

ROLE OF SELF-MANAGEMENT AND RELATIONSHIP MANAGEMENT ON INVESTMENT DECISION

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Abstract

Nowadays research demonstrates that emotions contribute to managerial decision-making, they serve as information toward decision-making, and sometimes as drivers to the investment decision-making process. This study analyzes the effect of

self-management as an important ability to control own behavior and relationship management as an ability to foster trust in investors through effective communication and collaboration. The sample consists of primary data from 170 small and medium businesses in North Macedonia. Multiple regression was employed for data analysis.

The findings show a positive impact of self-management and relationship management on investment decision-making. Managers who possess strong emotional intelligence through SM and RM can perform to the best of their abilities in investment decision-making.

This study will provide insight into the relationship between SM and RM on managers' behavior and their decision-making processes

Keywords: emotional intelligence, decision making, investments, self-management, relationship management

1. Introduction

Emotions and perceptions as contexts of behavior finance affect decisions, that's why components of emotion intelligence like Self-Management and Relationship Management are being explored by this research and their effect on investment decisions.

The role of Emotional Intelligence in a company in decision-making is essential to the success of an organization. Managers who have high levels of emotional intelligence are better able to manage their own emotions and those of others in a work environment, thereby positively influencing the decision-making process (Goleman, 2006).

The ability to manage emotions is also essential for managers in difficult situations. When crises or stressful situations occur, managers with a high level of EI are better able to remain calm and do not allow emotions such as fear, anger, or uncertainty to influence their decisions. They can react in a more balanced way, making decisions that are best for the organization, without being influenced by the feelings of the moment (Cherniss, 2010).

Also developed social skills in a company make a better collaboration atmosphere with others, build trust, and create a positive atmosphere for decision-making. The ability to listen and communicate with the team, negotiate, and resolve conflicts helps decisions to be more balanced and consensus to be reached faster. A manager with developed self-management and relationship management can make more balanced and sustainable decisions, as he or she is able to consider emotional influences and rationalize decisions in a long-term context (McKee et al., 2008).

Based on the above discussion, this paper attempts to find the impact of the two components of emotional intelligence according to Goleman's theory, self-management and relationship

management, on the financial decisions of small and medium-sized enterprises in the Republic of North Macedonia.

The study hypotheses consider two independent variables, namely self-management and relationship management, and their impact on investment decision, which is treated as the dependent variable.

H1: Self-management has a positive effect on managers' decision making towards investments

H2: Relationship management has a positive effect on managers' decision making towards investments.

The paper is divided into four parts: the literature review section, which provides theoretical perspectives and empirical study findings regarding the variables of the study; the methodology section, which explains the research design, including the sample and data analysis method; the empirical section, which provides the research results, including hypothesis testing; the last section includes conclusions based on the research findings.

2. Literature review

Self-management and relationship management are critical psychological and emotional factors that influence investment decision-making, often shaping investors' behavior, choices, and outcomes. Both are integral to understanding how individuals approach investing, especially in environments marked by uncertainty, volatility, and emotional stress. It is so important that a company has a strong Emotional Intelligence level of the leaders toward decision making in a company.

Based on the Goleman theory, the four components of emotional intelligence are Self-awareness, self-management, relationship management and social management (Goleman, 1985).

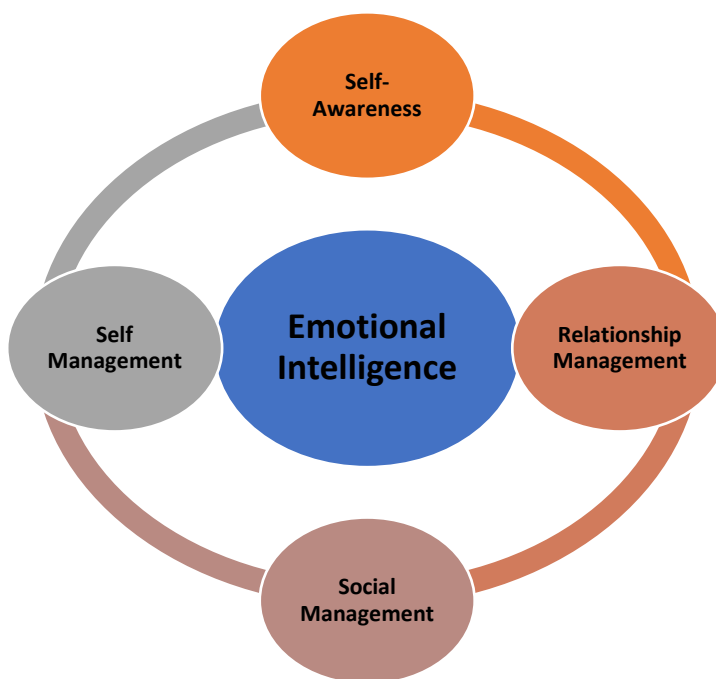


Figure 1. Emotional Intelligence Components by Goleman

Regarding the purpose of this research, we examine two components of Goleman's emotional intelligence theory, such as self-management and relationship management on the investment decision making process.

