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Risk Management and Its Role in Business Success: Building Organizational Resilience Amid Global Uncertainty from a Prophetic Hadith Perspective

Maskur[1)], Khuzaini[2)]
[1)] Universitas Islam Kalimantan Muhammad Arsyad Al-Banjari Banjarmasin, Indonesia
[2)] Universitas Islam Kalimantan Muhammad Arsyad Al-Banjari Banjarmasin, Indonesia

e-mail Correspondent: maskursariman3@gmail.com

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Abstract

The research objective is to analyze risk management in business success, building organizational resilience amidst global uncertainty from the perspective of the Prophet's hadith. The method used is a combination of qualitative methods and literature research based on previous studies on the role of risk management. The results of this research show that risk management helps organizations understand their conditions, readiness, and capabilities in implementing organizational programs. Risk management is crucial and must be implemented because,, through formal, structured, and integrated risk management, an organization can adapt to its environment and provide appropriate policies to achieve program objectives. The management process has been exemplified in the Quran and applied directly by the Prophet Muhammad (SAW). While the Quran and the Prophet's hadith do not detail management practices explicitly, they provide principles that can be interpreted and applied. Management concepts such as planning, organizing, implementing, and monitoring, as well as leadership skills and competencies, are embedded within Islamic teachings found in the Quran and Hadith.

Kata kunci:
Manajemen Risiko, Ketidakstabilan Global dan Ketahanan Organisasi.

Abstrak

Tujuan penelitian bertujuan untuk menganalisis manajemen risiko dalam kesuksesan bisnis, membangun ketahanan organisasi di tengah ketidakpastian global dalam perspektif hadis Nabi. Metode yang digunakan adalah kombinasi antara metode kualitatif dengan penelitian kepustakaan yang didasarkan pada hasil penelitian terdahulu tentang Peran Manajemen Risiko. Hasil dari penelitian ini menunjukkan bahwa manajemen risiko juga membantu organisasi untuk memahami kondisi, kesiapan dan kemampuan dalam melaksanakan program-program organisasi. Manajemen risiko sangat penting dan harus diterapkan, karena melalui penerapan manajemen risiko yang formal, terstruktur dan terintegrasi, organisasi akan mampu beradaptasi dengan lingkungan sekitar dan mampu memberikan kebijakan yang tepat untuk mencapai tujuan program. Proses manajemen tersebut sebenarnya telah dicontohkan dalam Al-Quran dan diterapkan langsung oleh Rasulullah SAW. Memang dalam Al-Quran dan Hadist Nabi tidak menyebutkan hal-hal yang berkaitan dengan manajemen secara detail. Namun bagaimana kita menggali dan memaknainya, karena sesungguhnya manajemen sudah ada dan tercantum dalam Alquran dan Hadist sebagai sumber utama ajaran Islam seperti fungsi-fungsi manajemen (perencanaan, pengorganisasian, pelaksanaan dan pengawasan) bahkan Alquran dan Hadist memberikan arahan terkait keterampilan kepemimpinan dan kompetensi apa saja yang harus dimiliki oleh seorang pemimpin.

INTRODUCTION

Risk management is an indispensable facet of contemporary business operations, particularly in the face of escalating global uncertainties. The necessity for a comprehensive understanding and effective implementation of risk management strategies has become increasingly apparent, as businesses navigate through a landscape characterized by volatility, complexity, and ambiguity. This paper aims to delve into the pivotal role of risk management in ensuring the success and resilience of organizations amidst such multifaceted uncertainties, drawing insights from the perspective of Prophetic Hadith.

While numerous studies have explored the significance of risk management in business contexts, there remains a notable gap in the literature concerning the integration of prophetic teachings within this framework. Existing research predominantly focuses on conventional risk management theories and practices, overlooking the potential contributions of religious or spiritual perspectives. By bridging this gap, this paper seeks to offer a novel approach to risk management, one that amalgamates contemporary methodologies with timeless wisdom derived from Prophetic Hadith.

The primary purpose of this paper is to enrich the existing discourse on risk management by providing a unique perspective that transcends conventional paradigms. By elucidating the relevance of Prophetic Hadith in addressing contemporary challenges, this study aims to contribute to the advancement of both theoretical understanding and practical application in the field of risk management. Specifically, the focus lies on elucidating how insights gleaned from Prophetic Hadith can augment existing risk management frameworks, thereby enhancing organizational resilience and facilitating sustainable business success.

