The Role of Risk Management and Internal Control in Improving Job Satisfaction: The Mediating Impact of Employee Performance PT. Putra Niaga Sejahtera Pangkalan Bun

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Abstract

Research indicates that internal control and risk management enhance employee performance. This study aims to address two key questions: (1) How do risk management and internal control enhance employee performance at PT Putra Niaga Sejahtera Pangkalan Bun? (2) How does employee performance mediate the relationship between risk management, internal control, and job satisfaction at PT Putra Niaga Sejahtera Pangkalan Bun? The study adopts a quantitative methodology, employing a population survey targeting all employees of PT Putra Niaga Sejahtera Pangkalan Bun. Samples were gathered using a purposive sampling method. The questionnaire, designed to measure variables such as employee performance, job satisfaction, risk management, and internal control, was distributed to participants. The data were analyzed using statistical software like SmartPLS for mediation and multiple regression analysis. This research supports previous conclusions that effective risk management significantly improves employee performance. In addition, this study shows that effective internal control improves employee performance. This research also shows that risk management has a direct effect on job satisfaction; however, internal control may not affect job satisfaction directly, although other factors related to satisfaction may affect it. In addition, employee performance has no significant direct impact on job satisfaction and does not moderate the relationship between risk management and internal control.

Keywords: *Risk Management, Internal Control, Employee Performance, Job Satisfaction.*

INTRODUCTION

Employee performance is one of the key factors in achieving organizational goals. Various studies have shown that risk management and internal control play an important role in improving employee performance. Ivan Nathaniel (2021) revealed that the implementation of risk management and internal control at CV

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Along Jaya has a positive impact on employee performance as measured by several criteria, such as Quantity of Work and Quality of Work. However, components such as Internal Environment, Event Identification, Risk Assessment, Control Activities, and Information and Communication are still not implemented thoroughly. Another study by Anisah Septiani Capah (2020) confirms the relationship between the effectiveness of the use of accounting information systems, internal control, and work motivation on employee performance.

Research conducted by Fara Nandita and Yuni Rosdiana (2023) shows that internal control and work discipline affect employee job satisfaction. This confirms the importance of internal

control not only in improving employee performance but also in increasing job satisfaction. In addition, research by Aminah, Jajuk Herawati, and Epsilandri Septyarini (2021) shows that internal control has a positive and significant effect on employee performance. Therefore, it can be concluded that the effective implementation of internal control has the potential to increase employee job satisfaction through improved employee performance. The formulation of problems and research objectives in this study, namely:

The research delves into several crucial questions concerning the dynamics of employee performance, risk management, internal control, and job satisfaction at PT Putra Niaga Sejahtera Pangkalan Bun. Firstly, it examines the role of risk management in enhancing employee performance within the organization. Secondly, it investigates the impact of internal control on employee performance at PT Putra Niaga Sejahtera Pangkalan Bun. Moreover, the study explores how employee performance acts as a mediator in the relationship between risk management and job satisfaction within the company. Additionally, it delves into the mediation role of employee performance in the relationship between internal control and job satisfaction at PT Putra Niaga Sejahtera Pangkalan Bun. Through these inquiries, the research aims to uncover valuable insights into the interconnectedness of risk management, internal control, employee performance, and job satisfaction in the organizational context of PT Putra Niaga Sejahtera Pangkalan Bun.

The research aims to achieve several key objectives focused on understanding the dynamics of employee performance, risk management, internal control, and job satisfaction at PT Putra Niaga Sejahtera Pangkalan Bun. Firstly, it seeks to analyze how risk management contributes to enhancing employee performance within the company. Secondly, it aims to examine the impact of internal control on employee performance at PT Putra Niaga Sejahtera Pangkalan Bun. Furthermore, the study aims to assess the mediating role of employee performance in the relationship between risk management and job satisfaction within the organization. Additionally, it aims to evaluate how employee performance mediates the relationship between internal control and job satisfaction at PT Putra Niaga Sejahtera Pangkalan Bun. These objectives are designed to provide valuable insights into the intricate connections between risk management, internal control,

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employee performance, and job satisfaction in the context of PT Putra Niaga Sejahtera Pangkalan Bun.