Self-management as a component of EI and is related to the ability to manage and control your emotions so that they do not negatively affect behavior and relationships. Through Self-management manager's control

- their impulse; by being sure that impulsive do not lead to harmful reactions.
- over-Stress; by maintain calm and balance in difficult situations.
- Adaptability; flexibly changing and managing emotions in different situations.

Relationship management plays a critical role in decision-making, particularly in leadership, management, and collaborative environments. Effective relationship management—an essential aspect of emotional intelligence—helps individuals and organizations navigate complex interpersonal dynamics, ensuring that decisions are well-informed, balanced, and supportive of long-term goals. It includes:

- Effective communication, including the ability to listen and communicate clearly,
- Resolving conflict, managing tense situations without escalating the situation,
- Teamwork, which involves helping and cooperating with others,
- Influencing and helping others achieve positive results.

2.1 The impact of self-management and relationship management on investment decision:

One of the ways owners can expand or maintain his wealth is economic activity or investment. However, investments require careful decision making, so leading figures or managers are not going to be trapped by fake investments, or by wrong decision making. That's why different research has proven that there are several factors that influence the decision to invest, namely Financial Knowledge, Income, Self-Control, Financial Behavior, and Financial Attitude towards Investment Decisions (Lusardi & Mitchell, 2014; Jappelli & Padula, 2013; Eker & Yilmazer, 2012).

Decision making in a company is driven by different factors, but SM plays a pivotal role in investment decision-making, as it involves an individual's ability to regulate their emotions, actions, and behaviors in the face of market fluctuations, risks, and uncertainties. In the context of investing, self-management is closely tied to emotional intelligence, discipline, and the ability to maintain a long-term focus, which are all critical for making sound, rational investment decisions.

According to the study of Armanigrum et al. (2021) self-management affect financial behavior, financial attitudes and decision making. Tanvir et al. (2016) after getting responses from 225 stock investors of stock exchanges explored that emotion intelligence do have impact on investor decisions and confirmed with past literature (Debusk and Austin, 2011; Idris, 2014; Creevy et al, 2011). This study not only revealed the total emotion intelligence but found every dimension role in decision making and further explored that self-awareness is the most important part of investment decision which is followed self-management and motivation (Tanvir et al., 2016). Financial decisions are now so complicated that financial managers need strong "people" skills to accompany their technical and financial strengths. Choosing the right mix of raw intellect and emotional balance can often determine not only how your financial proposals or decision are completed but also how they will be preserved and how much will be effective (Caldarola, 2014)

Table 1 shows a mix of aspects from different authors (Sharma & Sharma, 2001; Kahneman, 2011; Shiller, 2009) regarding the keyways in which self-management influences investment decision-making:

Table 1: Impact of Self-Management on Investment Decision-Making

Self-Management Aspect	Impact on Investment Decision-Making
Emotional Control and Avoiding Impulsive Decisions	Investors with good self-management skills stay calm during market fluctuations, avoiding panic selling or speculative buying. They focus on long-term goals and analysis rather than succumbing to short-term emotions like fear or greed. This helps prevent costly emotional decisions.
Focus and Discipline in Following a Strategy	Investors with strong self-management are disciplined in sticking to a long-term strategy. They resist the temptation to make reactive decisions in response to short-term market trends, such as overtrading or chasing the latest investment craze. They maintain a steady course aligned with their overall financial goals.
Managing Risk and Setting Realistic Expectations	Self-managed investors understand their personal risk tolerance and avoid taking on excessive risk in hopes of high returns. They set realistic expectations for investment performance, reducing the likelihood of disappointment or rash decisions when returns fall short. They build portfolios that reflect their true risk appetite and long-term objectives.
Patience and Long-Term Perspective	Self-management fosters patience, helping investors maintain a long-term perspective. Instead of reacting to short-term market fluctuations, they remain focused on their long-term goals (e.g., retirement, wealth-building), ensuring that their decisions align with these broader objectives. They avoid panic-selling during market corrections or speculative short-term gains.
Self-Awareness and Avoiding Cognitive Biases	Self-awareness allows investors to recognize and control their biases (e.g., overconfidence, anchoring, confirmation bias). By controlling these biases, investors make more rational decisions based on facts and analysis rather than preconceived notions. This ensures that their investment choices are based on objective analysis, not distorted by personal beliefs or emotions.

Relationship management plays a crucial role in investment decision-making, particularly when investments involve multiple stakeholders, such as business partners, clients, financial advisors, analysts, or even broader market dynamics. The ability to manage relationships effectively can influence the quality of decisions, the flow of critical information, and the long-term success of investments. In Table 2 are several key ways from different authors (Goleman, 2006; Fama & French, 2004; Dean & Peter, 1993) that explain how relationship management impacts investment decision-making:

Table 2: Impact of Relationship Management on Investment Decision-Making

Relationship Management Aspect	Impact on Investment Decision-Making
Building Trust and Information Sharing	Strong relationships foster transparency and trust, ensuring open sharing of valuable information. Investors are more likely to receive candid advice and reliable insights from trusted partners, reducing risks and uncertainties in decision-making. Early warnings about potential issues or opportunities help guide better investment choices.

