The Roles of Risk Management in Achieving Organization’s Goals

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ABSTRACT: The implementation of risk management in an organization is a necessary process of actions and activities carried out continuously in providing adequate assurance in the achievement of organizational goals through effective and efficient activities. The consistent implementation of risk management to the risks that exist in business processes and functions within an organization will make a source of excellence in competing and show the organization’s performance. This study applied the descriptive research method. The data collection technique used was a documentation study in which data were obtained from the eight published articles of research results on risk management. The result shows that implementing risk management in an organization requires several interrelated stages or activities. They are risk identification, risk assessment, and risk mitigation to minimize the risks that may occur in organization activities. The results of this study are useful for an organization to identify risk management mechanisms so that it can develop strategies in risk mitigation, which will serve as guidelines in mitigating and minimizing risk in an organization.

KEYWORDS - organization goal, risk management, risk assessment,

I. INTRODUCTION

Internal control system or risk management in an organization is a necessary process of actions and activities carried out continuously by a leader of an organization and all his staff in providing adequate assurance in achieving organizational goals through effective and efficient activities. The objectives of risk management, in general, are to protect the organization from a significant level of risk that can obstruct the process of achieving the organization’s goals, help create a framework of a consistent risk management implementation for the risks that may exist in the business processes and functions within an organization. Besides, it can be a source of excellence in the organization’s performance, a warning system to act prudently in dealing with organizational risks in order to achieve common goals, improve organizational performance by providing information on the level of risk mentioned in the risk map and socialization of risk management. The implementation of risk management can minimize the probability and consequences of unfavorable cases in the organizational performance process.

In this regard, in order to support the achievement of organization duties and functions effectively and efficiently, it is necessary to implement risk management in an organization, both educational and non-educational organizations.

In order to better understand and be able to carry out the proper implementation of risk management in an organization, this research data were taken from the published research results.
The results of this study are useful for identifying risk management mechanisms to develop strategies in risk mitigation, which will serve as guidelines in mitigating and minimizing risk in an organization.

II. METHODS

This study used a qualitative approach with descriptive research method. A qualitative approach was chosen because this study aims to explore and understand meanings ascribed to social or humanitarian problems. The qualitative research process involves essential endeavors, such as asking questions and procedures, gathering specific data from participants, analyzing data inductively, and interpreting the data. Meanwhile, descriptive research was chosen because this type of research tries to find an appropriate and sufficient description of all activities, processes, and objects of research.

The data collection technique used in this research is a documentary study. The documentary study is to collect several documents related to the problems studied as data sources. In this study, the data sources were eight scientific articles published as a result of studies on risk management.

III. RESULT AND DISCUSSION

This literature review aims to build and construct a more definite conception based on empirical studies that have been conducted. In this study, eight published research results related to the implementation of risk management were examined in strengthening the basis of understanding the implementation of risk management in an organization. The results of the research used as data consist of five results of risk management research in educational organizations and three risk management research in non-educational organizations.

As stated previously, the goal of risk management, in general, is to protect an organization from significant risks that can obstruct the process of achieving the organization’s goals. It is crucial and essential that it certainly needs to be examined and proven so that it is clear that the actual role of risk management is in achieving the organization’s goals, and it becomes an organization’s obligation to implement risk management. The following describes research data on the roles of risk management in organizations and the importance of its implementation.

Mukhlis and Supriyadi (2018) published the concept of risk management implementation specifically regarding the Design of Risk Management Systems at State Universities of Legal Entity in a case study at Gadjah Mada University (UGM), based on Government Regulation No. 60 Year 2008 on Government Internal Control System. UGM risk management structure uses a three-level control model, namely the policy level, operational level, and supervision level. In the process of implementing risk management, UGM also adopts the risk management process standard AS/NZS 31000: 2009, which consists of the process of context determination, risk identification, risk analysis, risk evaluation, risk treatment, monitoring and review, as well as communication and consultation.

The information system is one of the units in higher education that will support the organization’s goals. According to DA. Jakaria, RT. Dirgahayu, Hendrik (2018) risk management information system starts from the implementation of risk assessment. This step is a means of assessing the probability of threats and vulnerabilities to information systems and their assets. This step is an essential part of information system risk management. The next step is the development of asset profile information, which determines critical information assets based on an organization’s core processes. The next is risk identification and risk analysis, which aim to select a mitigation approach based on risk grouping. Through the risk management information technology, it is expected to reduce the impact of damage in the form of financial impacts, as well as to prevent a decline in reputation due to unsafe systems, cessation of business operations, failure of asset valuation (systems and data), and delay in the decision-making process.

