reporting Quality," (in English), *Financial Accounting Knowledge*, vol. 10, no. 1, pp. 131-161, 2023.
- [24] S. Piri and M. Mousavi, "Designing and Explaining a Model for Managing Managers' Financial Misbehavior in Iranian Governmental Organizations: A Case Study of Managers of Governmental Organizations in Sistan and Baluchestan Province," (in English), *Journal of Executive Management*, vol. 10, no. 19, pp. 81-102, 2018.
- [25] G. Ghasemi, "Female Managers, Financial Reporting Quality, and Audit Fees," (in English), *Accounting and Financial Transparency*, vol. 2, no. 2, pp. 67-81, 2024.