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Behavioral and Managerial Antecedents of Investment Performance: Mediating Role of Strategic Decision-Making Quality

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ABSTRACT

This study aimed to explore how behavioral finance and managerial traits influence investment performance in organizational settings. It particularly examined the mediating role of strategic decision-making quality in the relationship between overconfidence bias, transformational leadership, and risk perception with investment performance. A quantitative research design was employed using structured questionnaires collected from 280 middle and top-level managers in finance-related roles across medium to large firms in Pakistan. Structural equation modeling (SEM) was used to assess direct and indirect relationships among the variables. The results showed that overconfidence bias had a negative impact on strategic decision-making quality, whereas transformational leadership and risk perception positively influenced it. Strategic decision-making quality was found to significantly mediate the relationship between all three independent variables and investment performance. The findings emphasize the need for leadership development and behavioral awareness training in financial decision-making contexts. Enhancing strategic decision-making capacity can mitigate cognitive biases and improve investment outcomes. This study contributes to both behavioral finance and management literature by integrating psychological traits and leadership behavior into a unified framework of financial decision-making effectiveness.

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1.0 Introduction

In the organizational context, the performance of investment is a multidimensional construct that is both influenced by the economic rationality and behavioral factors. Traditional finance theory, such as the Efficient Market Hypothesis (Fama, 1970), posits rational decision-making actors with complete information, leading to optimal investment allocation. In practice, rationality is often skewed by cognitive biases and affective influences and this often limits the best possible outcomes, leading to the rise of behavioral finance where psychological knowledge is applied to financial decisions (Umeaduma, 2024). Overconfidence bias has been of specific interest to scholars because of its widespread effects on the behavior of investments, which in many cases lead to miscalculation, risk-taking and poor returns. At the same time, the role of managerial leadership as a factor of decision-quality and financial performance has become an object of more intensive study. Researchers explore the relationship between transformational leadership, which is defined by the ability to articulate a vision, motivation using inspiration, intellectual stimulation, and individualized consideration, in improving the quality of decision-making and consequently the performance of investments. Leaders who motivate, intellectually stimulate, and give individual attention are able to influence strategic decision-making and reduce behavioral distortions in volatile, uncertain financial environments (Balampanis, 2024).

Perception of risk takes a central stage in development of managerial reaction to investment opportunities and threats. In contrast to objective risk measures, perceived risk is subjective in nature and depends on experience, mental biases, organizational culture as well as external environmental influences. It is a decisive mediator that determines whether managers are risk-seeking or risk-averse and, thus, influences the quality of strategic decisions and, finally, the investment performance (Fortagne et al., 2023). With the ever-changing and tumultuous markets that firms have to deal with, understanding the relationship between behavioral characteristics, leadership qualities, and subjective risk judgments is becoming essential to streamline decision-making procedures. However, the existence of behavioral and managerial antecedents does not necessarily imply the occurrence of better investment results; the mediating variable of the quality of strategic decision-making, as the ability to make the well-informed, timely, and consistent choices consistent with the organizational objectives, should be taken into account (Banerjee et al., 2025).

One of the strongest cognitive distortions in managerial finance is overconfidence bias which is an inflated belief that one has knowledge, predictions, or decision-making skills. Overconfident managers have a tendency to underestimate risk, overestimate the degree to which they control the outcomes and ignore salient feedback, undermining the objectivity needed to make high-quality strategic decisions and precipitating poor investment decisions. Whereas overconfidence can lead to adventurous innovations and high returns, it is more likely to result in excessive trading, misallocation of resources and failure to change decisions in the face of contrary evidence (Loang, 2025). Comparatively, transformational leadership which is characterized by articulation of vision, inspirational motivation, intellectual stimulation, and individualized consideration has always been related to increased strategic cognition and enhanced performance

in the organization. Leaders who possess these qualities promote participative decision making, critical thinking and active behavior among the team members thus improving analytical rigor with which the investment options are considered (Awotunde & Aregbeshola, 2025).

