

The Effect of Internal Auditors' Self-Efficacy on the Organizational Performance

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Abstract

The aim of this study was to investigate the effect of internal auditors' self-efficacy on organizational performance, as well as the existing correlation between these variables. Primary quantitative research was conducted, whose research instrument was a questionnaire of closed-ended and 5-point Likert scale questions. The questionnaire was online distributed to and answered by 243 internal auditors that are working to any company located in Greece. The research sample was collected by purpose sampling. The response rate on the questionnaire was 55%. The statistical analysis was made using SPSS software, version 23. Descriptive statistics, Cronbach's Alpha reliability tests, independent samples t-test, Anova and Pearson correlation tests were conducted. The results showed satisfying levels of internal auditors' self-efficacy and of organizational performance as well. These two variables are positively correlated and internal auditors' self-efficacy can positively affect the organizational performance. Higher levels of self-efficacy were observed in the case of women, older, more experienced and more educated internal auditors.

Keywords

Greek Companies, Internal Auditors, Organizational Performance, Self-Efficacy

1. Introduction

Employees' self-efficacy is an important factor, which influences their performance, motivation, and job satisfaction. By nurturing and supporting employees' belief in their capabilities, firms are able to create a positive and productive work

environment for their workforce (Ayundasari et al., 2017).

Organizational performance is a multifaceted concept, which encompasses a variety of factors. These factors include leadership (Hurduzeu, 2015), goal alignment (Ayers, 2015), adaptability (Amah & Baridam, 2012), and employee engagement (Kazimoto, 2016). By focusing on these factors and striving for improvement, companies have the ability to enhance their organizational performance, achieve their strategic goals, and sustain their long-term success (Maletič et al., 2018).

Internal auditors can significantly affect organizational performance by identifying weaknesses, enhancing risk management, ensuring compliance, promoting accountability, driving continuous improvement, and supporting strategic decision-making. Their independent and objective assessments are helpful for the organizations to optimize their operations. They also help companies to mitigate risks, and to achieve their goals, contributing to improved performance and long-term success (Ahmad, 2018; Alflahat, 2017; Ali, 2018; Thanasas & Lampropoulos, 2023).

This paper aims to investigate the effect of internal auditors' self-efficacy on the organizational performance and their relationship. This study has both academic and practical importance. More analytically, its practical importance lies in the fact that understanding how internal auditors' self-efficacy affects their performance might provide insights into ways to enhance audit quality and effectiveness.

Moreover, this study can be helpful for the organizations strengthen their risk management, compliance efforts, optimize their audit processes and achieve better outcomes. Furthermore, by studying the effect of internal auditors' self-efficacy on organizational performance, organizations might have the ability to identify opportunities for professional development and training initiatives. Supporting internal auditors in building their self-efficacy through targeted training programs, mentoring, and feedback can enhance their skills, confidence, and performance, leading to improved organizational outcomes.

Since internal auditors' self-efficacy impacts the overall organizational culture and collaboration within the audit function and across its departments, those with high self-efficacy can communicate more effectively, work collaboratively with their colleagues, and drive positive change within the organization. The increase of the existing knowledge on how internal auditors' self-efficacy influences organizational performance can be helpful to foster a culture of trust, accountability, and continuous improvement (Panagiota et al., 2023).

The academic significance of this study is about covering a significant absence that exists on the one hand in the Greek and on the other hand in the foreign literature about the effect of the internal auditors' self-efficacy on organizational performance. More analytically, many studies are focused on the importance of the employees' self-efficacy and its positive impact on organizational performance, but none of them is specialized in the case of internal auditors, despite their job's significant role on organizational performance.

The remaining of the study is structured as follows: The second section includes the theoretical framework, the third section includes the research questions, the

fourth section provides insights about the research methodology, the fifth section presents the research results and the sixth section includes the discussion and the overall conclusions.