METHOD

This research employs a descriptive quantitative approach, which involves describing the actual state of the phenomenon under study through statistical analysis. Quantitative research is systematic, planned, and structured from the outset. According to Sugiyono (2013), quantitative research methodologies are rooted in positivist principles and are employed to examine particular populations and samples, often utilizing random sampling techniques. Data collection involves the use of research instruments, and quantitative analysis is conducted to assess predetermined hypotheses. In this study, the focus is on investigating how risk management and internal control contribute to improving job satisfaction, with employee performance serving as a mediator, within the context of PT Putra Niaga Sejahtera Pangkalan Bun. This research adopts a survey method to accomplish its objectives. The study's population consists of all 24 employees of PT Putra Niaga Sejahtera Pangkalan Bun in 2023, which also serves as the sample size since the total number is less than 100. A questionnaire consisting of several sections to measure risk management, internal control, employee performance, and job satisfaction variables uses a 5-point Likert scale to measure each variable. While the data is analyzed using SMARTPLS.

Thinking Process Framework

With this thought process framework, the research can comprehensively explain the relationship between risk management, internal control, employee performance and job satisfaction, namely:
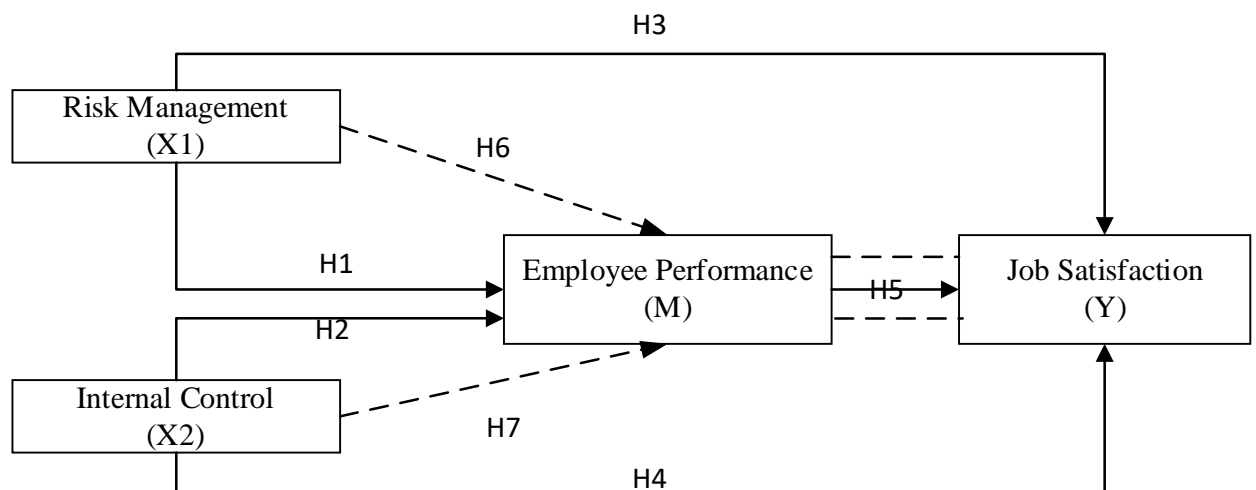

Figure 1. Thinking process framework

Description:
·   The effect of variable **X** to variable **M** and variable **M** variable Y
·   The effect of variable **X** to variable **Y** with variable **M** as mediation

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Hypothesis

Based on the descriptions above, the researcher can provide several hypotheses in this study, namely:

H1: Risk management has a positive and significant influence on employee performance.

H2: Internal control has a positive and significant influence on employee performance.

H3: Risk management has a positive and significant influence on job satisfaction.

H4: Internal control has a positive and significant effect on job satisfaction.

H5: Employee performance has a positive and significant influence on job satisfaction.

H6: Risk management has a positive and significant influence on job satisfaction with employee performance as an *intervening* variable.

H7: Internal control has a positive and significant effect on job satisfaction with employee performance as an *intervening* variable.