The subjective aspect of risk perception, which is an individual interpretation of uncertainty and possible loss creates additional complexity to financial decision-making. The risk perceptions of managers dictate the investments they undertake, the extent of analysis they use and risk hedging or mitigation strategies they apply. Despite the fact that objective financial factors are used regularly to measure risk, the decision-makers tend to use heuristics, previous experiences, and organizational norms in the formation of their perceptions. These perceptions may support or hamper strategic clarity, depending on how they match with the real risk exposures (Verlinden et al., 2023). The correct understanding and situationalization of risk is critical in dictating whether strategic decisions will give desirable results in terms of investments. However, the effect of risk perception on the quality of strategic decision-making has not been well theorized, especially in a setting where information asymmetry and regulatory uncertainty exist like in the case of Pakistan. Therefore, future studies are required to determine the interaction between behavioral characteristics, leadership qualities, and subjective risk measures to determine their impact on investment performance, particularly in the context of emerging markets (Lisdiono et al., 2022).

The quality of strategic decision-making is defined by the level of exhaustiveness, empirical support, futuristic and alignment of organizational decisions with existing strategic goals. Systematic questioning of alternatives, the integration of diverse perspectives, and the development of contextual intelligence are all subsumed in this construct. Quality decisions are normally as a result of a well-framed problem, thorough evaluation of alternatives and matching of the alternatives to short-term and long-term organisational goals. In comparison, poorer decisions are reactive, piecemeal and overly influenced by individual bias and organisational politics. Strategic decision-making quality is compromised when cognitive tendencies, e.g. overconfidence, or risk environments that are ambiguous, interfere with decision processes (Fischhoff & Broomell, 2020). On the other hand, transformational leadership often leads to a culture of analytical stringency and strategic consistency, thus raising the quality of the decisions taken at various levels of the managerial hierarchy. The mediating role of quality of strategic decision-making becomes both theoretically and practically relevant in the context of the interaction of psychological dispositions, leadership behaviors, and subjective risk interpretation (Magnano et al., 2022).

Although the field of behavioral finance and strategic management studies has experienced a growing path of research, the literature has a number of gaps. Most of the research done on overconfidence bias has focused on individual investors or western corporate managers which restricts its generalizability to emerging markets. Transformational leadership has been widely reviewed in terms of employee motivation and organisational change, but there is little research on its direct and indirect impacts on investment-related decision-making. Similarly, the study of risk perception has mostly focused on consumer behaviour or personal portfolio decisions without considering its consequences to the corporate financial strategy (Kumar et al., 2023). Lastly, extant

literature has not provided an integrative framework that connects these behavioral and managerial antecedents in terms of the quality of strategic decisions. In line with this, there is a lack of empirical research that cuts across these areas and contextually examines the effects of internal cognitive and leadership processes on financial performance (Hoai et al., 2022).

To fill these gaps, the current research study formulates a key research question: What is the role of overconfidence bias, transformational leadership, and risk perception in determining the investment performance and how is the quality of strategic decision-making as a mediator in these relationships? This question is very relevant considering the high rate of economic fluctuations, regulatory uncertainty, and institutional vulnerability that is common in emerging economies like Pakistan. The study is concerned with a critical yet under researched group in the organisational hierarchy by focusing on middle- and top-level managers directly involved in the financial planning and investment decisions. Moreover, including behavioral finance and managerial leadership variables in one empirical model allows the study to contribute to a more holistic explanation of determinants of investment performance.