Through this paper, we endeavor to test the hypothesis that integrating Prophetic Hadith into risk management practices can lead to more holistic and robust strategies for mitigating uncertainties and seizing opportunities. By examining the teachings of the Prophet Muhammad (peace be upon him) through the lens of risk management principles, we aim to provide empirical evidence supporting the efficacy of this approach. Additionally, by identifying areas where conventional risk management approaches may fall short, we seek to underscore the importance of adopting a multifaceted perspective that encompasses both secular and spiritual dimensions.

In sum, this paper seeks to address the aforementioned gap in the literature by offering a comprehensive exploration of risk management from a Prophetic Hadith perspective. By elucidating the relevance of these teachings in contemporary business contexts, we aspire to equip organizations with the insights and tools necessary to navigate through the complexities of an increasingly uncertain world.

RESEARCH METHOD

The method used in this paper is a combination of qualitative methods with literature research based on the results of previous research on the Role of Risk Management. The literature used comes from findings or studies presented in scientific articles (Putra, 2021). Utilizing qualitative methods allows for a nuanced exploration of the topic, enabling the synthesis of diverse perspectives and insights from scholarly articles. This approach aligns with Creswell's definition of qualitative research, which emphasizes the exploration of phenomena within their natural context, without imposing preconceived frameworks or hypotheses.

The research was conducted over a specified period, during which relevant literature was systematically identified and analyzed. The primary sources of data included scientific articles sourced from reputable databases such as Mendeley and Google Scholar. These platforms were chosen for their accessibility and comprehensive coverage of scholarly literature, ensuring that a wide array of perspectives and insights could be synthesized. By utilizing literature review as the primary data collection technique, the research process was streamlined, allowing for the efficient retrieval and synthesis of pertinent information (Religia et al., 2021).

Furthermore, the research was conducted with a focus on operationalizing the qualitative methodology. This involved clearly defining the research objectives, delineating the criteria for selecting relevant literature, and establishing systematic procedures for data collection and analysis. The literature review process followed a structured approach, wherein articles were screened based on predefined inclusion and exclusion criteria. Relevant data and insights were extracted from selected articles, organized thematically, and analyzed to identify key patterns, trends, and findings.

RESULTS AND DISCUSSION

Result

The challenges faced by companies according to Adeputra & Wijaya (2016) state that companies that can maintain or increase their competitive advantage into the future, companies need to consistently manage intellectual capital into the future. On the way to finding a company's competitive advantage through enabling resources, the company will face risks that arise suddenly (Enny, 2017). Because companies make mistakes in managing and making decisions to minimize risks to intellectual capital, this will result in company performance decreasing (Halim & Wijaya, 2020).

Demidenko and McNutt (2010) in Wahyono et al. (2015) stated that risk management is a means of realizing company goals and monitoring management performance. Risk management involves identifying risks, predicting the likelihood and impact if the risk occurs (Fauzi, 2016). Risk management helps the decision-making process by paying attention to things outside the company's control that affect the achievement of company goals. Risk management was created to help companies face various uncertainties in achieving company performance targeted by stakeholders (Cahyaningtyas & Sasanti, 2019).

Management's success in achieving performance is determined by management's success in managing the risks inherent in each company's business activities (Sumiati, 2022). Companies that understand and manage risk well are companies that can attract investors. Risk management plays a role in providing reasonable guarantees for achieving organizational targets (Hendawati, 2017). Companies will add risk control to core competence and competitive advantage, so the relationship between risk management and GCG will become more acute. When the implementation of risk management improves, companies will add risk control to core competence and competitive advantage (Roiyah & Priyadi, 2019).

The formulation of Tobin's Q reflects long-term company performance so that investors view the company as being able to reduce the level of non-performing loans in the long term so that it does not have an impact on company value (Khairiyani et al., 2019). This could possibly be because Tobin's Q reflects the company's long-term performance so that investors view the company as being able to reduce the level of non-performing loans in the long term (Kristanti, 2016). The results of this research are in line with research by Anwar (2018) and Srihayati et al. (2015) which states that NPL has no effect on company performance as measured by Tobin's Q.