Relationship Management Aspect	Impact on Investment Decision-Making
Collaboration and Collective Wisdom	Relationship management enables investors to collaborate effectively with partners, analysts, and other stakeholders. This fosters a comprehensive analysis, allowing investors to gather diverse perspectives and insights. It ensures well-rounded decisions and reduces the likelihood of overlooking critical information, especially in complex or unfamiliar investment environments.
Empathy and Understanding Market Sentiment	Empathy allows investors to understand the emotions and concerns of stakeholders and the broader market. This understanding helps investors align decisions with market sentiment or anticipate shifts in sentiment. It enables better decisions in volatile periods or when psychological and emotional factors strongly influence market movements, especially in sectors driven by public perception.
Negotiation Skills	Successful negotiation is a crucial aspect of investment decisions. Relationship management skills enable investors to build rapport, understand the motivations of others, and secure favorable terms during negotiations. Whether negotiating acquisitions, funding, or partnerships, strong relationship management ensures better terms and smoother negotiations, maximizing value for all parties.
Managing Risk and Contingencies	Relationship management helps investors assess risks and develop contingency plans by collaborating with legal advisors, risk managers, and other experts. By working closely with trusted partners, investors gain valuable insights into potential risks and vulnerabilities, allowing them to develop strategies that mitigate risks and protect their investments.

3. Methodology

This research is quantitative and is based on primary data collected through structured questionnaires, using 5-Point Likert scale ranging from "Strongly disagree" to "Strongly agree". The study sample size is N=170 respondents, based on North Macedonian enterprises, including general directors and managers. For data analysis, the multiple regression method was used to assess the predictive power of self-management and relationship management in investment decision-making.

4. Empirical section

This part includes data analysis and hypothesis testing. Before proceeding with hypotheses testing, we used the Cronbach's alpha to measure the reliability of the questionnaire. As can be seen in Table 1, the Cronbach alpha has a value of .867. According to Tavakol and Dennick (2011), the rule of thumb for Cronbach alpha is above 0.6, and in our case, the value indicates high reliability.

Table1. Cronbach's Alpha

Reliability Statistics

Cronbach's Alpha	N of Items
.867	18

Tables 2, 3, and 4 contain the results that help us confirm or reject hypotheses. The value of R^2 shows how much of the variation in the dependent variable in our case, decision-making towards investments is explained by the variance of the independent variable self-management and relationship management. Referring Table 2 the variations that occur in investment decision making explain 20 percent of the variations that occur in self-management and relationship.

While, following Table 4 and 5, the value of $p = .000$ indicates a statistically significant effect, while the beta coefficient indicates the magnitude and direction of the effect.

In the introductory part we raise two hypotheses:

H1: Self-management has a positive effect on managers' decision making towards investments

H2: Relationship management has a positive effect on managers' decision making towards investments

Referring to the results in the following tables, the significance value and beta coefficient, indicate a statistically significant and positive impact of self-management and relationship management on financial decision-making.

In this case, both hypotheses are accepted, which means that the more self-management and relationship-management skills, the more investment decision-making will improve.

Table 2. Model Summary for multiple regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.449 ^a	.202	.192	.772

a. Predictors: (Constant), RM, SM

Table 2. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.106	2	12.553	21.072	.000 ^b
	Residual	99.488	167	.596		
	Total	124.594	169			

a. Dependent Variable: ID

b. Predictors: (Constant), RM, SM

Table 3. Individual Coefficients^a

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
1	(Constant)	.056	.550		.101	.919
	SM	.030	.017	.155	1.813	.072
	RM	.092	.023	.339	3.963	.000

a. Dependent Variable: ID

5. Conclusions

Self-management is crucial for successful investment decision-making because it helps investors stay disciplined, rational, and focused on their long-term goals. By managing emotions, maintaining patience, regulating risk tolerance, and practicing self-awareness, investors are better equipped to make sound, well-informed decisions. Self-management also allows investors to learn from mistakes, avoid impulsive actions, and stay resilient during market downturns, all of which contribute to better investment outcomes. Ultimately, self-management empowers investors to make decisions that align with their financial objectives, leading to long-term success in the ever-changing world of investing. On the other hand, relationship management is a key driver of success in investment decision-making because it impacts nearly every aspect of the investment process, from gathering information and negotiating deals to managing risks and securing financing. Strong, trust-based relationships with a variety of stakeholders—such as clients, financial advisors, partners, and industry experts—allow investors to make more informed, confident, and strategic decisions. By leveraging relationship management skills, investors can gain valuable insights, reduce risk, improve collaboration, and access opportunities that might otherwise be unavailable, ultimately contributing to better long-term investment outcomes

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