The study has both theoretical and practical value that is complex. In theory, it advances the study of overconfidence and risk perception beyond the individual investor to organisational decision-makers and it adds a richness to management theory that is lacking by explaining how transformational leadership influences the quality of strategic decision-making in high-stakes financial situations. In practice, the results present practical implications on the organisational development, especially in the development of leadership training, behaviour awareness training, and strategic planning frameworks that can improve the effectiveness of decision-making (Ziadlou, 2021). To the policymakers and regulatory agencies, the study offers evidence-based advice on how to create decision environments that will reduce cognitive distortions and encourage strategic alignment through leadership. In the Pakistani corporate environment that has been experiencing a dynamic change, the research paper provides topical, contextual advice on how internal management processes can be used to improve investment performance and organisational competitiveness (Corchuelo Martínez-Azúa et al., 2020).

In order to explain these interrelations, the research uses structural equation modeling (SEM). SEM provides a strict analytic modus of exploring complicated mediation models thus allowing a profound understanding of both direct and indirect effects. The framework also provides quantitative indicators of the mediating effect of quality of strategic decision-making, thus fulfilling the demand of empirically-based, theory-driven research which incorporates both behavioral and strategic approach to finance and management. Collectively, the findings provide a useful guide to academicians, practitioners and policymakers interested in understanding the behavioural complexity of financial strategy in organisational settings.

2.0 Literature Review

The main theoretical basis of this research is based on the intersection of the Upper Echelons Theory and the Behavioral Decision Theory, which can be considered as two powerful conceptual frameworks to study the impact of managerial and psychological characteristics on the organizational performance. The Upper Echelons Theory assumes that the nature, experiences, and

values of upper and middle managers have a significant influence on strategic decisions and further organizational performance. These attributes are mental sieves that guide choices and understanding of information when making decisions. In areas of high stakes like investment management, where strategies tend to depend on individual-level characteristics, leadership style, cognitive biases, and subjective risk evaluations then have firm-level implications in terms of their influence on strategic decisions (Oprean-Stan et al., 2020). Behavioral Decision Theory, in its turn, highlights the systematic irrationality of decision-makers with respect to the rational models, which can be explained by the limited rationality and cognitive limitations. Heuristics in psychology such as overconfidence and biased perception of risk distort judgment, thus producing less than ideal choices. Collectively, these theories form an analytical framework where behavioral and managerial antecedents combine with the quality of strategic decision-making to influence performance of investments in a context of complexity, uncertainty and information asymmetry (Kulkarni et al., 2024).

In behavioral finance literature, overconfidence bias is one of the most apparent cognitive distortions, which can be defined as the overestimation of personal capabilities, knowledge, or control over the results by a manager. This overestimation contributes to overconfidence in predictions, a lack of risk sensitivity, and openness to counterevidence. The empirical evidence has always shown that overconfidence is related to high levels of trading, allocating too much capital in risky projects, and intentional ignorance of thorough analyses. Even though overconfidence can, on occasion, trigger innovation and facilitative risk-taking in stable conditions, it tends to undermine analytical depth and strategic coherence, especially when conditions are volatile or resource-constrained (Jhangiani, 2022). Overconfident managers in the context of organizational investment tend to skip the collaborative nature of the process, place more emphasis on intuition than facts, and reject any opposing views, which, in combination, undermine the quality of strategic decisions and hurt the investment performance. Studies have also shown that overconfidence is negatively related to the accuracy of decisions, the reliability of forecasts and long-term returns particularly in emerging economies where there is a relatively lower institutional control (Wijaya et al., 2024).

On the other hand, transformational leadership becomes a decisive managerial trait that promotes high-quality decision-making and better organizational performance. Transformational leadership is characterized by its ability to express powerful visions, inspire stakeholders to move beyond self-interest, challenge the intellects and address personal needs, and nurture participatory cultures that promote plurality of views, critical thinking and evidence-based arguments. Empirical research indicates that transformational leadership has a positive effect on strategic agility, organizational learning, and strategic alignment of decisions with the long-term goals (Martusewicz et al., 2024). Transformational leaders enhance the clarity, coherence, and consistency of strategic investment decisions by developing conditions that support collaboration and strategic thinking. Their ability to arouse confidence and minimize uncertainty further neutralizes the negative effect of cognitive biases in decision teams. Empirical evidence also demonstrates that transformational leaders have organizations with better performance of

investments based on better planning, alignment of stakeholders, and adaptability to the dynamic environment (Buttigieg et al., 2023).

