

The Effect of Corporate Risk Governance on the Intention of New Employee to Engage in Risk-informed Behavior (A Case Study of An Indonesian Heavy Equipment Company)

Luh Devany¹

¹Faculty of Economic and Social, Bakrie University, Jakarta, Indonesia

Corresponding Author: Name, Surname, e-mail: luhdevany12@gmail.com

Published: February, 2026

ABSTRACT

To support internal control and promote risk aware behavior, Audit and Risk Management practices are essential to understand especially in high risk industries. As part of Corporate risk governance, these practices can be introduced through orientation programs for new employees. However, evidence on their behavioral impact remains limited in the Indonesian heavy equipment context. This study illustrates the effect of Audit and Risk Management Orientation (ARO) as part of Corporate Risk Governance on new employees' behavioral intention using the Theory of Planned Behavior (TPB). Data were collected from 50 new employees (□ 12 months tenure) through a questionnaire and analyzed using PLS-SEM. The results show that ARO significantly influences attitudes toward risk-aware behavior but does not affect subjective norms or perceived behavioral control. Instead, perceived behavioral control comes as the strongest predictor of intention. Mediation analysis indicates that TPB variables do not mediate the relationship between ARO and behavioral intention. These findings highlight the need to complement orientation with practical experience and ongoing support.

Keywords: Corporate Risk Governance, Audit and Risk Management Orientation, Risk-aware behavior TPB, New Employees

© The Author(s). 2021 Open Access This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons licence, and indicate if changes were made. The images or other third party material in this article are included in the article's Creative Commons licence, unless indicated otherwise in a credit line to the material. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0>

INTRODUCTION

1. Corporate Risk Governance and Employee Risk Awareness

Corporate governance has become a critical concern for organizations operating in high-risk and highly regulated industries, since effective corporate governance can ensure that organizational objectives are achieved while properly identifying, managing and controlling risk through clear accountability, structures, and ethical standards (Banda & Mwange, 2023).

However, the effectiveness of corporate risk governance does not only depend on formal policies and control frameworks. It is strongly influenced by how employees understand, interpret, and apply risk management principles in their daily work (Sutarsa, 2022). This issue is specifically relevant in high-risk industries such as heavy equipment, where risk exposure is not limited to operational activities but also extends to finance, procurement, marketing, and other back-office functions (Singh & Hong, 2020).

In the Indonesian regulatory environment, the Financial Services Authority (Otoritas Jasa Keuangan/OJK) has highlighted the critical role of enterprise risk culture and effective internal

control systems by mandating the adoption of the Three Lines Model as an integral component of sound corporate governance practices (Penerapan Tata Kelola bagi Bank umum, 2023).

In this case, newly recruited employees often join the organizations with limited practical exposure to internal control mechanisms, safety procedures, and risk-informed behaviors that underline a strong enterprise risk culture. Without early intervention, this gap may increase the likelihood of performing unsafe practices or non-compliance activities. Therefore, it is important to build employee-level risk awareness as a key challenge in ensuring effective corporate risks governance as well as minimizing potential compliance and operational risks.

According to the standpoint of organizational assurance, this research refers to evidence conducted through internal audit and monitoring activities between 2023 and 2025. A cumulative total of 117 audit issues related to policy non-compliance and fraud attempts were documented as well as with only 41 recommendations that are implemented.

Figure 1. Audit Findings



In this case, these issues were more frequently observed conducted among employees with substantial work experience or senior level employees which have prolonged involvement in organizational processes, rather than among newly onboarded personnel. The trend indicates that greater process familiarity and operational experience may lead to reduced sensitivity toward control requirements or increased opportunities to bypass established procedures.

These observations suggest that tenure alone should not be assumed to enhance compliance or ethical behavior. In contrast, they emphasize the needs of sustained risk culture reinforcement and continuous control awareness initiatives. Consequently, audit and monitoring outcomes support the argument that risk management and audit awareness programs should be embedded continuously.

In addition, by directing attention to newly onboarded employees, this study is able to explore the preventive function of audit and risk management orientation at an early stage of employment, when work habits, risk perceptions, and behavioral tendencies are still in the process of being formed. By examining this phase, it allows the study to capture how orientation may influence employees before routine practices and informal norms become deeply embedded.