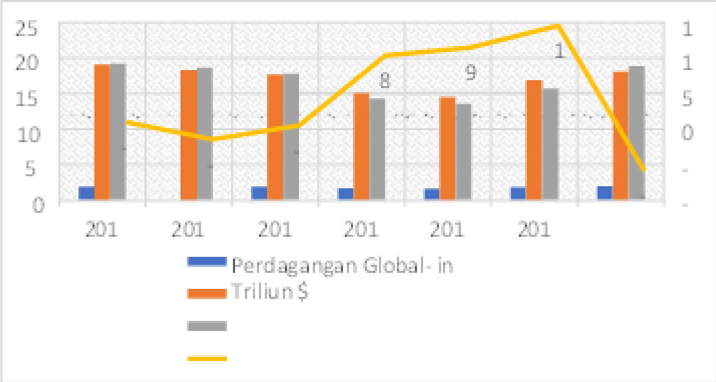
In addition, other factors in risk management such as intellectual capital using the Intelectual Capital Index measurement can also affect company performance, but cannot affect company performance in the future (Halim & Wijaya, 2020). Enterprise risk management can moderate the relationship between intellectual capital and firm performance. In the future, corporate risk management cannot moderate the relationship between intellectual capital and firm performance. Even risk management can have an impact on company profits (Supriyadi & Setyorini, 2020).

Discussion

In recent years the world has been faced with uncertainty. This was triggered, in part, by a trade war between the two countries with the largest economic powers currently, namely China and the United States. This trade war began in 2017 when the United States (US) stated that imports of solar panels and washing machines could endanger US domestic industry and then continued by increasing import tariffs for these products in 2018. China also took counter-action by increasing product tariffs. sorghum from the United States amounted to 178.6% for anti-dumping reasons. The war to increase tariffs did not stop just for these two products, until 2019 both countries increased tariffs on products such as steel, iron, fruit, nuts, pork, vehicles, airplanes, ships, soybeans, and others (Bown & Kolb, 2020). It is strongly suspected that the trade war started by the United States was America's move to recover the trade balance deficit of 796 billion USD, almost half of which was the trade deficit with China (WITS, 2020). Another aim is that the US intends to increase revenue from Copyrights, Patents and Trademarks which so far it is claimed has not been obtained under its portion.

The actions taken by these two superpowers triggered a decline in global trade and had a worse impact on emerging countries like Indonesia. We can see in the graph below, even though the decline in the value of world trade began in 2015, we believe that the decline of 5.8% (2014-2017) was a contribution to the decline in the trade value of US-China "tariff war" products. The impact felt by Indonesia was that import growth was greater than exports, causing a trade balance deficit of USD 8 billion. This is a deficit for the first time since 2014, even bigger than the deficit that Indonesia received in 2012. This deficit is strongly suspected to be the impact of the US-China trade war because according to BPS data, Indonesia's imports have increased due to non-gas imports.

The trade war had a negative impact on countries outside the US and China due to an oversupply of tariff war products on the international market, this caused a significant decrease in the prices of these products. This price reduction makes imported goods from China and the US more competitive in developing countries, including Indonesia. The data we obtained from Trademap states that imported products such as Machinery (HS84), Electrical Machinery (HS85) and Steel and Iron (HS72) experienced an average increase of 36.41% in 2017-2018. Apart from that, Indonesian exports experienced a slowdown in growth due to prices of substitute goods for Indonesian export products decreasing.



Graph 1. International Trade 2012-2018 (Source: Author's calculations from Trademap)

Global uncertainty regarding the Indonesian economy, fiscal resilience, and trade balance. The next two articles will discuss the condition of purchasing power and employment as well as Indonesia's energy security. In general, Indonesia is experiencing a negative impact from global uncertainty, which can be seen in the slowing of Indonesia's economic growth. Several things need to be noted and appreciated for the policies taken by the government to reduce the risk of global uncertainty on the Indonesian economy

The pattern of development of global uncertainty and its transmission to the Indonesian economy. In general, global economic and geopolitical uncertainty tends to have an increasing trend in the last 2-3 years even though Indonesia's domestic geopolitical conditions tend to be more stable when compared to global geopolitical risks. Furthermore, movements in the Rupiah exchange rate are largely determined by global factors such as commodity prices and economic uncertainty as well as domestic capital market dynamics which are more influenced by domestic factors and not directly influenced by global factors.