Risk perception is yet another critical antecedent in the strategic investment decision-making model. The subjective assessment of the possible threats and uncertainties, risk perception is a very different concept to objective measures that are achieved through financial models. It is informed by personal experience, cognitive framing, emotional reactions and social influence and determines the degree of caution or risk taking that managers will display in considering investment options. Studies indicate that managers with an accurate sense of risk conduct more comprehensive analyses, develop stronger contingency plans and execute strategies that strike a balance between short-term profitability and long-term stability. In contrast, poor timing, improper resource allocation, and misalignment of strategies are brought about by distorted perception, which involves overly pessimistic as well as unrealistic optimistic appraisal (Fitzsimons, 2022). The ability to contextualize risk is especially important in volatile markets like the ones that exist in emerging economies. Empirical evidence suggests that risk perception has a strong impact on the comprehensiveness and timing of strategic decisions, and the higher the accuracy of perceptions, the more positive the relationship with the investment performance. In combination with good leadership and increased cognitive awareness, proper risk perception also improves the capability of managers to operate in tricky investment settings (Crawford & Jabbour, 2024).

Strategic decision-making quality as a latent construct is at the heart of organizational performance and includes the rigor of the analysis, coherence, and alignment of key managerial decisions with objective. High quality decisions tend to be systematically framed in terms of the problem, to have a comprehensive set of alternatives generated and evaluated, and to be consistent with long-term goals of the firm. On the other hand, poor decisions are usually reactive, disjointed and weakly

justified. Strategic decision-making quality acts as a transmission belt through which individual level characteristics affect the overall organizational performance. Managers who are victims of overconfidence will make decisions that are not in tandem with organizational realities thus jeopardizing strategic quality (Lovallo et al., 2023). On the contrary, transformational leadership promotes accountability, evidence-based arguments, and long-term orientation, which all contribute to the quality of decision-making. In the same way, managers with increased and correct perception of risk are in a better position to make effective investment decisions. The strategic decision-making quality, therefore, plays a mediating role, connecting antecedent traits and the investment performance. This mediating effect is recently supported by empirical studies that show that the positive effect of the quality of decision-making can counteract the deleterious impact of cognitive biases and enhance the positive effect of good leadership and correct perception of risk (Camilli et al., 2024).

Performance of investments, which has been traditionally measured by such indicators as return on investment (ROI), internal rate of return (IRR), and market share growth, is now viewed as multidimensional and is composed of financial returns, risk-adjusted performance, and strategic fit of capital allocation. Modern views emphasize the qualitative aspects such as strategic

consistency, satisfaction of stakeholders and adaptive capacity. External market forces are not the only factors influencing the results of organizational investments, but internal processes of decision-making that inform the allocation of resources (Kudyba et al., 2020). Therefore, to comprehend antecedents of investment performance a combination of behavioral, managerial, and procedural factors is needed. Studies have shown that performance is enhanced by high self-awareness of decision-makers, use of transformational leadership ideologies and accurate risk evaluation, especially when these qualities are directed through high quality strategic decision making models. The internal dynamics of decision-making is even more important to a competitive investment performance in emerging markets, where there is environmental volatility and institutional voids (Li et al., 2021).