2. Theoretical Framework

2.1. Employees' Self-Efficacy

Self-efficacy is a term that was firstly introduced by the psychologist Albert Bandura (Woodcock & Tournaki, 2023). This term is defined an individual's belief in his/her own ability to succeed in specific situations or accomplish a task. When the term of self-efficacy refers to employees, it plays a crucial role in the determination of their performance, their motivation, and their general job satisfaction (Farmer et al., 2022).

More specifically, when employees have high levels of self-efficacy, then they are more likely to set challenging goals. They are also more likely to persist in the face of obstacles, and to exhibit a greater sense of resilience, as well (Syabarrudin et al., 2020).

Employees' high levels of self-efficacy mean that they have faith in their own capabilities to overcome difficulties and achieve success. This leads to higher levels of job performance and productivity. On the other hand, employees who have low self-efficacy might doubt their abilities and feel frequently overwhelmed by challenges (Ma et al., 2021; Su et al., 2022).

Organizations have the ability to increase the levels of employees' self-efficacy. This can be achieved through various strategies that organizations may implement and follow. More analytically, providing opportunities for skill development and training, companies can enhance employees' confidence in their abilities to perform their job effectively (Na-Nan & Sanamthong, 2020). Even more, offering constructive feedback and recognition for achievements, organizations can also increase self-efficacy by reinforcing employees' belief in their own competences (Motro et al., 2021).

Finally, creating a supportive work environment, in which employees feel valued, respected, and empowered, can significantly impact their self-efficacy. Through the encouragement of a growth mindset, where mistakes are faced as learning opportunities rather than failures, might be helpful for the employees to build resilience and confidence in their skills and capabilities (Javed et al., 2021; Merentitis & Thanasas, 2024; Teng et al., 2020).

2.2. Organizational Performance

Organizational performance is a significant measure of an organization's success in achieving its organizational goals and objectives. In more detail, organizational performance encompasses various aspects, such as for example the company's financial performance, its operational efficiency, its employees' productivity and customer satisfaction, and its overall competitiveness in the sector in which it operates. High levels of organizational performance are valued as essential for long-

term sustainability and growth of an organization (Kalogiannidis, 2021; Muhammed & Zaim, 2020; Ying et al., 2021).

At this point, it is mentioned that effective leadership is one of the primary drivers of organizational performance. More analytically, visionary leaders set the direction for the organization, while at the same time they inspire employees to work towards common goals. Moreover, they proceed to strategic decisions which drive organizational success. Leadership which promotes a culture of innovation, collaboration, and continuous improvement might impact organizational performance in a significant way (Akdere & Egan, 2020; Kurniadi et al., 2020).

One more critical factor in organizational performance is the alignment of goals and strategies across different organizational levels. When employees understand how their individual contributions affect the general success of the organization, they can be more motivated and engaged in their work. The communication clarity of organizational goals, the expectations of its employees, and the existence of specific performance metrics are essential element for ensuring alignment and accountability (Al-Surmi et al., 2020; Rasul et al., 2021).

Organizational performance is also influenced by the organization's ability to adapt to change and respond to external market dynamics. More specifically, the companies which are agile, flexible, and responsive to changing customer needs and market trends are better positioned to maintain a competitive advantage and increase their performance (Sarta et al., 2021).

Finally, organizational investments in employee development, training, and well-being are important for enhancing the performance of an organization. This is justified by the fact that engaged and motivated employees, who feel valued and supported by their company, are more likely to perform at their best and contribute to the organization's success. Creating a positive work culture that promotes work-life balance, diversity, and inclusion might also have a significant impact on the organizational performance (Alkhazali et al., 2020; Riana et al., 2020).

The Internal Auditors' Role in Organizational Performance

Internal auditors play a crucial role in influencing organizational performance by providing independent and objective assessments of an organization's operations, processes, and internal controls. More specifically, the internal auditors' work is helpful for the identification of the areas that need further improvement, for the risks' mitigation, and for ensuring compliance with regulations and best practices (Arena & Azzone, 2009; Karagiorgos et al., 2009).

Furthermore, internal auditors conduct reviews of the organization's operations and processes in order for them to identify weaknesses and inefficiencies in the organizational operations. By pinpointing areas where performance can be enhanced, internal auditors offer significant help to organizations to streamline their operations, reduce their costs, and increase their efficiency (Ahmad, 2018).