2. Organizational Socialization and Learning Theories

To better explain how new employees adjust to organizational culture and develop risk-aware behavior through orientation programs, organizational socialization theory and structured learning perspectives are applied. These theories are specifically relevant to understand how onboarding initiatives, such as audit and risk management orientation can influence employees' behavior beyond initial entry and shape long-term work practices.

Organizational Socialization Theory

Organizational socialization can be seen as the process through which newcomers obtain the knowledge, skills, attitudes, and behaviors that are necessary to function effectively within an organization's culture, norm, and work environment (Yu et al., 2025). This process help employees to gradually understand "how things are done" and align their behavior with organizational expectations.

Meanwhile, socialization generally occurs through two main approaches. First, formal socialization that involve structured and organizational activities that are specifically designed for new employees, such as orientation sessions, training programs, and formal briefings. Second, informal socialization takes place through day-to-day work experiences, where learning occurs through observation, interaction, and trial-and-error during routine job activities (Saks & Gruman, 2018).

Social Learning Theory (Bandura, 1977)

Social learning theory suggest that individuals learn not only through direct instruction but also by observing the behavior of others, specifically authority figures and peers. In organizational settings, new employees closely observe how supervisors, senior staff, or team leaders behave when complying with rules and procedures.

In the context of audit and risk management, this may involve observing how experienced employees follow internal control requirements, respond to risk incidents, or adhere to compliance policies (Boumpouri & Galanakis, 2022). In this case, when risk aware behavior is consistently demonstrated and valued within the workplace, new employees are more likely to imitate and internalize these behaviors. Therefore, to support effective social learning, organizations may assign mentors or supervisors who consistently model ethical and risk-conscious conduct.

Kirkpatrick's Model of Training Evaluation

Following the implementation of orientation as a learning intervention, evaluation becomes a critical component. Kirkpatrick's model provides a structured framework for assessing the effectiveness of training and orientation programs (Alsalamah & Calinan, 2021). The model consists of four levels:

Level 1: Reaction, which assesses participants' satisfaction and immediate responses to the training.

Level 2: Learning, which evaluates the extent to which participants acquire relevant knowledge or skills.

Level 3: Behavior, which examines whether participants apply what they have learned in actual work situations, such as complying with audit procedures or reporting irregularities.

Level 4: Results, which focuses on broader organizational outcomes, including reduced compliance violations, improved audit performance, and enhanced safety outcomes.

Additionally, the model can be applied by Human Resources, Risk Management, or Audit functions in monitoring as well as improving the effectiveness of orientation programs.

Relevance to Risk Behavior

Organizational socialization and learning theories are directly relevant to the development of a risk-aware workforce, specifically when organizations implement formal orientation and structure learning processes.

Through such initiatives, organizations can support new employees in internalizing risk aware behavior as part of their daily work routines and professional identity to reinforce the idea that ethical and compliant behavior is an integral aspect of their role (Eniowo & John, 2018).

3. Audit and Risk Management Orientation (ARO) for New Employees

As organizational orientation can be seen to be one of the formal mechanisms in which organization can introduce risk management values and expectations, this can be through the employee onboarding process. Audit and Risk Management Orientation is commonly embedded in onboarding programs to familiarize new employees with internal controls, compliance requirements, and risk-related responsibilities (Dickson & Isaiah, 2024). Through this orientation, organizations can shape early understanding of risk and reduce the likelihood of unsafe or non-compliant behavior.

New employees represent a critical group in this context because they are still in the early stage of organizational socialization, where attitudes, perceived expectations, and work behaviors are actively forming (Bauer et al., 2007).

In contrast, existing employees may have already developed habitual practices that are more difficult to change. Furthermore, despite the growing literature involving Audit and Risk Management Orientation, empirical evidence on its behavioral impact remains limited, especially in Indonesia since prior studies mainly focus on general training or safety programs, leaving the effectiveness of audit and risk-focused orientation programs underexplored (Frugili et al., 2023).