Although there is an increasing number of literature devoted to behavioral finance and leadership as independent constructs, there is little literature that combines these constructs to describe the investment performance in terms of quality of strategic decision making. The studies conducted in the past have focused on the direct influence of overconfidence or type of leadership on financial performance ignoring cognitive mediators. Similarly, research on risk perception has focused to a great extent on the behavior of individual investors as opposed to organizational structures (Kumar et al., 2024). The fact that there are very few models that can explain cognitive biases, leadership behavior, subjective risk interpretation, and the quality of strategic decisions simultaneously represents a serious gap in theory and practice. In addition to this, the majority of empirical studies have been carried out in Western or developed economies, which restricts the scope of generalizability to emerging markets with different regulatory, cultural, and economic contexts. There is an urgent need of context-specific research to explain the interaction between psychological and managerial variables that influence the strategic investment outcomes (Heath, 2025).

To fill these gaps, the current study suggests a conceptual model in which the overconfidence bias, transformational leadership, and risk perception will affect the investment performance indirectly through the quality of strategic decision-making. The model forecasts that the overconfidence bias will have an adverse influence on the quality of decisions and, by extension, the performance of investments. Transformational leadership, in its turn, should enhance the quality of decision-making and enhance the outcomes of investments (Lasrado & Kassem, 2021). Proper risk perception is also expected to enhance decision-making and improved performance. This combined model answers the demands of a more comprehensive view of financial decision making in organizations, that connect behavioral and managerial antecedents to performance outcomes via a well defined cognitive mechanism. It contributes to the theoretical work and practice in the sphere of strategic management and behavioral finance (Hoffmann & Strauß, 2025).

The model has the benefit of incorporating behavioral and leadership constructs within one explanatory model of investment performance and filling disciplinary divides between finance and management and providing practical implications of improving decision-making practices. The empirical verification concerning the managers of the finance-related sphere in Pakistan

contributes to a better comprehension of the interaction between cognitive characteristics and leadership styles and their influence on strategic investment performance and outcomes and provides useful information to the theory, practice, and policy.

3.0 Methodology

The research design used in this investigation is quantitative, as it is guided by a positivist philosophical approach that values objectivity, hypothesis testing, and statistical inference in the search of cause and effect. It studies the interrelationship between behavioral biases, leadership qualities, quality of strategic decision making, and investment performance in the Pakistani context, which is an emerging economy with complex regulatory frameworks, scarcity of resources and high managerial discretion. The research seeks to produce findings that can be generalized by using systematic and structured data collection and analysis processes.

The sample population was comprised of middle and senior level managers who had a finance-oriented job in medium and large businesses that were established in the manufacturing, services and technology sectors. The fact that they were directly involved in making strategic investment decisions and financial planning made them perfectly capable of shedding light on the dynamics under study. In order to obtain an informed sample, non-probability purposive sampling strategy was used. Those who fulfilled the inclusion criteria of having managerial roles in financial operations and having at least three years of experience in the same were invited to participate. A total of 280 responses were received and this figure meets the recommended sample sizes in structural equation modeling (SEM) and strengthens the validity of the analyses to be conducted.

The data was collected based on a self-administered questionnaire, which was administered electronically and personally to the finance professionals of the chosen organizations. There was adaptation of extant scales and some minor contextual changes that were made to make them relevant in the local market place. The instrument specialized in closed-ended Likert scales and included the measures of overconfidence bias, transformational leadership, risk perception, quality of strategic decisions, and performance of investments. The pretest involved 20 people and was used to check clarity, reliability, and contextual appropriateness; the feedback received led to some minor changes that did not affect the alignment with the goals of the study.

After the collection of data, screening of responses was done to check on completeness and accuracy. Partial Least Squares Structural Equation Modeling (PLS-SEM) was conducted through SmartPLS software package. PLS-SEM was considered suitable because it could handle complicated models with a large number of constructs, because it was robust with small sample sizes, and because it could be used to simultaneously assess measurement and structural models. The analytic steps were done in two steps; the measurement model was tested in terms of reliability and validity using internal consistency, convergent validity, and discriminant validity tests; and, the structural model was tested to test the hypothesized relationships and the mediating effect of strategic decision-making quality among the variables.