RESULT AND DISCUSSION

Overview of Research Objects

The establishment of PT Putra Niaga Sejahtera on July 30, 1994, in West Bekasi is closely related to the business development of Garudafood Group companies, PT Putra Niaga Sejahtera initially assisted the distribution of Garudafood products. PT Putra Niaga Sejahtera's business activities continue to embrace small companies in remote areas to market Garudafood products. Through the partnership program, the company experienced rapid business development. In a bid to broaden its marketing reach, PT Putra Niaga Sejahtera forged partnerships with 14 major distributors spanning from Aceh to Papua (Irian Jaya). In mid-2002, PT Putra Niaga Sejahtera

received official appointment from Universal Robina Corporation (URC), a Philippines-based food conglomerate, to handle its product marketing in Indonesia. This collaboration marked the initial stride of PT Putra Niaga Sejahtera towards establishing itself as an "integrated consumer goods distributor." Subsequently, other companies from both the food and non-food sectors began capitalizing on the services and extensive distribution network offered by PT Putra Niaga Sejahtera across various regions of Indonesia. Notable clients in the food industry segment included PT Garudafood Putra Putri Jaya, PT URC Indonesia, PT Frutang Beverage Industry, PT Ulam Tiba Halim, PT Cara Sehat Farma, PT Nutrifood Indonesia, PT Golden Oase Tirta Abadi, PT Tiga Pilar Sejahtera, and PT Sentosa Karya Gemilang. Meanwhile, in the non-food industry category, partners encompassed PT Energizer Indonesia, PT Johnson & Johnson, PT Incasi Raya, PT Wiraniaga Langgeng, PT Sparindo Mustika, and PT Adimulia Sarimas Industry.

Another strength beyond the extensive network, PT Putra Niaga Sejahtera as an "*integrated consumer goods distributor*", the principal not only enjoys the service of distributing its products but also provides recommendations to the

principal to achieve maximum sales promptly, right amount and right target. To achieve its goals, PT Putra Niaga Sejahtera revamped its organizational structure by implementing the "Full Branch System" and establishing a development division. These changes were made to deliver the best results to all stakeholders, including the outlets, which are at the forefront of PT Putra Niaga Sejahtera. This study was conducted at one of the regional offices, specifically for the Central Kalimantan region, located in Pangkalan Bun. The office, situated at PT Putra Niaga Sejahtera Pangkalan Bun on Jalan Pasanah RT. 12 Madurejo, South Arut District, West Kotawaringin Regency, Central Kalimantan 74117, has a total of 24 employees and can be contacted at 0532-27457.

Calculation Result

The research data was processed using SmartPLS 3.2.9 with the following chart seen Convergence Validity Value The validity value for each indicator in this model is as shown below:

Based on the first the outer loading value for indicators that have a value above 0.50 means that the variable indicator is valid. It is known that there is still an outer loading value of variable indicators that have an outer loading value below 0.50, namely on indicators X2.1 and Y1.4, which means that the indicators of these variables are invalid and in this study invalid indicators are eliminated or removed. From the invalid indicators that have been eliminated, the outer loading value in the research model can be seen in the figure below.
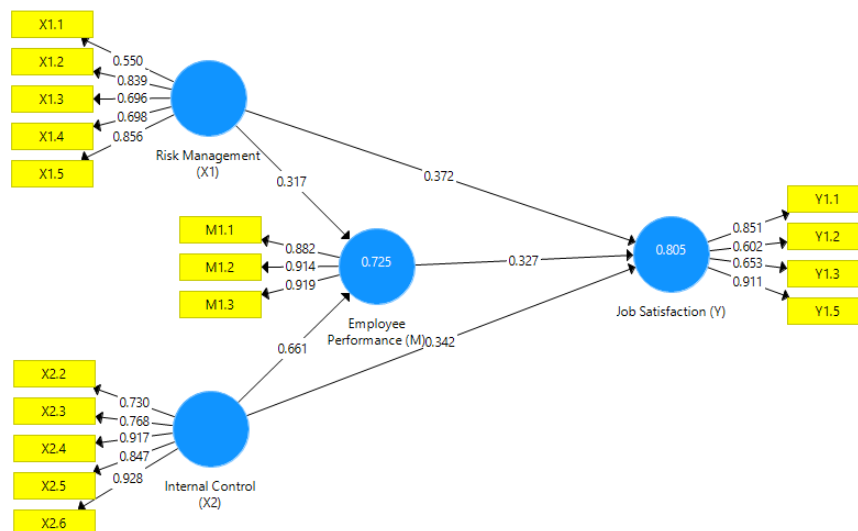

Figure 2. Results of Phase Data Processing
Source: Results of Data Processing with SmartPLS, 2024

Based on the picture above, it can be seen that the outer loading value of each indicator in this research model is a value above 0.50, meaning that all indicators of the variables in this model are valid.