4. Audit and Risk Management Orientation as a Governance Intervention

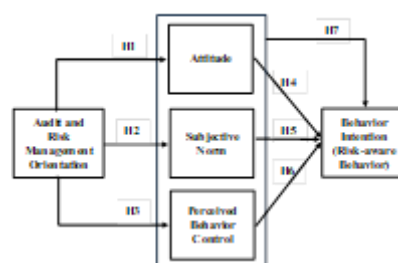
Audit and Risk Management Orientation (ARO) represents a formal governance intervention within organizational onboarding processes. Unlike general training programs that focus on task execution or technical competence, ARO can be seen as internal control awareness, ethical standards, risk identification, and compliance expectations which then become part of corporate risk governance.

This prove that organization orientation is important, especially in facilitating new employees' adaptation, strengthening their confidence, and improving their effectiveness while working in their roles, which definitely able to contributes to improved corporate risk governance.

5. Theory of Planned Behavior (TPB) and Risk-Aware Behavioral Intention

In examining how Audit and Risk Management Orientation may influence employee behavior, this study adopts the Theory of Planned Behavior (TPB) (Ajzen, 1991). TPB explains that behavior is primarily driven by behavioral intention, which is shaped by three psychological components: Attitude toward the behavior, Subjective Norms, and Perceived Behavioral Control.

Figure 2. Conceptual Framework



In organizational contexts, attitude reflects preference or employees' evaluation of risk-aware behavior, subjective norms capture perceived organizational and social expectations, while perceived behavioral control represents employees' level of confidence and perceive capability in performing risk-aware manner. TPB has been widely applied in studies on workplace compliance, safety behavior, and ethical decision making, which demonstrate its relevance in explaining risk-related

behavior (Conner & Armitage, 1998; Armitage & Conner, 2001). However, limited research applies TPB to audit and risk management orientation as part of the corporate risk governance during early employment stages.

6. Research Gap and Study Objectives

Based on the background above, there is a gap in understanding how Audit and Risk Management Orientation (ARO) as part of corporate risk governance, influences new employees' risk-aware behavioral intention.

Additionally, existing studies rarely focus on new employees and have limited exposure to examine ARO as a distinct intervention in the context of Indonesian heavy equipment companies. Therefore, this study aims to examine the effect of ARO on new employees; behavioral intention to engage in risk-aware behavior using the Theory of Planned Behavior as the underlying framework.

METHOD

This study use quantitative explanatory research design by distributing structured questionnaire at a single point in time for 50 new employees in one of an Indonesian heavy equipment companies.

1. Data Collection

A non-probability convenience sampling technique was used due to the limited access to a complete sampling frame. Although this approach limits generalizability, it is considered acceptable for exploratory and explanatory studies, especially using Partial least Squares Structural Equation Modeling (PLS-SEM).

The sample size of 50 respondents was esen adequate for PLS-SEM analysis, following the minimum sample size guideline suggested by Hair et al. (2021) that recommends at least ten times the largest number of indicators used to measure a construct.

All measurement items were adapted from established literature and aligned with the TPB framework. The questionnaire measured five latent constructs: Audit and Risk Management Orientation (ARO), Attitude (ATT), Subjective Norm (SN), Perceived Behavioral Control (PBC), and Behavioral Intention (BI).

All items were assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The constructs were modeled as reflective measurement models since the indicators were conceptualized as manifestations of underlying psychological constructs rather than formative components (Ajzen, 1991; Hair et al., 2021).

The analysis followed a two-step approach: evaluation of the measurement model and assessment of the structural model. The measurement model was evaluated using indicator reliability, internal consistency reliability (Cronbach's alpha and composite reliability), convergent validity (Average Variance Extracted, and discriminant validity (HTMT). Meanwhile, structural model evaluation involved examining path coefficients, t-values, p-values, coefficient of determination (RI), effect sizes (fI), and mediation effects using bootstrapping procedure.

In this study, Audit and Risk Management Orientation is expected to influence attitude, subjective norms and perceived behavioral control by improving employees' understanding and evaluation of risk-aware behavior.