During the research, ethics were highly adhered to. It was voluntary and the respondents were informed of the purpose of the research, how their data will be used and their right to withdraw without any consequence. A consent was taken and informed consent was obtained prior

to the data collection and anonymity was observed during the data collection to protect the confidentiality of the participants. Information was kept in a safe manner and was only used to pursue academic purposes in line with the institutional ethics, which also supported the integrity of the research activity and the rights and dignity of all participants.

4.0 Findings and Results

4.1 Reliability and Convergent Validity (Outer Model Evaluation)

Table 4.1 Reliability and Convergent Validity

Construct	Indicator	Factor Loading	Composite Reliability (CR)	Cronbach's Alpha	Average Variance Extracted (AVE)
Overconfidence Bias (OCB)	OCB1 – OCB4	0.72 – 0.86	0.87	0.80	0.63
Transformational Leadership (TL)	TL1 – TL5	0.74 – 0.89	0.91	0.88	0.68
Risk Perception (RP)	RP1 – RP4	0.70 – 0.84	0.85	0.78	0.60
Strategic Decision-Making Quality (SDMQ)	SDMQ1 – SDMQ5	0.76 – 0.89	0.90	0.86	0.66
Investment Performance (IP)	IP1 – IP4	0.78 – 0.87	0.88	0.82	0.65

The current research assessed the reliability and validity of structural measurement model. The results suggest strong psychometrics of all the constructs. Factor loadings are all above the recommended value of 0.70 (0.70-0.89), hence showing satisfactory item reliability. The estimates of Composite Reliability (CR) were between 0.85 and 0.91, and the Cronbachs Alpha coefficient was between the acceptable range of 0.78 and 0.88, which is above the required 0.70, and this indicates a high level of internal consistency. Furthermore, the value of Average Variance Extracted (AVE) of all constructs was above the recommended value of the 0.50, with the AVEs between 0.60 and 0.68, which also indicates good convergent validity. In turn, the findings suggest the measurement model as an appropriate basis of further structural analyses.

4.2 Discriminant Validity – HTMT (Heterotrait-Monotrait Ratio)

Table 4.2 Discriminant Validity – HTMT

Constructs	OCB	TL	RP	SDMQ	IP
Overconfidence (OCB)	—				
Transformational Leadership (TL)	0.61	—			
Risk Perception (RP)	0.55	0.63	—		
SDM Quality (SDMQ)	0.66	0.72	0.68	—	
Investment Performance (IP)	0.60	0.69	0.65	0.75	—

The reported HTMT (Heterotrait-Monotrait Ratio) values interpret an ideal discriminant validity pattern of the constructs in question. All the HTMT estimates are significantly lower than the benchmark value of 0.85, thus supporting the empirical uniqueness of all the constructs in the model. It is important to mention that the HTMT relationships between Overconfidence Bias and Transformational Leadership (0.61), Risk Perception (0.55), and Strategic Decision-Making Quality (0.66) are moderately strong but do not lead to multicollinearity. Similar trends are observed in the Transformational Leadership and Risk Perception (0.63), and Risk Perception and Strategic Decision-Making Quality (0.68). The largest HTMT (0.75 between Strategic Decision-Making Quality and Investment Performance) is also not outside of the acceptable statistical range, which further confirms the idea that all constructs measure different, theoretically consistent concepts. The general trend of the findings therefore confirms the discriminant validity of the measurement model.

4.3 Collinearity Statistics (VIF – Variance Inflation Factor)

Table 4.3 Collinearity Statistics

Predictor Variables	VIF Value
Overconfidence Bias → SDMQ	1.74
Transformational Leadership → SDMQ	1.88
Risk Perception → SDMQ	1.62
SDMQ → Investment Performance	1.93

The Variance Inflation Factor (VIF) values of all the predictors in the structural model are far much below the standard value of 5.0, which means that multicollinearity is not a critical issue. The VIFs are between 1.62 and 1.93, hence showing that the independent variables, Overconfidence Bias, Transformational Leadership and Risk Perception, do not have overly high intercorrelation in predicting Strategic Decision-Making Quality. The fact that the VIF of Strategic Decision-Making Quality alone in predicting Investment Performance is 1.93 also bears witness to the lack of multicollinearity.

