

Analysis of business risk management implementation study on micro, small, medium enterprise

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ABSTRACT

This study aims to analyze the application of business risk management to Chika Laundry SMEs. Analysis of Chika Laundry SMEs is carried out by analyzing risks to finance, operations, marketing, and products. The methodology used in this study is a qualitative method with the results of data obtained from interviews, on the results of the analysis the author identified risks to Chika Laundry SMEs and obtained results from research showing the greatest risk, namely regarding financial risks that rely on personal capital so that it can cause businesses to stop, and also we provide solutions in the form of risk control such as preparing raw materials for 2 months in the future, and to anticipate business failure, namely inviting work partners to work together, and it is also hoped that this research will be useful for entrepreneurs and readers so they can apply business risk management in their businesses and also add information about the importance of business risk management. The urgency of the research is that with the potential development of the Chika Laundry MSME business, it is necessary to implement risk management so that Chika Laundry MSMEs know what risks will occur and have prepared solutions to overcome these risks, and of course this risk handling needs to be implemented properly and appropriately.

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1. Introduction

UMKM is an abbreviation for Micro, Small, and Medium Enterprises. According to data from the Ministry of Cooperatives and MSMEs, the number of MSMEs in 2019 reached 65.47 units. This figure has increased by 1.98 % from the previous year. MSMEs also have a big role in improving the national economy. MSMEs can absorb labor up to 97 % (Kementerian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia, 2019; Koperasi et al., 2019). To make a big company, of course, you have to start on a small scale first. The rapid pace of MSMEs in Indonesia requires special attention so that MSMEs in Indonesia can develop and become startup companies. MSMEs in Indonesia need attention from the community and government so they can consume local products rather than foreign products (Marlinah, 2020; Rosmadi, 2021).

MSMEs are of course related to business and there are risks in carrying out these business activities. According to (Rustam, 2017) Risk is the potential loss due to the occurrence of a certain event. Therefore, before risks occur, we must be prepared to face or minimize these risks by implementing risk management. Risk management is needed to direct, identify, and determine solutions to deal with risk. According to ISO (International Organization for Standardization), the risk management process can be used as a reference so that organizations can maintain consistency in the implementation of the stages of their risk management process, starting from setting the context to monitoring, reviewing, and reporting of each managed risk (Darmawi, 2022; Setiawan et al., 2021; Susilo, 2018; Violin et al., 2022).

In previous research conducted by (Sajjad et al., 2020), in his research entitled "Business Risk Management Analysis (Studies on Cuanki Asoy Jember)". The aim is to identify a complete risk management process with risk sources and carry out an assessment of the risks that might arise in Asoy Jember. The research method uses Risk and Control Self Assessment (RSCA) as a framework used by companies to analyze organizational risk, especially related to organizational operations. The results of the study showed that the greatest risk was product risk because the management system for raw materials was still weak (Sipayung & Cristian, 2022), and the risk management that had to be carried out were increasingly expensive prices, lack of manpower, expired products, slow marketing, and the most fatal was that the business stopped and loss of business branding.

In the current study, the researcher analyzed the Chika Laundry UMKM which is engaged in the service business, the Chika Laundry UMKM is a service business that offers services such as washing and ironing clothes, pants, bed covers, bed sheets, curtains, dolls, jackets, blankets, as well as doing Dry Cleaning which is calculated based on unit/pcs and Kg. The owner of Chika Laundry is Mrs. Deksamalia who is committed to continuing this business from the previous owner named Mr. Rony.

Seeing the potential for the development of Chika Laundry certainly requires the application of risk management. Risk management needs to be implemented so that the company knows what risks will occur and has prepared solutions to overcome these risks, and of course, handling these risks needs to be implemented properly and appropriately.

The purpose of this research is to be able to identify the risk management process, analyze the risks that will arise, exercise control over these risks, and analyze the strategies that will be carried out in dealing with risks and strive for Chika Laundry MSME business actors to be aware of the importance of risk management in their business (Siswanti et al., 2020).

The results of this study are expected that entrepreneurs can apply risk management in their business to anticipate and also know what risks have a high probability of occurrence so that their business can grow and become a startup in the future. It is hoped that readers and researchers will get more information about what business risk is, why it is important to apply business risk in a business, and also know various kinds of business risk and anticipate risks that will come in everyday life.

2. Research Method

2.1 Risk

Definitions of risk, according to Rianto, risk is the probability of losses in the form of financial, operational, marketing, and others occurring if not properly addressed and managed (Rustam, 2017). According to Arthur J. Keown, risk is the prospect of an undesirable outcome (Keown, 2019). According to Hanafi, the risk is the magnitude of the deviation between the expected rate of return and the actual rate of return (Gie, 2020).

It can be seen that the notion of risk is the possibility of an event occurring that will have an impact on the achievement of organizational goals, both having a negative impact (something that is not expected but happening) or a positive impact (something that does not happen).