Discriminant Validity

In addition to assessing the validity of variable indicators in this model through outer loading values, it is also possible to evaluate them using the AVE value and its square root. These metrics are presented in the table below.:

Table 1. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Job Satisfaction (Y)	0.770	0.842	0.846	0.585
Employee Performance (M)	0.890	0.890	0.932	0.820
Risk Management (X1)	0.806	0.798	0.853	0.542
Internal Control (X2)	0.896	0.921	0.923	0.708

Source: Results of Data Processing with SmartPLS, 2024

From the table above, it is evident that the AVE value of each construct exceeds 0.50, indicating the validity of all constructs in this research model.

Model Collinearity Test

Collinearity is assessed using the Variance Inflation Factor (VIF) value.
1. VIF value > 5.00 indicates a collinearity problem.
2. VIF value < 5.00 indicates no collinearity problem.

The outcomes of the model collinearity test conducted in this study are presented in the table below:

Table 3. Collinearity Statistics (VIF) -Outer VIF Values

	VIF
M1.1	2.164
M1.2	3.021
M1.3	3.101
X1.1	1.056
X1.2	3.277
X1.3	4.068
X1.4	3.686
X1.5	3.762
X2.2	3.044
X2.3	3.838
X2.4	2.614
X2.5	3.826
X2.6	2.722
Y1.1	2.348
Y1.2	1.529
Y1.3	1.460
Y1.5	2.754

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Source: Results of Data Processing with SmartPLS, 2024

From the table above, it is evident that the VIF value for each indicator in this research model is less than 0.5, indicating that there is no collinearity issue in this model.

Reliability Test

To determine the reliability of the variables in this study, we can use the following provisions:

1. Cronbach Alpha > 0.7 means reliable
2. rho A > 0.7 means reliable
3. Composite Reliability > 0.6 means reliable

According to Table 2 above, it is evident that the Cronbach's Alpha value for each variable construct exceeds 0.7, the rho A value for each variable construct also exceeds 0.7, and the composite reliability for each construct is above 0.6. This indicates the reliability of the model.

Model Structure Test (Inner Model)

In this study, the structure of the model (inner model) was evaluated using the R-value test (R Square) to assess the proportion of variation in the influenced variable (endogenous) that can be explained by the influencing variable (exogenous):

1. If the R value^2 is more than 0.75, it is substantial (the proportion is large/strong)
2. If the value of R^2 between 0.25 - 0.75 means moderate (the proportion is moderate)

If the R value^2 is less than 0.25, it is weak (the proportion is small). The R value^2 in this research model can be seen in the table below:

Table 4. Matrix R Square

	R Square	R Square Adjusted
Job Satisfaction (Y)	0.805	0.776
Employee Performance (M)	0.725	0.699

Source: Results of Data Processing with SmartPLS, 2024

The table reveals that the R² value for Job Satisfaction (Y) stands at 0.805, denoting a significant proportion. This implies that 80.5% of the variance in the endogenous variable is elucidated by the variable selected in this study, leaving 19.5% attributable to other variables beyond the model's scope. Similarly, the R² value for Employee Performance (M) is 0.725, indicating a moderate proportion. This signifies that 72.5% of the variance in the endogenous variable is accounted

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for by the chosen variable, while the remaining 27.5% is influenced by external variables not encompassed in the model.

Hypothesis Test

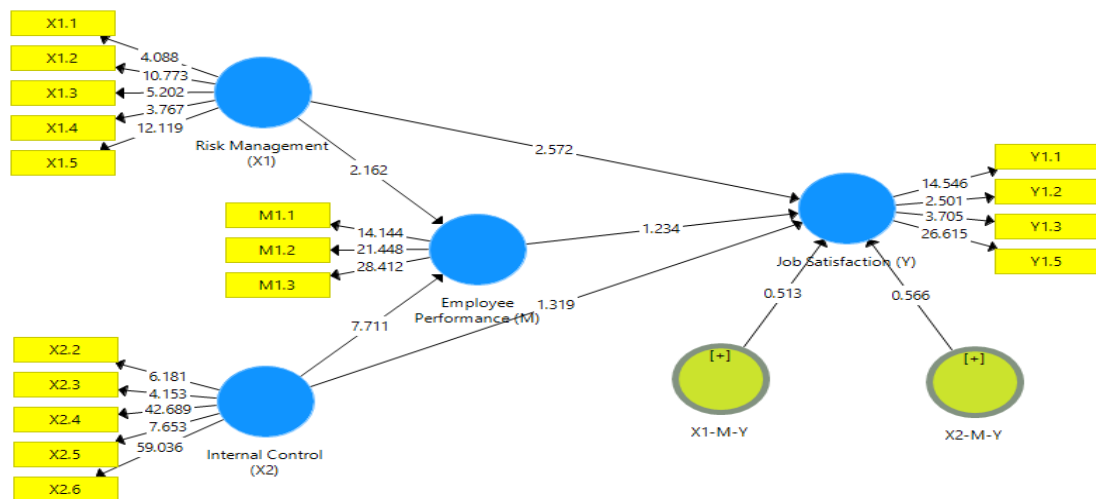To test the hypothesis in this model, it can be seen from the graph and table below.