HB. Santoso and L. Ernawati (2017) in “Manajemen Risiko Pada Pusat Data Perguruan Tinggi Dengan Kerangka Kerja NIST 800-30 (Studi Kasus: Universitas Kristen Duta Wacana)” concluded that risks and threats do not only occur in the operating system, applications in the form of files and data, but also the data center location. The steps taken in implementing risk management at Duta Wacana Christian University data center are
risk identification, risk mitigation, and risk evaluation. The implementation of risk management uses the NIST 300-80 framework, which can be used as a reference and work procedure in assessing risk.

The development of information systems and technology is currently being used by many organizations to encourage their business processes. One of the developments in information technology used by universities is the application of e-learning as an electronic-based learning system. According to Catherine, Angela, C. Sylvia, Handoko (2019) in “Analisis Manajemen Risiko Sistem Pemberlajaran Berbasis Elektronik pada Perguruan Tinggi XYZ” every use of information systems and technology will arise risks and uncertainties that can harm an organization. In using e-learning, universities must consider strategies for storing critical information assets and e-learning features that need to be developed in detail so that the performance of lecturers and students can increase. The application of risk management in the use of e-learning is carried out through stages in the form of a risk assessment of the implementation of e-learning with risk identification, risk evaluation, and risk mitigation.

The educational process, of course, is inseparable from the risks that will interfere with the continued achievement of educational goals. According to Z. Munawwaroh (2017), the types of risk found in Emlentary Schools of Primary Madania Telaga Kahuripan Bogor and Islamic Elementary School of MI Pembangunan UIN Jakarta are speculative risks. These risks require educational institutions to innovate and be creative in managing organizations, while the types of risks based on their emergence on the implementation of educational programs are internal and external risks. The internal risks occur in complying with the National Education Standards, which cover the operational risk, human resource risk, loss risk, and time risk. Meanwhile, external risks are related to school reputation risks. The results illustrate that the types of risks that occur in Elementary Schools of Primary Madania Telaga Kahuripan Bogor and Islamic Elementary School of MI Pembangunan UIN Jakarta are speculative risks based on the nature of these risks. In contrast, the types of risks that occur are internal risks and external risks. The stages of risk management carried out at Emelentary Schools of Primary Madania Telaga Kahuripan Bogor and Islamic Elementary School of MI Pembangunan UIN Jakarta include problem identification, risk measurement, risk mitigation (risk avoidance, risk mitigation, risk transfer, and risk retention) and risk evaluation.

From the results of risk analysis in educational organizations, it appears that risk identification, risk assessment, and risk mitigation are the essential components and must exist in the implementation of risk management. This component will determine the achievement of the goals of an organ or sub-organ in an organization. By mitigating these components, underlying risks will be mapped so that a prevention framework can also be built to anticipate losses due to these risks.

In addition to the educational organizations, the analysis of non-educational organizations was also carried out to obtain a more comprehensive description of the roles of risk management in the organization.

Risk management is also applied to banking, especially Islamic banking. MI. Fasa (2016) in “Manajemen Resiko Perbankan Syariah di Indonesia” found that risk management is the main activity of a bank that aims to optimize the trade-off between risk and income, and support the plan and financial business development appropriately, effectively and efficiently. Risk management functions as a filter or early warning system for bank business activities. In Islamic banking, the implementation of risk management can increase shareholder value, provide bank managers with an overview of possible bank losses in the future, improve methods and processes for systematic decision making which are based on the availability of information as a basis for measuring bank performance to make it more accurate. The implementation of risk management in Islamic banks includes risk management, risk management framework, adequacy of risk management processes, and a comprehensive internal control system. Risk management in Islamic banks is implemented through the stages of risk identification, risk assessment, and risk mitigation. These stages were implemented for prevention, detective recovery, error correction, and risk monitoring.

From the study conducted by T. Murwadjji, TTP. Asmara, DN. Sari (2018), it is stated that one of the strategies/paradigms in building the image of cooperatives is the application of banking operational risk management in cooperatives. Banks can assist in the implementation of risk management in banking operations to cooperatives through banking programs. The implementation of operational risk management in banking...
institutions is carried out in four ways; they are identifying, measuring, monitoring, and controlling. The advantages of risk management are that it can increase shareholder value and create a substantial risk management infrastructure in order to increase bank competitiveness. The implementation of risk management can be done in cooperative legal entities. This is expected to help cooperatives in building the right image in society. In addition, banks can also assist in fostering cooperatives in implementing operational risk management through the banking program linkage.