The impact of global uncertainty on fiscal stability such as fiscal deficit, tax performance, government debt, and implementation of strategic programs. In general, tax revenues in 2019 experienced a decline in growth, in other words, nominally the budget deficit increased. In general, Indonesia suffers from a trade balance deficit due to the impact of the trade war between the United States and China. Concrete steps that the government can take are to increase the reach of Indonesian exports through economic diplomacy. Furthermore, we will present developments in the IEU-CEPA negotiations as well as potential products for export to the European Union.

Islamic Perspective on Risk Management

The Islamic perspective in managing the risk of an organization can be studied from the story of Yusuf in interpreting the king's dream at that time. The story of the king's dream is contained in the qoran, Surah Yusuf: 43, as follows:

وَقَالَ الْمَلِكُ اِنِّيْٓ اَرٰى سَبْعَ بَقَرٰتٍ سِمَانٍ يَّأْكُلُهُنَّ سَبْعٌ عِجَافٌ وَّسَبْعَ
سُنْۢبُلٰتٍ خُضْرٍ وَّاُخَرَ يٰبِسٰتٍۗ يٰٓاَيُّهَا الْمَلَاُ اَفْتُوْنِيْ فِيْ رُءْيَايَ اِنْ كُنْتُمْ
لِلرُّءْيَا تَعْبُرُوْنَ

"The king said (to the leading people of his people): 'Indeed, I dreamed of seeing seven fat cows being eaten by seven skinny cows and seven green ears of wheat and seven other ears of dry.'O eminent people: 'Explain to me about the ta'bir of my dreams if you can interpret dreams.'(QS. Yusuf: 43).

While the story of Yusuf interpreting the king's dream is explained in the Qur'an Surah Yusuf: 46-47 as follows:

وْسُفُ اَيُّهَا الصِّدِّيْقُ اَفْتِنَا فِيْ سَبْعِ بَقَرٰتٍ سِمَانٍ يَّأْكُلُهُنَّ سَبْعٌ عِجَافٌ وَّسَبْعِ سُنْۢبُلٰتٍ خُضْرٍ وَّاُخَرَ يٰبِسٰتٍۙ لَّعَلِّيْٓ اَرْجِعُ اِلَى النَّاسِ لَعَلَّهُمْ يَعْلَمُوْنَ

قَالَ تَزْرَعُوْنَ سَبْعَ سِنِيْنَ دَاَبًاۚ فَمَا حَصَدْتُّمْ فَذَرُوْهُ فِيْ سُنْۢبُلِهٖٓ اِلَّا قَلِيْلًا مِّمَّا تَأْكُلُوْنَ

"(After the servant met Yusuf he exclaimed): "Yusuf, O very trustworthy person, explain to us about the seven fat cows which were eaten by the seven thin cows and the seven grains (of wheat) the green ones and the other (seven) dry ones so that I will return to the people, so that they will know. Yusuf said: "So that you plant for seven (long) years as usual; So what you reap you should leave to the grain except a little for you to eat. Then after that there will come seven very difficult years, which will use up what you have saved to face them (difficult years), except for the little (seed of wheat) that you have saved. Then after that a year will come in which humans will be given (enough) rain and during that time they will press grapes." (QS. Yusuf: 46-49).

In his commentary on Al-Mishbah, M. Quraish Shihab interprets that the Prophet Yusuf understood seven cows as seven years of farming. It could be that because cows are used for plowing, fat cows are a symbol of fertility, while skinny cows are a sign of difficult times in agriculture, namely times of famine. Grains of wheat are a symbol of available food. Each grain is equal to a year. Likewise vice versa.

From this story, it can be said that in the second seven years there will be a terrible drought. This is a risk that befell Yusuf's country. However, with the king's dream which was then interpreted by Yusuf, Yusuf then carried out measurements and control over the risks that would occur in the second seven years. Yusuf did this by suggesting to people throughout the country to save some of their harvest for the first seven years in order to face famine in the following seven years. In this way, the danger of famine that threatened Yusuf's country was avoided. What a perfect risk management. Yusuf applies the risk management process through the stages of risk understanding, evaluation and measurement, and risk management.

In the Hadith it is also narrated that one of the companions of Rasulullah Saw. who leaves his camel without tying it to something, such as a tree, pole, etc., and then abandons it. He s.a.w. asked: "Why don't you tie it up?" He answered: "I have put my trust in Allah." Rasulullah SAW. unable to agree with that person's way of thinking, he said, "Be bound first and then put your trust in God." In short, tawakkal without prior effort is wrong and wrong according to Islamic views. The purpose of tawakkal as commanded by religion is to surrender oneself to Allah after making efforts and efforts and working properly. For example, put the bicycle in front of the house, after locking it properly, then put your trust in it. This means that if after being locked it is still lost, for example if someone steals it, then from a religious point of view that person is innocent, because they have made every effort not to lose it. The meaning of tawakal is defined as risk management.