Figure 3. Data Processing Results with Mediating Variables
Source: Results of Data Processing with SmartPLS, 2024

Path Coefficients

To evaluate the impact of an exogenous variable on endogenous variables, the following criteria were employed:

1. A positive path coefficient indicates a unidirectional effect, implying that an increase in the exogenous variable leads to an increase in the endogenous variable.
2. Conversely, a negative path coefficient signifies an opposite effect, suggesting that an increase in the exogenous variable results in a decrease in the endogenous variable.
3. Significance (p-value) below 0.05 denotes a significant effect.
4. A significance (p-value) exceeding 0.05 indicates an insignificant effect.

The path coefficient values in this research model are displayed in the table

Path Coefficients

Table 5. Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Employee Performance (M) -> Job Satisfaction (Y)	0.379	0.315	0.328	1.157	0.248
Risk Management (X1) -> Job Satisfaction (Y)	0.459	0.446	0.209	2.196	0.029
Risk Management (X1) -> Employee Performance (M)	0.317	0.306	0.150	2.122	0.034
Moderating X1-M-Y -> Job Satisfaction (Y)	-0.175	-0.140	0.249	0.702	0.483
Moderating X2-M-Y -> Job Satisfaction (Y)	0.172	0.120	0.236	0.728	0.467
Internal Control (X2) -> Job Satisfaction (Y)	0.320	0.335	0.199	1.612	0.108
Internal Control (X2) -> Employee Performance (M)	0.661	0.632	0.175	3.778	0.000

Source: Data Processing Results with SmartPLS, 2024

The table above reveals the following:

1) The effect of risk management on employee performance exhibits a significance value (p-value) of 0.034, below the threshold of 0.05, indicating a positive and significant effect. (Hypothesis 1 is confirmed/validated)

2) The effect of internal control on employee performance displays a significance value (p-value) of 0.000, below 0.05, indicating a positive and significant effect. (Hypothesis 2 is confirmed/validated)

3) The effect of risk management on job satisfaction demonstrates a significance value (p-value) of 0.029, below 0.05, indicating a positive and significant effect. (Hypothesis 3 is confirmed/validated)

4) The effect of internal control on job satisfaction reveals a significance value (p-value) of 0.108, above 0.05, indicating no significant positive effect. (Hypothesis 4 is refuted/unsubstantiated)

5) The effect of employee performance on job satisfaction indicates a significance value (p-value) of 0.248, exceeding 0.05, suggesting no significant positive effect. (Hypothesis 5 is refuted/unsubstantiated)

6) The moderation of employee performance in the effect of risk management on job satisfaction shows a significance value (p-value) of 0.483, above 0.05, indicating no significant positive moderation. (Hypothesis 6 is refuted/unsubstantiated)

7) The moderation of employee performance in the effect of internal control on job satisfaction demonstrates a significance value (p-value) of 0.467,

above 0.05, indicating no significant positive moderation. (Hypothesis 7 is refuted/unsubstantiated).

Discussion

Based on the results of the latest research entitled "The Role of Risk Management and Internal Control in Increasing Job Satisfaction: The Mediating Impact of Employee Performance of PT Putra Niaga Sejahtera Pangkalan Bun", a discussion can be carried out by linking the hypothesis results with previous research.

Hypothesis 1: The Effect of Risk Management on Employee Performance

Research results: The significance value (p-value) of 0.034 is less than 0.05, indicating a positive and significant effect. (Hypothesis 1 is accepted).