Internal auditors assess the organization's risk management processes and controls, in order for them to identify potential risks and vulnerabilities. This means

that by providing recommendations for strengthening risk management practices, internal auditors can lead the firms to a proactive risk management and avoidance of costly disruptions, which could be harmful for the organizational performance (Spira & Page, 2003).

Moreover, internal auditors play a key role in ensuring that the organization complies with relevant laws, regulations, and internal policies. Through their audits, which aim to assess compliance with legal and regulatory requirements, they avoid penalties, and reputational damage of the organizations (Suyono & Hariyanto, 2012).

They also promote accountability and transparency within the organization. This can be achieved by evaluating the effectiveness of internal controls and governance structures. The internal auditors' provision of independent assessments of the organization's performance and integrity is helpful for building trust with stakeholders and for enhancing the firm's reputation (Jachi & Yona, 2019).

The role of internal auditors is helpful in driving a culture of continuous improvement within the organization, by recommending best practices, process enhancements, and efficiency measures (Mahzan & Hassan, 2015). Finally, internal auditors provide valuable insights and data-driven recommendations that can support strategic decision-making within the organization. By offering objective assessments of performance metrics, risks, and opportunities, they help executives and directors make decisions which have direct impact on organizational performance (Roussy et al., 2020).

2.3. The Relationship Between Employees' Self-Efficacy and Organizational Performance

The relationship between employees' self-efficacy and organizational performance is a complex and dynamic issue. This relationship can have a significant impact on the general success of an organization (Jacobsen & Bøgh Andersen, 2017).

When employees have high self-efficacy, they are more motivated and engaged in their work. This means that they believe that their efforts will lead to successful outcomes, which drives them to put in the necessary effort and energy to perform well. It is about an increased motivation, which leads to higher levels of productivity and performance within the organization (Carter et al., 2018).

Also, the positive relationship between employees' self-efficacy and organizational performance is justified by the fact they are more resilient in the face of challenges and setbacks. More analytically, employees with high levels of self-efficacy are better able to continue trying even after their failures, to learn from their mistakes, and to persevere in the face of obstacles. This resilience and persistence can help employees overcome difficulties and continue working towards organizational goals, ultimately contributing to improved performance (Djourova et al., 2020; Kim, 2020).

Furthermore, employees that present high self-efficacy have the ability to

approach problems and challenges with a positive mindset. More specifically, they believe in their ability to find solutions and overcome obstacles. This can lead to more effective problem-solving and decision-making. It is about a positive outcome that can result in quicker resolutions to issues and improved long-term performance (Bandura, 2012).

Another justification of the positive correlation that exists between employees' self-efficacy and the organizational performance is that these kinds of employees are more confident in their abilities and more willing to take initiative in their work. They have increased proactivity in seeking out opportunities for growth and development, while at the same time, they continue to make efforts to take on new challenges and contribute ideas for further improvement. It is about an existing confidence and initiative that can improve and increase innovation and creativity within the organization. This situation leads to enhanced organizational performance (Agu, 2015; Lisbona Bañuelos et al., 2018).

At this point, it is also worth noting the fact that when employees have high self-efficacy, they contribute to a positive work environment characterized by confidence, collaboration, and mutual support. A positive working environment is created, which can foster teamwork, communication, and a sense of shared purpose. All these elements are essential for driving organizational performance and success (Siregar, 2021).

Finally, employees with high self-efficacy are more likely to feel satisfied with their working conditions and their working environment. This leads to increased committed to their organization. Then, higher levels of employee retention follow. This happens as a direct positive consequence because employees who believe in their abilities and see opportunities for growth, are more likely to stay with the organization in the long term. This continuity and stability might contribute to sustained organizational performance (Yu et al., 2020).