Clearly, Islam gives a signal to manage risk positions as well as possible, as the Al- Qur'an and Hadith teach us to carry out activities with very careful calculations in dealing with risks.

No	Principles of Management in Islam	Example
1	Tawakal	The company places its trust in Allah and strives to achieve organizational or corporate goals by following Islamic values.

2	Trustworthy	Managers are responsible for carrying out their duties and responsibilities well and do not harm other people.
3	Fair	Managers treat employees and customers fairly and do not discriminate.

Leadership is a trust so that a person who becomes a leader means he is carrying a trust. And of course, the trust must be fulfilled properly. Thus the task of being a leader is difficult. So it is appropriate for the person carrying it to be someone who is skilled in their field. That's why Rasulullah saw. prohibit people who are not capable of holding office because they will not be able to carry out their duties properly.

Abu Hurairah r.a: said: said the prophet saw: there are seven types of people who will shelter under the shadow of Allah, in their hearts there is no shade except the shade of Allah: Imams (leaders) who are just, and young people who diligently worship Allah. And people whose hearts are always passionate about the mosque. And two people who love each other because of Allah, whether they are together or apart. And the man who was invited to commit adultery by a beautiful noble woman refused with the words: I fear Allah. And the person who gives alms in secret with his left hand does not know what his right hand is giving alms to. And people remember Allah alone until they shed tears. (Bukhary, Muslim)

Even though this hadith explains seven types of character of people whose safety is guaranteed by Allah on the Day of Judgment, what is really emphasized by this hadith is the character of the first person, namely a just leader. It's not that we underestimate the six characters that follow, but the character of a just leader is indeed a milestone for the benefit of all mankind. Without a just leader, life will be trapped in a fairly deep abyss of suffering. To see the extent to which a leader has acted fairly towards his people is through the decisions and policies he issues. If a leader applies the law equally and equally to all his citizens who make mistakes or violate the law, without favoritism, then the leader can be said to have acted fairly. However, on the other hand, if the leader only punishes some people (the small people) but protects others (the elite/conglomerate), even though they both violate the law, then the leader has done injustice and is far from just behavior (Afandi, Mardliyah, & Sugiarti, 2023; Ismiatun, Neliwati, & Khairuddin, 2024).

Abdullah bin 'amru bin al 'ash r.a said: Rasulullah saw said: verily those who act justly, in the future before Allah will be placed on a platform of light, are those who are just in law towards their families and whatever is handed over (authorized) to them . (Muslim)

If the previous hadith talked about Allah's "guarantee" for leaders who act justly, then this hadith discusses more about the "rewards" for a just leader. In this hadith it is stated that the reward for a just leader is that in the future with Allah he will be placed on a pulpit of light. Literally, the pulpit means a special place for people who want to preach or speak in public. Therefore, the Friday pulpit usually refers to a special place provided by the mosque for the benefit of the preacher. While light is a ray that illuminates life. The word light usually refers to the sun as the light of the earth, the lamp as a light from darkness, etc. Therefore, the word pulpit of light in the above hadith is certainly not interpreted literally as a pulpit decorated with brightly shining lights, but rather the pulpit of light is a metaphor that describes a very honorable position in the eyes of Allah.

Ijadl bin Himar r.a said: I have heard the Messenger of Allah say: there are three kinds of people from heaven: fair kings, those who receive taufiq hidayat (from Allah). And people who are merciful towards their relatives and Muslims. And poor people have families who still maintain their decency and self-respect. (HR. Muslim).

If in the first one, Allah will guarantee leaders who do justice with the guarantee of the protection of Allah's grace, and the following hadith guarantees with the guarantee of a pulpit made of light, then this third guarantee is the guarantee of heaven. The three guarantees above are certainly not just ordinary guarantees, but all of these guarantees show how much Islam emphasizes the importance of an attitude of justice for a leader. The Prophet S.A.W could not possibly give such a high guarantee to someone unless that person was really required to do things that are highly emphasized in Islam. And justice is an important matter that is highly emphasized in Islam. Therefore, whoever upholds justice, that person will undoubtedly receive high guarantees from Islam (Allah), both in this world and in the afterlife.