2. Construct Operationalization and Measurement

This study emphasizes theoretical alignment and construct due to the exploratory nature of the research and the early employment context of the respondents.

In this case, Audit and Risk Management Orientation (ARO) was conceptualized as a multidimensional construct that reflect employees' awareness of organizational risks, perceptions of audit importance, and individual risk-related tendencies. This approach recognizes that risk governance at the employee level is not driven by a single factor, however is a combination of awareness, evaluative judgment, and individual risk tendencies.

Meanwhile, attitude toward risk-aware behavior is measured from employees' evaluations of the benefits and expected outcomes of acting in a risk-conscious manner. Consistent with TPB, attitude in this study represents how positively or negatively employees view risk-aware actions in their daily work, that include whether such behavior is seen as useful, preventive, and performance-enhancing (Ajzen, 1991).

Subjective norm captures the extent to which employees perceive social expectations related to risk aware behavior within organization. Both expectations can be seen from supervisors and coworkers, as well as observed behaviors in the workplace that are included to reflect how organizational norms are formed through formal expectations and everyday interactions.

Perceived Behavioral Control (PBC) reflects employees' level of confidence in their ability to act in risk-aware manner and their perception of the support available to perform in a specific behavior. This construct combines internal confidence with external enabling factors in acknowledging that new employees may understand what is expected of them but still feel limited by the employees lack of experience, access to resources to perform such behavior, or situational familiarity.

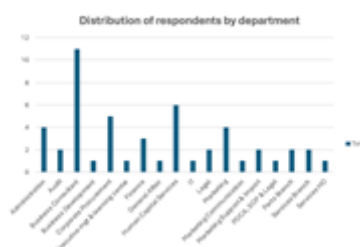
Finally, behavioral intention is measured by assessing employees' willingness and readiness to engage in risk-informed behavior. Beyond general intention, this construct also captures the extent to which employees have thought about how they would act when encountering such risky or uncertain situations that demonstrate if risk-aware behavior often requires planning rather than directly conduct spontaneous action.

FINDING AND DISCUSSION

1. Respondent Profile and Descriptive Statistics

The largest proportion of respondents came from the Business Consultant (Sales) department, followed by Human Capital Services and Corporate Procurement, while the remaining respondents were distributed across other supporting functions.

Figure 2. Distribution of Respondents



2. Measurement Model Evaluation

The measurement model was evaluated using indicator reliability, internal consistency, and convergent validity to ensure that the constructs used in this study were measured reliably and meaningfully given the exploratory nature of the research and the focus on newly onboarded employees.

Indicator reliability was first examined by assessing the outer loading values of each measurement item. Outer loadings reflect the extent to which an indicator represents its underlying latent construct. In accordance with PLS-SEM recommendations, indicators with outer loadings below 0.40 were removed to improve construct reliability (Hair & Hult, 2021). Meanwhile, indicators with loadings between 0.40 and 0.70 were evaluated carefully based on their contribution to construct reliability and theoretical relevance.

The removal of the weak indicators can be reasonably explained by the characteristics of the research context since the respondents were new employees, some measurement items required levels of procedural familiarity, behavioral observation, or experiential judgment that may not yet be fully recognized. For example, indicators related to detailed escalation practices, or consistent observation of coworkers' behavior may be difficult for new employees to assess accurately, which resulted in inconsistent responses and weaker loadings.

Internal Consistency Reliability

After removing low-performing indicators, internal consistency reliability was assessed using Composite Reliability (CR) to accurately estimate reliability in PLS-SEM models when indicator loadings vary across items.

The results show that most constructs demonstrate acceptable levels of composite reliability for exploratory research. Audit and Risk Management Orientation as part of corporate risk governance as well as Attitude in relation to TPB show strong reliability that explain if the remaining indicators consistently capture their intended constructs. Subjective Norm and Behavioral Intention explain moderate reliability values, while Perceived Behavioral Control shows a relatively lower reliability level.

The final model in accordance with the measurement model assessment (Table 1) shows acceptable composite reliability and indicator loadings that is considered adequate for exploratory research with a limited sample size.