2.2 Risk management

According to (Darmawi, 2022), Risk management relates to identifying, anticipating, supervising, and preparing plans regarding risks that will occur, estimating the magnitude of risks that will occur, then finding solutions on how to deal with these risks (Maralis & Triyono, 2019; Sipayung & Ardiani, 2022). According to (Gie, 2020; Rass et al., 2020), Risk management is a structured and systematic process of identifying, measuring, mapping, developing alternative risk treatments, and monitoring risk treatments. Risk management is a field of science that discusses organizations in mapping various problems by placing various management approaches comprehensively and systematically (Yulianingtyas et al., 2016). It can be seen that risk management is an effort made to avoid risks in several ways, such as monitoring risks, tracking, and making various efforts to minimize the impact of risks.

2.3 Financial Risk

Financial Risk is the risk regarding the finances of a business, occurring due to losses related to money or potential losses that are affected by tax interest expenses, debt burdens, and profits earned (Lutfitasari & Lutfillah, 2019). According to Schlegel and Trent, financial risk is related to the internal and external financial difficulties of actors in the supply activity chain (Schlegel & Trent, 2015).

2.4 Product Risk

Product risk is the risk associated with goods and services, when the product is produced will be converted into output in the form of goods and services and will be marketed to consumers, risks can occur due to defective products, poor product quality, and poor product packaging (H Nasir Asman, 2021; Violin, 2019).

2.5 Operational Risk

Operational risk is a financial loss caused by the failure of the company's internal processes, human resource errors, system failures, or losses caused by external events (Rustam, 2017).

2.6 Market Risk

Market Risk is a risk related to marketing, the risk can occur if we target the wrong marketing, marketing is not carried out on time, products marketed do not meet the criteria of consumer needs, or competition with competitors (Sudarsono, 2020).

2.7 Methodology

The research was conducted from October 28 to November 5, 2022, at Chika Laundry as our research location which is located at Ruko Devin Premiere block E no 11 Kota mas marina, Sekupang sub-district, Batam City. In this research method stage, the data analysis technique used to analyze data is using qualitative techniques, According to (Sugiyono, 2017) Qualitative research methods can be interpreted as research methods based on postpositivism philosophy, used to research on natural object conditions, (as opposed to experiments) where the researcher is the key instrument, data collection techniques are carried out by triangulation (combined), data analysis is inductive/ qualitative research, and the results of qualitative research emphasize understanding meaning and constructing phenomena rather than generalizations. While the research approach used is a case study.

The data collection method used is the main technique, namely indeph interview, and as a support, observation and direct business analysis are used. Based on the results of the interview with Mrs. Deksamaslia as the owner of Chika Laundry who is committed to continuing this business from the previous owner named Mr. Rony. She explained that Chika Laundry UMKM is a service business that offers services such as washing and ironing clothes, pants, bedcovers, bed linen, curtains, dolls, jackets, blankets, and doing Dry Cleaning which is calculated based on units / pcs and Kg. from the interview process, several things were also obtained such as business capital, increase in raw material prices, business profit, number of employees, how to market products, and how to care for products. The observation process is carried out by conducting direct analysis at the Chika Laundry business location to find out the business development of Chika Laundry MSMEs is classified as good because there are already regular customers and clear customer segmentation.

In the analysis and discussion we will present the research framework as follows: (1) Identifying risks in Chika Laundry MSMEs, (2) Providing solutions from risk identification in Chika Laundry MSMEs.

3. Results And Discussions

3.1 Risk Identification

The research begins by identifying risks using tables to find out what risks are likely to occur and the impact of these risk identifications.

Probability :

>10% = Low Risk

10% = Medium Risk

<20% = High Risk (High Risk)

<50% = Very High Risk (very high risk)

Table 1 describes risk identification, the impact of risk identification, and the level of risk in the form of a percentage, the higher the percentage produced, the higher the probability that something will happen.

Table 1. Risk identification

No	Risk Identification	Risk Impact	Probability	Risk Value
1	Chika Laundry Business Relies on Private Capital	Business stopped	51%	Very High Risk
2	Increase in raw material prices	Capital issued is higher	5%	Low Risk
3	Business profit taking	Business capital is reduced	5%	Low Risk
4	Lack of Employees	Decreased Work Productivity	10%	Medium Risk
5	Marketing only relies on the surrounding environment	Dependent on surroundings, consumers cannot increase	10%	Medium Risk
6	The number of laundry businesses	Fewer customers, high competition	20%	High Risk
7	Product maintenance is not routine	Service quality is declining	10%	Medium Risk

Source: Results of interviews and observation of the place

From table 1 above, it can be explained the identification of risks to Chika Laundry SMEs which are divided into 4 risks, namely:

- a. Financial risk
 - 1) Chika Laundry's business can fail if it lacks the capital to run its business, because Chika Laundry is also still a small business, of course, the capital owned only relies on personal capital
 - 2) Inflation and rising prices of raw materials such as detergents and perfumes are financial risks that will be faced.
 - 3) Business income taken for the benefit of the owner can result in reduced business capital.
- b. Operational Risk
 - 1) A lack of employees can cause decreased business productivity
 - 2) Operations that do not meet standards can cause employee performance and employee knowledge about the Chika Laundry business to not go well.
- c. Marketing Risk
 - 1) Businesses are unknown to many people, due to marketing that only relies on the environment around the business, not using social media to market businesses
 - 2) The laundry business, which has been carried out by many entrepreneurs, causes marketing only in the area around the business and cannot expand its marketing.
 - 3) Washing machines that are owned by many people in their respective homes have caused laundry services to not be of interest to many people.
- d. Product Risk
 - 1) Products that are used are not cared for properly, which can cause a decrease in product performance, as washing machines that are not maintained regularly can cause bacteria to grow in the washing machine.
 - 2) Quality of Service, how reliable the services provided are, and whether the services provided can quickly solve problems properly.

3.2 Solutions for risk identification carried out

After identifying the risks to Chika Laundry we found several problems that had to be resolved with the solutions we will provide as follows:

Risk control over financial risks that must be carried out by the Chika Laundry Business, namely preparing raw materials for the next 1-2 months to anticipate future price increases, do not rely on income from only 1 business to anticipate business failure, inviting partners or relatives or family who want to work together to help to provide capital to the Chika Laundry Business.

Risk control over the operational risk that must be carried out by the Chika Laundry Business is by asking for help from family workers, and relatives if you don't want to add employees, conducting training and information that must be given to employees so they understand business SOPs.

Risk control over marketing risks must be carried out by Chika Laundry's business by marketing their business through social media in the form of advertisements, offering services that meet consumer needs, target

marketing is carried out to people who live in boarding houses, people who migrate don't have washing machines.

Risk control over product risk that must be carried out by Chika Laundry Business is by maintaining the washing machine, ensuring the detergent used is safe, the fragrance used is safe, the iron used is also safe for clothes, providing service in a polite and friendly manner, not discriminating against consumers.

3.3 Discussion of Research Results

In research by (Sajjad et al., 2020) explaining the results of the study, it was found that the biggest risk is product risk because the management system for raw materials is still weak. Meanwhile, the current research results show that the biggest risk is the financial risk because Chika Laundry still relies on the owner's capital to run its business.

Research by (Listia, 2017) explained that Superwash conducts internal analysis, production, finance, and development without a business plan, financial arrangements, and promotional efforts which are carried out passively (using word of mouth). While the current research Chika Laundry is carrying out its business plan but the risk management that is applied is still low, such as finance and promotion. There are no detailed financial records, and promotional efforts are still being made passively.

Research by (Kaligis & Rawung, 2022) explained that based on the results of the SWOT matrix analysis, Bless Laundry Manado, researchers suggest implementing a promotion strategy that can be done by expanding the promotion area and utilizing the power of technology, namely the internet as a means of promotion. While the current research is based on the results of the analysis with risk identification and risk control, the researchers suggest financial risk control strategies such as preparing raw materials for the next 2 months, on operational risk, namely implementing SOPs on employees, risk control in marketing, by utilizing social media as a means of promotion, on product risk control, namely ensuring the detergent used is safe, routine maintenance of the machine used.

4. Conclusion

Risk Identification of Chika Laundry MSMEs related to financial risk is known that the owner of Chika Laundry still relies on personal capital to run his business, at Operational risk it is known that Chika Laundry only has less than 5 employees causing business productivity cannot increase dramatically, at Marketing risk it is known that Chika Laundry only relies on the surrounding environment to market its products, not using social media to market its products, at product risk it is known that the quality of service is very influential to increase customer interest in using Chika Laundry services. Next, regarding the comparison of the analysis of previous research and current research, the researcher concludes that the current research has the same analysis as previous research, which distinguishes from previous and current research, namely regarding the problems overcome and the solutions provided. The results of the analysis in previous studies that analyzed risk showed the greatest risk in product risk, the results of the analysis in the current study showed the greatest risk in financial risk. Previous research focused on analyzing risk management related to organizational operations, while the current research uses quantitative techniques to analyze risk management in Chika Laundry MSMEs starting with risk identification, the impact of risk identification, and producing a percentage of the risk level. Research suggestions are (1) To overcome financial risk, Chika Laundry can prepare raw materials for a long period of time to overcome inflation, (2) To overcome Operational Risk, it is hoped that Chika Laundry can provide SOPs for employees, and increase the number of employees to increase business productivity. (3) To overcome Marketing Risk, Chika Laundry is expected to market its business through social media to reach wider consumers. (4) To overcome Product Risk, Chika Laundry is expected to maintain the machines used regularly to ensure the quality of the services offered is not a problem. Further research opportunities by developing aspects of risk management so that companies can find out the probability of the highest risk aspects and anticipate the risks that will come in everyday life so that they can support the sustainability of business development and hopefully become a startup in the future.

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