4.4 Model Fit Summary (PLS-SEM Global Fit Measures)

Table 4.4 Model Fit Summary

Fit Measure	Value	Threshold
SRMR	0.046	< 0.08 (acceptable)
NFI	0.92	≥ 0.90 (good)
d_ULS	0.710	—
d_G	0.420	—
Chi-square	162.47	—

The fit of the structural model shows that there is a good overall fit. The value of Standardized Root Mean Square Residual (SRMR) = 0.046 is much lower than the acceptable value of 0.08 which indicates the lack of discrepancy between the observed and expected correlations, and thus it proves the good fit between the model and the data. Also, the Normed Fit

Index (NFI) of 0.92 exceeds the suggested minimum of 0.90, which is a sign that the model significantly fits better than a null model that assumes no inter-variable relationships. In spite of the fact that d ULS and d G lack strict threshold values, their comparatively low scores of 0.710 and 0.420, respectively, further support the adequacy of the model.

4.5 Structural Model – Path Coefficients and Hypothesis Testing

Table 4.5 Structural Model

Hypothesis	Path	β (Beta)	t-value	p-value	Decision
H1	OCB → SDMQ	-0.28	4.12	<0.001	Supported
H2	TL → SDMQ	0.34	5.06	<0.001	Supported
H3	RP → SDMQ	0.29	4.45	<0.001	Supported
H4	SDMQ → IP	0.41	6.22	<0.001	Supported
H5	OCB → SDMQ → IP (Indirect effect)	-0.12	3.75	<0.001	Supported
H6	TL → SDMQ → IP (Indirect effect)	0.14	4.62	<0.001	Supported
H7	RP → SDMQ → IP (Indirect effect)	0.12	4.10	<0.001	Supported

The structural model shows strong empirical support of all the hypotheses proposed and shows the direct and indirect relationships of the key constructs. There is a strong negative effect of Overconfidence Bias (OCB) on Strategic Decision-Making Quality (SDMQ) (beta = -0.28, t = 4.12, $p < 0.001$) and this means that higher overconfidence levels reduce decision effectiveness. Conversely, Transformational Leadership (TL) and Risk Perception (RP) have the positive influence on SDMQ (B=0.34, t = 5.06, $p < 0.001$; 0.29, t = 4.45, $p < 0.001$), which demonstrates the significant impacts of managerial leadership and perceptual accuracy on the quality of decisions. SDMQ, in its turn, demonstrates a high positive impact on Investment Performance (IP) (beta = 0.41, t = 6.22, $p < 0.001$), which proves the central mediating position of the factor. The mediating effects are significant: SDMQ mediates the correlation between OCB and IP negatively (b = -0.12, t = 3.75), and positively mediates the impacts of TL (b = 0.14, t = 4.62) and RP (b = 0.12, t = 4.10) on IP, with the p-values less than 0.001. These findings support the proposed model, and it is possible to assert that the quality of strategic decision-making is a central mechanism by means of which behavioral and managerial forces affect the results of investments.

5.0 Discussion and Conclusion

This study provides important information on how behavioral and managerial qualities influence the performance of investment by the mediating process of quality of strategic decision-making in the organizational context. One of the main conclusions is that overconfidence bias has an adverse effect on the quality of strategic decisions. This finding is in line with the existing behavioral finance literature that has repeatedly pointed out that overconfident managers over-rate their competence, under-rate risk, and make impulsive, intuition-based decisions that avoid careful analysis. Such overconfidence is especially detrimental in the context of Pakistan, where the level

of uncertainty is high, and institutional supervision is low. The negative path coefficient shows that even experienced executives can undermine the quality of decisions when they are tempted by the exaggerated self-perceptions and, thus, reduce the results of investment. This fact highlights the fact that cognitive biases are individual distortions, as well as organizational liabilities when not addressed.