Rather than indicating measurement failure, lower reliability observed for Perceived Behavioral Control reflects the heterogeneous nature of control perceptions among new employees. At early stages of employment, employees may vary substantially in their confidence, access to resources, and perceived organizational support that lead to less consistent responses across indicators.

Table 1. Measurement Model Assessment

Construct	CR	AVE	Indicator Range
Audit & Risk Orientation	0.83	0.43	0.66–0.74
Attitude	0.85	0.48	0.63–0.80
Subjective Norm	0.71	0.34	0.32–0.67
Perceived Behavioral Control	0.51	0.29	0.48–0.69
Behavioral Intention	0.64	0.48	0.83–0.87

3. Structural Model and Hypotheses Testing

The structural model evaluation was conducted using bootstrapping that shows Audit and Risk Management Orientation (ARO) has a significant positive effect on Attitude ($\beta = 0.607$, $p < 0.001$). This indicates that orientation programs seem to be effective in shaping how new employees evaluate risk-aware behavior.

However, ARO does not significantly influence Subjective Norms (SN) or Perceived Behavioral Control (PBC). This is because orientation alone is not sufficient to immediately shape perceived social expectations or perceived capability. In contrast, PBC is the only construct that significantly predicts Behavioral Intention ($\beta = 0.601$, $p < 0.001$). Meanwhile, Attitude and Subjective Norm do not show significant effects.

Furthermore, mediation analysis reveals that Attitude, Subjective Norm, and Perceived Behavioral Control do not mediate the relationship between ARO and Behavioral Intention.

Table 2. Structural Model and Hypotheses Testing Evaluation

Path	β	t-value	p-value	Result
ARO $\rightarrow$ ATT	0.607	5.800	<0.001	Supported
ARO $\rightarrow$ SN	0.317	1.118	0.264	Not supported
ARO $\rightarrow$ PBC	0.016	0.065	0.948	Not supported
ATT $\rightarrow$ BI	-0.245	1.102	0.271	Not supported
SN $\rightarrow$ BI	0.106	0.537	0.592	Not supported
PBC $\rightarrow$ BI	0.601	3.853	<0.001	Supported

DISCUSSION

This study provides empirical evidence on how audit and risk management orientation influences new employees' risk-related intentions using the Theory of Planned Behavior. First, the significant effect of ARO on Attitude confirms that orientation programs are effective in building early understanding and positive evaluation of risk-aware behavior.

This supports TPB's cognitive component that explains if attitudes are primarily shaped through information and knowledge delivery. Second, Subjective Norms and Perceived Behavioral Control do not have significant effects on ARO which indicate that social expectations and perceived capability are not formed only through orientation. This is because, the perceptions appear to develop over time through daily interaction with supervisors and coworkers as well as hands-on experience that consistent with organizational socialization theory (Bandura, 1986).

Moreover, even though new employees generally report positive attitudes and perceive organization expectations, these factors do not translate directly into behavioral intention. This suggests that awareness and values alone are not sufficient to drive intention to perform in risk-aware manner during early employment stages. On the other hand, Perceived Behavioral Control emerges as the strongest predictor of behavioral intention that highlights if feeling capable, supported, and confident in applying risk procedures is more important than simply knowing or agreeing with risk policies.

Additionally, the absence of mediation effects indicates that audit and risk management orientation primarily influences cognition rather than activating the full TPB mechanism at the early stage of organizational socialization. In other words, orientation serves as a starting point, but intention formation requires reinforcement through experience and capability-building processes.

Subsequently, these findings suggest that the relative importance of TPB components may vary differently depending on the employee lifecycle stage. In the context of new employees, perceived behavioral control (PBC) appears to outweigh attitude and normative influences that indicate if intention formation is driven more by perceived capabilities or the capacity someone has in performing specific behavior than by evaluative or social considerations. This supports the argument that TPB relationships are context-dependent and temporally sensitive, especially if it is within the organizational onboarding settings.

