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Conceptual model of risk management at umk Blitar: ISO 31000

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ABSTRACT

This study aims to analyze the risk management analysis model for MSEs in Blitar using ISO 31000. The analysis phase begins with identifying risks that can hinder productivity in the work environment consisting of financial, operational and strategic risk factors. The results of the identification will be analyzed, then evaluated and assessed for risks so that business actors can integrate risk management strategies into the management process without disrupting existing work productivity. The targets in this activity are 100 MSEs who live in the Blitar and surrounding areas. The result of this research is to increase the knowledge of business actors in identifying, analyzing, and managing risks that can interfere with productivity, companies can create an environment that is more efficient, effective, and adaptive to change.

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1. INTRODUCTION

Every time in carrying out business activities, business actors will always face risks. This happens because of conditions that are uncertain or cannot be predicted in advance. The conditions in question are obstacles that cause losses to business actors. The same is true for micro, small and medium enterprises (MSEs). Lack of capital ownership causes risks that result in operational activities, experiencing losses in business finances and even leading to business collapse.

Although the risks that occur vary and always exist, risks can be identified early so that they can be prevented or minimize the impact that may arise. The risk that is managed in the business world is called risk management. According to (Anastasya, 2020), Risk management is the process of identifying, analyzing, assessing, controlling business entities as an effort to handle losses associated with the level of profitability of business entities (Harimurti, 2021). (I Putu Sugih Arta, 2021) stated that the purpose of managing business risk is to improve the ability of managers to be more dynamic and progressive in minimizing risk.

The Government pays more attention to MSEs considering that MSEs have a strategic role in the Indonesian economy, including equalizing the people's economy, alleviating poverty and adding foreign exchange to the country (Suhaimi, 2020). MSEs also contribute to Indonesia's Gross Domestic Product (GDP) by more than 60% or

around IDR 8,573 Trillion annually. This business can also absorb resources reaching 97% of the total Indonesian workforce or 116 million people, so it is a great opportunity to open new jobs and increase income for the community, especially the middle to lower class. (Anastasya, 2020) and (Jikrillah et al., 2021).

This risk analysis for MSEs is carried out to find out what problems are the challenges of business actors and provide solutions on how to overcome them. Result (Jesslyn, 2022) stated that the most important risk for MSEs is the operational field. This happens because the price of production raw materials is relatively expensive so that it changes the sales system.

The main thrust of this research is to determine the right model to explore the relationship between the sources of business risk and the operational performance of MSMEs (Ilham Hadi Nur Yufa & Dwi Lestari, 2023). In contrast to (Sari, 2022), (Elanda & Tjahjadi, 2018) and (Saifulloh et al., 2023) who used Enterprise Risk Management (ERM), Cybersensor and SWOT. This model can be a tool to identify linkages between sources of business risk, operational performance, and market position to help MSME managers focus on specific business areas as a basis for decision making.

2. RESEARCH METHOD

The research design used is quantiative which is based on the philosophy of positivism. Sugiyono (2020, p. 16) argues that this method fulfills scientific rules concretely or empirically, objectively, measurably, rationally, and systematically. The analysis used through the ISO 31000 framework stages because the principles and guidelines used in analyzing risk management have been internationally recognized (Harefa et al., 2022). The three stages in the risk management process as the basis for the Risk Register will be included in the Risk Matrix (Otero González et al., 2020) (Jecson & Sitokdana, 2022).

Data collection was carried out through literature studies and distributing questionnaires to MSE actors in Blitar. Literature study is a series of activities related to the rules of collecting library data, reading and recording and processing study materials from previous research (Amelia, 2023). The population used is MSEs in Blitar totaling 2569 people. From the existing population, a sample was taken using the purposive sampling method. Purposive sampling is a sampling technique with certain considerations (Ilham Hadi Nur Yufa & Dwi Lestari, 2023).

The distribution of questionnaires will be measured using a Likert scale with a maximum answer weight of 5 and a minimum of 1 with variables of Financial risk, Operational risk and Strategic risk. Determination of the sample using purposive sampling method and determined the amount using the Slovin formula as follows:

$$n = \frac{N}{N.d^2 + 1}$$

Description:
n = Number of samples
N = Total Population
d2 = Critical value or limit of accuracy (1%, 5% and 10%).

$$n = \frac{2569}{2569.(0{,}1)^2 + 0{,}1}$$
$$n = \frac{2569}{25{,}79}$$
$$n = 99{,}61 \approx 100$$

The data analysis stage consisted of three stages, namely: Risk Analysis. This step considers the potential risks and damage that will be caused. From the point of view of subjectivity, experience and reason determine the likelihood of an event occurring. This

process can be through documentation analysis, interviews, brainstorming and checklists to provide an overview of the risks that can be controlled or not, steps that must be taken to analyze the causes and impacts that may arise (Khotimah, 2023) (Wijayantini, 2012). The HIRADC method is commonly used and resulted in 18 types of work identified with the riskiest jobs in the cleaning, electrical, and change model technician sections (Jae K. Shim, 1999) (Lazuardi et al., 2022) (Syahlan, 2021). This matrix table consists of 3 levels which are depicted in the following table (Evinia & Sitokdana, 2023):