Implementation of Risk Management in Organizations

The world with information technology today has experienced very rapid changes. This causes business organizations and government organizations to experience changes. These changes make organizations in carrying out activities to achieve their goals and objectives face many challenges, obstacles or obstacles, both small and large, and can even become threats or opportunities. We usually know the constraints and uncertainties resulting from the activities of an organization as risks. Everyone is very familiar with risks. In everyday behavior, everyone understands that there will be a risk as a result of words, actions or circumstances. For example, someone's action to take health insurance. This reflects the risk management of facing medical costs when an unexpected illness occurs. Popular sayings such as 'have an umbrella ready before it rains' describe how people understand the risk of rain and manage that risk. In the Big Indonesian Dictionary, the definition of risk is an unpleasant consequence (harmful, dangerous) of an act or action.

According to Soemarno, the definition of risk is a condition that arises due to uncertainty with all the unfavorable consequences that may occur. Meanwhile, according to Hanafi, risk is a danger, outcome or consequence that could occur as a result of an ongoing process or future event. So risk can be interpreted as a negative impact on achieving goals. The occurrence of these negative impacts is caused by uncertain circumstances, where if an undesirable situation occurs it could cause a loss. Risks related to this uncertainty occur because there is a lack or unavailability of sufficient information about what will happen. Something that is uncertain can have beneficial or detrimental consequences (Fawzi & Dodi, 2022; Zamrodatin, Darim, Ardianto, & Rofiq, 2023).

An organization has goals and objectives that it wants to achieve to realize its vision and mission. In achieving organizational goals, many possibilities can occur which can result in the goals not being achieved as expected. Risk can be caused by external factors or internal factors which can cause uncertainty in efforts to achieve the desired goals and objectives. Each part of the organization has its risks (Mohzana, Masita, Adnan, Murcahyanto, & Kulsum, 2023). For example, potential risks that will occur in government organizations include the risk of corruption/fraud which results in state financial losses, a decrease in tax revenues, failure to implement programs/activities/development, failure to provide optimal services to the community, and so on.

In carrying out its duties and functions, the organization has Key Performance Indicators (KI) which are described in strategic targets that must be achieved. In realizing strategic targets to achieve the main performance targets that have been set, there is a possibility that they will fail or cannot be achieved according to plan. This is due to the potential risks that occur, so it is necessary to implement risk management to deal with all possibilities that occur and hurt the strategic targets to be achieved. To facilitate identification, risks are usually described in three terms, namely causes, events, and impacts. These three things can be put together in a simple sentence as follows 'because something happened (cause), it happened (event), resulting in (impact on the target)' (A, Widyawati, & Dwiyama, 2024; Alazeez, AL-Momani, & Rababa, 2024).

If this description is implemented in an illustration, namely 'because the integrity of officials/employees is still low in providing services (cause), there has been gratification by asking for compensation from service recipients (event), so that the organization's reputation decreases or there is a loss (impact)' (Hasanudin, Srinio, & Warti'ah, 2024; Yulianto, 2024). Another example is due to a lack of guidance and supervision from superiors (cause), resulting in many employees not coming to work without information (event), resulting in disruption in service delivery (impact). In ensuring the achievement of objectives, risks must be managed well. This management is expected to minimize the possibility of risks occurring or reduce the impacts that occur so that objectives can be achieved. Risk management starts from efforts to recognize, measure, and evaluate risks to implement efforts to handle them.

Effective risk management will help identify which risks pose the greatest threat to the organization and provide guidance for addressing them. Therefore, we need a management called Risk Management. Risk management is defined as the process of identifying, monitoring, and managing potential risks to minimize the negative impact they may have on an organization. Risk Management is a management tool aimed at managing risks in achieving strategic targets of government organizations. Risk management aims to minimize the possibility of occurrence and the impact of risks that could disrupt the achievement of these targets (Huda & Rokhman, 2021; Nadif, Nusucha, & Rofiq, 2023; Yamin, Basri, & Suhartini, 2023).