CONCLUSIONS

This study extends existing risk governance and behavioral literature by empirically demonstrating that Audit and Risk Management orientation alone is insufficient during early employment. As the findings show that ARO has significant positive effect on new employees' attitudes toward performing in risk-informed behavior, orientation programs are known to be effective in shaping early understanding and positive evaluations of audit and risk management practices. However,

ARO does not significantly influence subjective norms or perceived behavioral control because while orientation can transmit information and organizational values, yet perceptions related to social expectations and personal capability are not immediately formed through formal onboarding alone. These elements appear to require continued interaction, supervision, and hands-on experience within the work environment.

Meanwhile, perceived behavioral control emerges as the strongest and only significant predictor of behavioral intention that highlights the importance of confidence, practical ability, and access to support in driving risk-aware intentions.

In terms of the mediation effects, the absence suggests that audit and risk management orientation as part of corporate risk governance only influences cognitive aspects of behavior primarily which focus only on shaping attitudes, rather than implementing the full TPB mechanism due to the early stage of employment period. In this case, the orientation becomes only as the first step in risk-informed behavior building, but the transformation of that awareness into strong behavioral intention depends largely on employees' perceived capability, plan to perform the behavior, as well as gradually observe behavior that is modeled by supervisors or coworkers.

Overall the study concludes that audit and risk management orientation plays an important foundational role in shaping risk awareness among new employees, but the development of risk-aware behavioral intention strongly depends on perceived capability gained through experience rather than orientation alone.

REFERENCES

- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211.
- Ajzen, I. (2002). Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior. *Journal of Applied Social Psychology*, 32(4), 665–683.

- Alsalamah, A., & Callinan, C. (2021). Adaptation of Kirkpatrick's four-level model of training criteria to evaluate training programmes for head teachers. *Education Sciences*, 11(3), 116. <https://doi.org/10.3390/educsci11030116>
- Armitage, C. J., & Conner, M. (2001). Efficacy of the theory of planned behaviour: A meta-analytic review. *British Journal of Social Psychology*, 40(4), 471–499.
- Banda, M., & Mwange, A. (2023). Corporate governance: A conceptual analysis. *Research Journal of Finance and Accounting*, 14(17).
- Bandura, A. (1986). *Social foundations of thought and action: A social cognitive theory*. Prentice-Hall.
- Bauer, T. N., Bodner, T., Erdogan, B., Truxillo, D. M., & Tucker, J. S. (2007). Newcomer adjustment during organizational socialization: A meta-analytic review. *Journal of Applied Psychology*, 92(3), 707–721.
- Boumpouri, M., & Galanakis, M. (2022). Efficiency of managers as role models: A social learning theory perspective. *Journal of Psychology Research*, 12(12). <https://doi.org/10.17265/2159-5542/2022.12.003>
- Dickson, R., & Isaiah, O. (2024). An exploration of effective onboarding on employee engagement and retention. *International Journal of Business and Management Invention*, 13(1).
- Eniowo, O. O., & John, O. O. (2018). The effect of employees' orientation on risk management in Leigh and Lloyd mining firm. *International Journal of Business and Management Invention (IJBMI)*, 7(1).
- Frugili, E., Jenner, B., & Gustavsson, P. (2023). Effectiveness of formal onboarding for facilitating organizational socialization: A systematic review. *PLOS ONE*, 18(2), e0281823.
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). Sage Publications.
- Penerapan Tata Kelola bagi Bank Umum, Pub. L. POJK No. 17 Tahun 2023 (2023).
- Saks, A. M., & Gruman, J. A. (2018). Socialization resources theory and newcomers' work engagement. *Career Development International*, 23(1), 12–32. <https://doi.org/10.1108/CDI-12-2016-0214>
- Singh, N. P., & Hong, P. C. (2020). Impact of strategic and operational risk management practices on firm performance. *European Management Journal*, 38(5), 723–735.
- Sutarsa, R. G. (2022). The implementation of risk assessment in enterprise risk management. *BIRCI Journal*, 5(4), 7341–7351.
- Yu, L., Ren, H., & Singh, R. (2025). Newcomers' organizational socialization: A systemic literature review. *International Journal of Management, Economics and Social Sciences*, 14(1–2). <https://doi.org/10.32327/ijmess/14.1-2.2025.2>