Relationship with previous research:

1. Ivan Nathaniel (2021) found that the implementation of risk management at CV Along Jaya positively affects employee performance, measured by eight criteria such as work quantity, work quality, work knowledge, creativity, cooperation, dependability, initiative, and personal quality.
1. Anisah Septiani Capah (2020) stated that the effectiveness of accounting information systems and internal control is also related to employee performance.
2. Aminah, Jajuk Herawati, and Epsilandri Septyarini (2021) showed that internal control positively affects employee performance.
3. Farida Fitriani Ismail and Dedy Sudarmadi (2019) found that accounting information systems and internal control impact employee performance.
   This latest research supports previous findings that effective risk management contributes significantly to improved employee performance.

Hypothesis 2: The Effect of Internal Control on Employee Performance
Research results: The significance value (p-value) of 0.000 is less than 0.05, indicating a positive and significant effect. (Hypothesis 2 is accepted).
Relationship with previous research:

1. Fara Nandita and Yuni Rosdiana (2023) and Aminah, Jajuk Herawati, and Eps] Septyarini (2021) emphasize that internal control significantly affects employee performance.
2. Marten Ngongo Nguji and I Gusti Agung Krisna Lestari (2019) show that internal control has a significant effect on employee performance.
3. Ruslinda Agustina and Rizki Amalia Afriana (2020) found that internal control and compensation impact employee performance.

This latest research is consistent with previous studies, confirming that effective internal controls contribute significantly to improved employee performance.

Hypothesis 3: The Effect of Risk Management on Job Satisfaction

Research results: The significance value (p-value) of 0.029 is smaller than 0.05, meaning that there is a positive and significant effect. (Hypothesis 3 is accepted).

Relationship with previous research:

1. Fara Nandita and Yuni Rosdiana (2023) show that internal control and work discipline affect employee job satisfaction.
2. Anisah Septiani Capah (2020) and Marten Ngongo Nguji and I Gusti Agung Krisna Lestari (2019) found that internal control, although not directly measuring job satisfaction, showed a positive correlation to performance, which is an indirect indicator of job satisfaction.

This latest research adds the insight that risk management also has a direct influence on job satisfaction, demonstrating the importance of risk management in creating a satisfying work environment.

Hypothesis 4: The Effect of Internal Control on Job Satisfaction

Research results: The significance value (p-value) of 0.108 is greater than 0.05, meaning that there is no positive and insignificant effect. (Hypothesis 4 is rejected).

Relationship with previous research:

- Fara Nandita and Yuni Rosdiana (2023) state that internal control affects job satisfaction, which contradicts these findings.
- However, studies such as Ivan Nathaniel (2021) Marten Ngongo Nguji and I Gusti Agung Krisna Lestari (2019) focus more on the effect on performance, not direct job satisfaction.

This recent research suggests that internal control may not directly affect job satisfaction, although it may influence other factors related to satisfaction.

Hypothesis 5: The Effect of Employee Performance on Job Satisfaction

Research results: The significance value (p-value) of 0.248 is greater than 0.05, meaning that there is no positive and insignificant effect. (Hypothesis 5 is rejected).

Relationship with previous research:

- Dwi Nursiti and Deno Fedrick (2018) found a strong correlation between employee performance and customer satisfaction and loyalty, suggesting that employee performance may have more influence on external factors (such as customer satisfaction) than internal factors (such as job satisfaction).

This recent research indicates that employee performance does not have a significant direct impact on job satisfaction, which may indicate that other factors play a greater role in influencing job satisfaction.

Hypotheses 6 and 7: Moderation of Employee Performance in the Effect of Risk Management and Internal Control on Job Satisfaction

Research results: There is no positive and significant moderation in the effect of risk management and internal control on job satisfaction (p-value> 0.05).

Relationship with previous research:

- Previous research such as Ivan Nathaniel (2021) and Aminah, Jajuk Herawati, and Epsilandri Septyarini (2021) showed a direct relationship between internal control and performance but did not examine the moderation of employee performance in the relationship.

This recent research indicates that employee performance does not moderate the relationship between risk management or internal control and job satisfaction, implying that these relationships are likely more direct and not influenced by these moderating variables.

CONCLUSION

Recent research results show that risk management and internal control have a significant influence on employee performance. However, the direct effect on job satisfaction and the moderation of employee performance in the relationship was not found to be significant. This research is in line with many previous findings but also provides new insights into the limits of the influence of internal control and employee performance on job satisfaction. This demonstrates the importance of a deep understanding of the various factors that influence job performance and satisfaction, as well as the need for a holistic approach to risk management and internal control.

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