Although the above-analyzed existing literature has highlighted the importance of employee self-efficacy and its positive impact on organizational performance, it is observed that the most of these studies focus on employees in general. More analytically, they don't focus specifically on internal auditors. This is a notable absence of specialized research, in which the role of internal auditors' self-efficacy, particularly in the context of Greek companies, is going to be explored. This gap is significant because internal auditors play a significant role in organizational governance. They also play a significant role in risk management and the organizational performance. Yet, their self-efficacy has not been thoroughly examined in prior research.

The current research aims to fill this gap. This gap is going to be filled by investigating the relationship that exists between internal auditors' self-efficacy and organizational performance within Greek firms. By focusing specifically on internal auditors, this research contributes new insights into the way through which their self-efficacy influences the key organizational outcomes. Thereby this research offers both theoretical and practical contributions to the fields of internal auditing

and organizational performance. Additionally, it provides empirical data from Greece, which has been underrepresented in prior studies.

3. Research Questions

The research questions which will be answered at the context of this research are the following ones:

- 1) How satisfying is the performance of the organizations where Greek internal auditors work?
- 2) How satisfying is the Greek internal auditors' self-efficacy?
- 3) How does Greek internal auditors' self-efficacy affect their organizations' performance?
- 4) Which differences exist between the Greek internal auditors' self-efficacy and their demographic characteristics?

4. Methodology and Data

4.1. Research Sample

This research's sample consists of 243 internal auditors that are working to firms which are located in Greece, and which operate in both sales and services sectors. More analytically, 141 participants are male (58%), while 118 are aged between 18 - 35 years old (48.6%). Furthermore, 83 participants are aged between 36 - 55 years old (34.2%) and the rest 42 participants are more than 56 years old (17.3%). The majority of the research sample, i.e., 148 participants (60.9%), are holding a Master's degree, while 86 participants have a Bachelor's degree (35.4%) and the minority of 9 participants (3.7%) have a PhD. Finally, most of the participants, i.e., 111 (45.7%) have more than five years of working experience, 83 of the participants have less than two years of working experience (34.2%) and finally, the rest 49 participants declared two to five years of working experience as internal auditors (20.2%). The research sample was gathered through purposive sampling, where the focus was on internal auditors employed in companies within Greece's sales and services sectors. Purposive sampling was chosen, in order to be ensured that the participants were relevant to the research topic. For that reason, focus was placed on professionals, who were directly involved in internal audit processes.

As it was mentioned before, 243 internal auditors participated in this research. A total of 443 questionnaires were distributed electronically, by using Google Forms. The distribution was made to internal auditors across various companies in Greece. The potential participants were informed of the research's purpose. They were also informed about their right to anonymity. Of the distributed questionnaires, 243 were returned, resulting in a response rate of 55%. This response rate is considered acceptable in social science research and provides a sufficient basis for conducting statistical analysis.

In order to ensure the sample size is representative of the larger population of internal auditors in Greece, Cochran's formula was adopted for calculating the minimum required sample size. This formula is helpful for the determination of

the ideal sample size, by accounting for confidence level, population variability and margin of error.

The formula that was used is the following:

$$n_0 = \frac{Z^2 \cdot p(1-p)}{e^2}$$

where:

- Z^2 = Z-value (1.96 for 95% confidence level);
- p = estimated proportion of the population (assumed to be 0.5 for maximum variability);
- e^2 = margin of error (set at 5%, or 0.05).

Given the large population of internal auditors, this calculation showed that a minimum sample size of approximately 200 respondents was required. With 243 responses, the current sample size sufficiently represents the population. This minimizes selection bias.

Before distributing the final questionnaire, a pre-test was conducted with a small group of 15 internal auditors. It's about a pilot test, that aimed to ensure the clarity and relevance of the questions. Minor adjustments were made based on feedback, in order to improve this survey's validity and comprehension. The final version of the survey was then distributed to the broader sample.

4.2. Research Tool

The research tool was a structured questionnaire. Through its first section, information about the demographics and other characteristics of the research sample were collected. More analytically, participants were asked about their gender, age, education, and years of working experience.

The next section of the questionnaire creates the variable of "Organizational performance". This variable was created by using the scale of [Alqahtani et al. \(2022\)](#). This scale includes six sentences, evaluated on a 5-point Likert scale. The Cronbach's Alpha reliability index for this scale is 0.96, proving excellent reliability levels.