On the other hand, the study supports the beneficial influence of transformational leadership on the quality of strategic decisions. Managers with transformational qualities, such as the ability to articulate a clear vision, foster teamwork, and promote critical thinking, are more likely to foster environments where decisions are inclusive, long-term, and based on data. The observations are particularly relevant to organizations that are keen on improving performance by developing the leadership. In highly dynamic and unpredictable markets like Pakistan, transformational leadership has the potential to reduce environmental volatility and internal bias through creating strategic alignment and group involvement in decision-making. The positive correlation between transformational leadership and quality of decisions means that leadership training must focus on the technical skills and also the ability to lead analytical and participative decision making.

Risk perception was found to be an important positive indicator of the quality of strategic decisions. This observation underscores the importance of decision-makers who can effectively measure and place risk in perspective so that they are better equipped to maneuver around the tricky investment landscapes. The result is especially relevant to the Pakistani corporate environment, which is fraught with macroeconomic volatility, regulatory ambiguity and high volatility. Risk-sensitive managers are more cautious in their choice of options, consider long-term consequences, and implement contingency plans, all features that are likely to lead to better quality decisions and, therefore, better performance of the investments. This focus on risk perception thus heightens the necessity of training that goes beyond the normal technical risk analysis to develop a cognitive sensitivity to the uncertainties that the normal metrics might fail to capture.

The quality of strategic decision-making, as the hypothesis provided, served as a mediating variable. It is the pathway along which the overconfidence bias, transformational leadership, and risk perception affect the performance of investments. The mediating effects in the three cases prove that decision quality is the point of convergence between individual-level antecedents and organizational outcomes. Though cognitive characteristics and leadership behaviors provide the potential of high performance, without being translated into coherent and informed decisions, the potential is seldom realized. The resulting mediating effect highlights the need of the firms to focus on enhancing capabilities of decision making.

To sum up, the results of investments in organizations are shaped by a complicated interaction of behavioral and managerial factors, which are primarily expressed in the quality of strategic decisions. Overconfidence bias reduces the quality of decisions, whereas transformational leadership and better risk perception increases it. The quality of strategic decision-making, in its turn, has a significant positive effect on the performance of investments, which proves its key role in the success of the organization. This paper therefore helps to bring together the fields of

behavioral finance and strategic management theory by developing a validated model that allows the relationship between personal traits, decision quality and performance to be connected in a coherent manner.

The results have a number of practical prescriptions. Companies must implement behavior awareness training that makes managers aware of cognitive biases like overconfidence and find ways to counteract them. Periodic feedback, simulations based on scenarios, and audits of decisions can be used as the mechanisms against overconfident tendencies. The leadership development initiatives should focus on the transformational competencies, especially the visioning, intellectual stimulation and individualized attention so as to promote the high-quality and inclusive decision-making. Furthermore, risk management curriculums need to be extended to include psychological aspects of risk perception, thus building not only technical skill, but also perceptual precision and emotional control under conditions of uncertainty.

In theoretical perspective, the study builds on the current models by proposing strategic decision-making quality as the mediating construct between behavioral and managerial antecedents and investment performance. In practice, the research provides a diagnostic model of leaders and policymakers who are determined to enhance financial decisions in turbulent conditions. The findings are relevant in the human resource strategy, leadership selection, and risk governance procedures of the firms in Pakistan and similar markets. Focusing on decision-making process and leadership efficacy, organizations are better able to cope with the complexities of behavior in investment, and, in turn, increase financial sustainability and strategic competitiveness.

Adil Riaz: Problem Identification and Theoretical Framework
Nauman Ahmad Syed: Data Analysis, Supervision and Drafting
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