M. Andriyani, AHB. Adi (2016), in the case study of “Risk Assessment dan Perumusan Strategi Mitigasi Risiko pada Sistem Distribusi PT Semen Padang” examined risk management in the distribution system using the ISO 31000 approach. This approach consists of three main elements, namely context determination, risk assessment, and risk treatment. Determining the risk context starts with the identification of risks in the cement distribution activities of PT Semen Padang to obtain priority risks. Furthermore, risk assessment is carried out to formulate a mitigation strategy to respond to these risks. The recommended mitigation strategies for the risk of disruption to the packer group are by increasing the maintenance of packer group machines/equipment, increasing the productivity of human resources (HR) including human resource control and supervision, improving control of the cement packing process to loading-trucks, developing and training HR, and improving network and server quality for SAP applications. From the results of the risk assessment, policymakers can make strategic plans to appropriately safeguard critical information assets as well as recovery steps if a threat scenario occurs.

The three results of risk management analysis in non-educational organizations also prove that risk identification, risk assessment, and risk mitigation are the essential components and must be implemented in risk management. This data also strengthens the evidence that the roles of risk management in achieving the organization’s goals is significant and essential. These roles also become the basis and compulsory reasons for implementing risk management in an organization.

Each organization must perform the strategies to achieve its goals. The strategies may vary based on the type of organization, but these strategies show similarities in defining the components of the process. The following table presents the implementation of these components.

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<tr>
<th>No.</th>
<th>Process of organization</th>
<th>Components</th>
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<tr>
<td>1</td>
<td>State Universities of Legal Entity (Gajah Mada University)</td>
<td>Based on the Government Regulation No. 60 Year 2008 on Government Internal Control System, the steps of the risk management process consists of: a. context determination, b. risk identification, c. risk analysis, d. risk evaluation, e. risk treatment, f. monitoring and review, as well as g. communication and consultation.</td>
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<td>2</td>
<td>Information System Unit in Higher Education</td>
<td>Risk management process in Information System Unit of Higher Education as information system security are: a. context determination b. risk evaluation c. development of Asset Profile information d. risk identification e. risk analysis f. selection of mitigation approach</td>
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| 3 | Data Center of Duta Wacana Christian University | Steps in implementing risk management in the data center of Duta Wacana Christian University are:  
   a. risk identification  
   b. risk evaluation  
   c. risk mitigation |
| 4 | Electronic-based Learning System | Steps in implementing electronic-based learning system in higher education are:  
   a. risk assessment  
   b. risk identification  
   c. risk evaluation  
   d. risk mitigation |
| 5 | The implementation of Educational Programs to improve the quality of education (case studies in Elementary Schools of Primary Madania Telaga Kahuripan Bogor and Islamic Elementary School of MI Pembangunan UIN Jakarta) | The steps of the risk management process in the implementation of Educational Programs to improve the quality of education in Elementary Schools of Primary Madania Telaga Kahuripan Bogor and Islamic Elementary School of MI Pembangunan UIN Jakarta are:  
   a. risk identification  
   b. risk measurement  
   c. risk mitigation (risk avoidance, risk mitigation, risk transfer, and risk retention)  
   d. risk evaluation |
| 6 | Islamic Banking in Indonesia | The steps in the implementation of risk management in Islamic Banking are:  
   a. risk identification  
   b. risk assessment  
   c. risk mitigation |
| 7 | Banking operations in Cooperatives | The steps in the implementation of risk management in Cooperatives are:  
   a. risk identification  
   b. risk assessment  
   c. risk monitoring  
   d. risk mitigation |
| 8 | Distribution System in PT Semen Padang | The implementation of risk management in the distribution system of PT Semen Padang using ISO 31000 consists of three main elements. They are:  
   a. context determination |
b. risk assessment  
c. risk treatment  
d. risk mitigation

IV. CONCLUSION

Risk management is a systematic process consisting of several interconnected stages or activities. In order to achieve the organization’s goals, there are five activities that must be carried out. The five activities are communication and consultation, risk assessment, context determination, risk treatment, monitoring and evaluation for continuous improvement. Meanwhile, the risk assessment is one of the steps in implementing risk management as an effort to provide solutions and corrective actions in achieving the organization’s goals. Basically, risk identification is a minimum requirement of risk management implementation in an organization. Risk assessment and risk mitigation are carried out to minimize the risks that may occur in the process of organizational activities.

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REFERENCES