The final section of the questionnaire creates the variable of "Self-Efficacy". This variable was created by using the scale of [Schwarzer & Jerusalem \(1995\)](#). This scale includes ten sentences, evaluated on a 5-point Likert scale. The Cronbach's Alpha reliability index for this scale is 0.98, proving excellent reliability levels.

4.3. Research Data

The collection of the research data was made through Google Forms platform. More analytically, the questionnaire was firstly transferred to this platform and then it was sent electronically to the recipients. The recipients of the questionnaire were informed by the researcher that they had to work as internal auditors to any company operating on sales and services sector and located in Greece. They were also informed about the research purpose, its academic and practical significance, their anonymity and about the voluntary character of their participation. The

response rate of the recipients was 55%. The collection of the research data lasted between 5/1/2024 to 5/3/2024. After the collection of the research data, the statistical analysis followed, through SPSS (v.23).

5. Results

Table 1 shows that the levels of organizational performance are high (M = 3.78) and the same happens with the levels of the internal auditors' self-efficacy (M = 4.04).

Table 1. Research variables.

	Mean	Std. Deviation
Organizational performance	3.78	0.78
Self-efficacy	4.04	0.84

Table 2 shows the results of the Pearson correlation test conducted between the two examined variables of this research. More analytically, it is observed that organizational performance has a strong and positive correlation with the internal auditors' self-efficacy. This correlation is also statistically significant (sig. < 0.05).

Table 2. Correlation between variables.

		Self-Efficacy
	Pearson Correlation	0.76
Organizational Performance	Sig. (2-tailed)	<0.01**
	N	243

Table 3 shows the results of the regression model, in which organizational performance was set as dependent variable and internal auditors' self-efficacy was set as independent variable. Through the results of this regression analysis, the effect of self-efficacy on organizational performance is going to be shown. The results show that the regression's equation is: *Organizational Performance* = 0.92 + 0.71 *Self-Efficacy*. So, internal auditors' self-efficacy has a statistically significant and positive effect on organizational performance. Moreover, organizational performance can be predicted on a percentage of 58% by the internal auditors' self-efficacy.

Table 3. Regression analysis.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.92	0.16		5.75	<0.01**
Self-Efficacy	0.71	0.04	0.76	18.35	<0.01**

Dependent Variable: Organizational Performance; R = 0.76, R-square = 0.58.

Table 4 shows the results of the independent samples t-Test that was conducted, in order for the differences of self-efficacy between the two genders, to be defined. The results show that women ($M = 4.35$) have higher levels of self-efficacy than men ($M = 3.81$) and that this difference is statistically significant ($\text{sig.} < 0.05$).

Table 4. Self-efficacy comparison between genders.

	t	df	Sig.	Mean Difference	Std. Error Difference
Self-Efficacy	-5.17	241	<0.01**	-0.54	0.10

Male ($M = 3.81$); Female ($M = 4.35$).

Table 5 shows the results of the Anova test that was conducted, in order for the differences of self-efficacy between the different groups of ages, to be defined. The results show that internal auditors who are older than 56 years old ($M = 4.80$) have almost excellent levels of self-efficacy and that this difference is statistically significant ($\text{sig.} < 0.05$).

Table 5. Self-efficacy comparison between age groups.

Self-Efficacy	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	40.16	2	20.08	36.70	<0.01**
Within Groups	131.32	240	0.55		
Total	171.48	242			

18 - 35 years old ($M = 3.68$); 36 - 55 years old ($M = 4.15$); More than 55 years old ($M = 4.80$).

Table 6 shows the results of the Anova test that was conducted, in order for the differences of self-efficacy between the different groups of educational levels, to be defined. The results show that the highest educated internal auditors that are holding a PhD ($M = 4.70$) have the highest and almost excellent levels of self-efficacy and that this difference is statistically significant ($\text{sig.} < 0.05$).

Table 6. Self-efficacy comparison between educational levels.