Tabel 1. Criteria Likelihood

Nilai	Kriteria	Keterangan	Frekuensi Kejadian
1	Rare	Risiko hampir tidak pernah terjadi	>2 tahun
2	Unlikely	Risiko jarang terjadi	1-2 tahun
3	Possible	Risiko kadang terjadi	7-12 bulan
4	Likely	Risiko sering terjadi	4-6 bulan
5	Certain	Risiko pasti terjadi	1-3 bulan

Risk Evaluation. At this stage, the problems that exist at the time of determining risk management and comparing the level of risk with predetermined standards. The results are outlined in the ISO 31000 framework matrix which is divided into 3 levels of risk assessment. This matrix is a combination of Likelihood and Impact. (Sidik & Wahyuari, 2023) risk evaluation will help the risk decision-making stage by considering the results of risk analysis. The results will be input for the stage of how to treat the risk. So it is necessary to prioritize the resolution of risks effectively, especially considering the urgency and importance of overcoming each risk that may be considered minor with the Eisenhower Matrix and the risk matrix (Kennedy & Porter, 2022) (Fahlepi, 2023).

Tabel 2. Risk Evaluation Matrix

	Impact				
Likelihood	Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Certain (5)	Medium	Medium	High	High	High
Likely (4)	Medium	Medium	Medium	High	High
Possible (3)	Low	Medium	Medium	Medium	High
Unlikely (2)	Low	Low	Medium	Medium	Medium
Rare (1)	Low	Low	Low	Medium	Medium

Sumber data : (Evinia & Sitokdana, 2023)

Risk Assessment, at this point, alternative options will be developed to reduce or even avoid the impact of the risk and implement the improvement process. (Fajri & Violita, 2023) states that the risk treatment stage is carried out to determine the level of risk criteria that have been determined. The results are recorded, communicated, and validated at the appropriate organizational level to complete options that can reduce to overcome the impact of existing risks.

3. RESULTS AND DISCUSSIONS

3.1 Risk management process according to (Putri et al., 2022) :

a. Risk Identification

Detecting risk events as early as possible is the initial stage in the risk management process. This is based on past events and identifying future conditions which include 5 W and 1 H (what, who, when, why, where dan how) (Ramadhan et al., 2020). (Santana, 2023) considers the Covid 19 disaster to cause identified risks including in the financial sector related to incomplete financial records, not having SOPs in operations and marketing, especially distribution and packaging that are still lacking. Meanwhile, (Harefa et al., 2022) considers environmental factors, human resources,

systems and infrastructure to be more prominent. The indicators of the ratio identification used are :

Tabel 3. Indicators of ratio identification

Risk Type	Number	Risk	Reference
A. Financial Risk	A.1	Experiencing capital shortage	(Anita, Siska Yuli, n.d.), (Santana, 2023)
	A.2	Difficulty in borrowing capital	
	A.3	Not making financial reports	
	A.4	Not separating personal and business finances	
	A.5	Not getting help from the government	
	A.6	Always want capital assistance from the government	
	A.7	Not knowing the exact profit or loss of the business	
B. Opersional Risk	B.1	Difficulty in obtaining raw materials	
	B.2	Unsold products	
	B.3	Decrease in production	
	B.4	Unstable raw material prices	
C. Strategy Risk	C.1	No product characteristics	
	C.2	No brand	
	C.3	No training from the government	
	C.4	Not consistently implementing training	
	C.5	Not maximized in using promotional media	
	C.6	Still low mentality in advancing their business	
	C.7	Don't have a business development plan	

b. Risk Analysis

Aims to understand the risk features, characteristics and level of risk. It considers the sources of risk, the consequences of what happens, the likelihood, events, scenarios, controls and their effectiveness. A situation can have many causes and consequences. To determine the level of risk, a scale table is prepared from very high to the lowest scale. (Ramadhan et al., 2020). Of the 26 suspected risks, 3 have a high level of risk ((Harefa et al., 2022), while (Jecson & Sitokdana, 2022) argues that environmental factors have a higher level.

c. Risk Evaluation

Once the risk analysis is complete, a risk evaluation is performed as a step to help with decision-making. The results will be compared with the established risk standards. Risk evaluation can be used to decide what to do, consideration of risk treatment, further analyzed so that it becomes a control tool without deviating from organizational goals. This stage is the real action in risk management efforts by providing more specific guidelines for the hazards that occur (Lazuardi et al., 2022).

d. Risk Treatment

This stage provides various options that can later be applied to address risks. Risk treatment can be iterative to formulate options, plan the risk treatment, assess the level of effectiveness, and condition after the risk is prevented. The HIRADC table is used by (Lazuardi et al., 2022) to handle risks according to existing hazard sources, (Santana, 2023) chooses the Enterprise Risk Management (ERM) method to obtain a risk score.

4. CONCLUSION

The purpose of this study is to evaluate risk management at MSEs in the Blitar area. The object of this research is MSEs in the Blitar area. The initial stage begins with identifying

risks that occur within the scope of Financial, Operational and Strategic. The next stage is a risk management analysis that is carried out based on a predetermined process in ISO 31000. In the future, the use of this model can extend to business risks as a whole and evaluate the impact of risks on business performance for long-term sustainability. In addition, there is a need for strategies on risks classified as high risk through socialization from related agencies including the use of technology in the digital era. Implementation of these measures can help businesses to reduce risks and maintain customer confidence. Future research can identify other risk factors that may occur in MSMEs by grouping them in their business fields and developing research samples.

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