Self-Efficacy	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.65	2	5.33	7.95	<0.01**
Within Groups	160.84	240	0.67		
Total	171.48	242			

Bachelor's degree ($M = 3.79$); Master's degree ($M = 4.14$); PhD ($M = 4.70$).

Table 7 shows the results of the Anova test that was conducted, in order for the differences of self-efficacy between the different years of working experience, to be defined. The results show that the internal auditors that have more than five

years of working experience have the highest levels of self-efficacy ($M = 4.55$) and that this difference is statistically significant ($\text{sig.} < 0.05$).

Table 7. Self-efficacy comparison between years of working experience.

Self-Efficacy	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	53.18	2	26.59	53.94	<0.01**
Within Groups	118.30	240	0.49		
Total	171.48	242			

Less than 2 years ($M = 3.64$); Between 2 - 5 years ($M = 3.56$); More than 5 years ($M = 4.55$).

To ensure the robustness of our results and to avoid potential misspecification or omitted variable bias, we conducted additional regression analyses by including more control variables, including self-efficacy as well. Specifically, we controlled for the gender, age, education level and years of professional experience, as these factors may further influence the organizational performance (**Table 8**). **Table 8** shows that despite the inclusion of these control variables, the positive and significant relationship between self-efficacy and organizational performance remained consistent, indicating that our initial findings are unbiased and robust.

Table 8. Regression analysis with more control variables added.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.332	0.120		11.099	<0.01**
Gender	0.064	0.041	0.073	1.563	0.119
Age	0.131	0.041	0.126	3.217	<0.01**
Education	0.668	0.042	0.462	15.824	<0.01**
Years of working experience as internal auditor	0.429	0.059	0.272	7.245	<0.01**
Self-Efficacy	0.644	0.036	0.694	18.065	<0.01**

Dependent Variable: Organizational Performance; $R = 0.90$, $R\text{-square} = 0.82$.

6. Discussion and Conclusion

The aim of this study was the identification of the effect of internal auditors' self-efficacy on organizational performance and the existing correlation between these two variables. This goal was covered by quantitative research based on a questionnaire, which was distributed to and answered by 243 internal auditors who are working for any company located in Greece.

The research results were positive and satisfying overall. More specifically, the

internal auditors' self-efficacy was proved to be high and the same happened with the organizational performance. Even more, the internal auditors' self-efficacy proved to be positively correlated with organizational performance and their self-efficacy can statistically and significantly predict organizational performance and positively affect it. This means that as internal auditors' self-efficacy increases, organizational performance increases, too.

The positive affection of organizational performance by the employees' self-efficacy was also mentioned by other scholars, such as for example Yu et al. (2020), Siregar (2021), Agu (2015), Lisbona Bañuelos et al. (2018), Djourova et al. (2020), Kim (2020), Carter et al. (2018), Jacobsen & Bøgh Andersen (2017) and Bandura (2012). The difference between this research and the here-mentioned ones is the fact that we emphasized the case of internal auditors, while these studies refer to employees' self-efficacy in general.

Nevertheless, the above-mentioned research result is positive due to the fact that studies, such as those conducted by Javed et al. (2021), Teng et al. (2020), Motro et al. (2021), Ma et al. (2021), Su et al. (2022) and Syabarrudin et al. (2020), pointed out that employees' self-efficacy plays a crucial role in driving organizational performance by increasing motivation and engagement. Moreover, it plays a significant role because it promotes resilience and persistence, and it enhances problem-solving skills. It moreover fosters confidence and initiative, creating a positive work environment, and improving employees' job satisfaction and retention. This means that companies which prioritize building and supporting employees' self-efficacy are able to benefit from a more engaged, productive, and high-performing workforce that contributes to their overall success and competitiveness.

Finally, this research showed that higher levels of self-efficacy are observed in the case of women, who are older, more educated and with more years of working experience as internal auditors. This means that Greek organizations, in order for them to further increase their organizational performance, have to emphasize on the empowerment of the self-efficacy of men, younger, less educated and less experienced internal auditors that they occupy.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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