An organization's resilience to the possibility of risks arising depends on how it prepares itself systematically for the risks it must face. The most fundamental strength is the creation of a risk culture, which automatically and comprehensively implements decision-making that takes risk into account and incorporates a balance between risk and its control in every business process. To build a risk culture, it is necessary to have integrated steps together between top management and leaders at all levels and their ranks in complying with various existing regulations and all parties including stakeholders interacting with each other in the daily activities of the organization (Kartiko, Rokhman, Priyono, & Susanto, 2024; Kartiko, Wibowo, Gobel, Wijayanto, & Saputra, 2023).

The form of risk awareness culture that must be implemented includes: first, the leadership's commitment to considering risk in every decision made. The role of top leaders and their staff is the main key in carrying out change. The type of leadership and leadership behavior will determine the creation of the desired risk-aware culture. Priority leadership commitment to the Risk Management program can be realized and demonstrated by top management and leaders at all levels, both in implicit and explicit form. Second, continuous communication to all levels of the organization regarding the importance of Risk Management. Continuous communication is expected to be able to produce attitude changes in other people to make it easier for other people to understand messages from a message giver (communicator) and generate feedback from the recipient of the message (communicant) effectively. Communicating risk management needs to be done comprehensively and massively to all employees.

Third, Reward those who can manage risk well. The award aims to enable organizational units to develop risk management performance by helping them realize and use their full potential in carrying out the organization's mission and providing information for employees and leaders to make decisions related to work or carrying out tasks and functions. The awards that can be given in this case can be in non-financial/material form according to the policy of the employee's direct superior. Fourth, integrating risk management into the organization's business processes. Integrating risk management into an organization's business processes in stages can begin with aligning risk management with the organization's performance management system and aims to increase effectiveness and efficiency.

There is a relationship between Risk Management and the Internal Control System. Risk management is closely related to the internal control system. In the process, risk management must pay attention to the control system that will be implemented. Internal control is used to ensure that business processes are carried out effectively. The internal control system will pay attention to how risks are mitigated or handled through actions or activities to reduce the possibility and/or impact of risks. Existing internal control activities must be monitored to determine the level of risk at this stage.

Effective risk management within organizational programs entails a structured approach encompassing several key steps. Firstly, it necessitates determining the contextual factors that influence program management processes and internal environments, and aligning risk management strategies with program objectives and expected benefits. Subsequently, risks are systematically identified through comprehensive assessments, distinguishing between minor risks with minimal impact and those with higher severity and likelihood. Following identification, risks undergo an assessment to gauge their magnitude and acceptability, facilitating informed decision-making regarding risk control measures. Risk control measures are then implemented, particularly for risks deemed to have a significant impact on the program, followed by proactive communication and consultation with stakeholders to facilitate prompt anticipation and response. Lastly, the risk management process is subject to ongoing monitoring and review to identify and address any implementation obstacles, ensuring alignment with program scope and objectives.

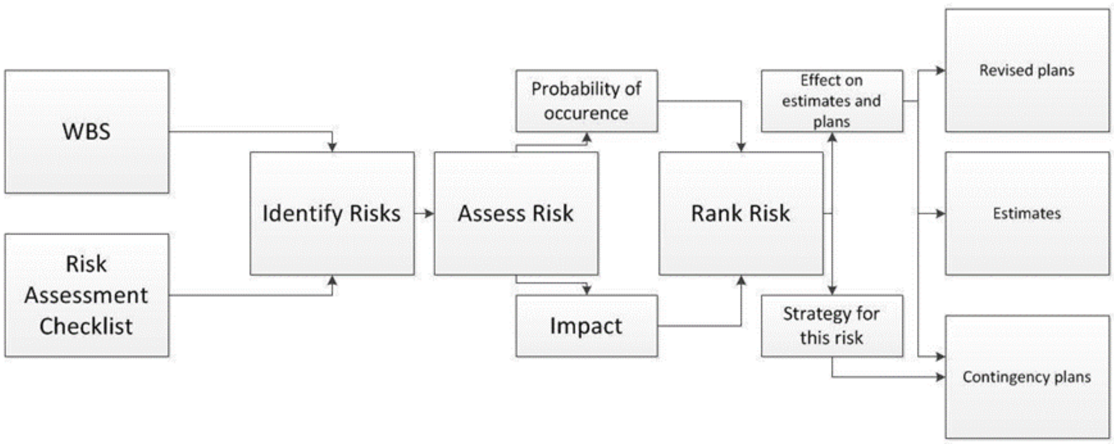


Figure 1. Risk management process

To achieve organizational goals, various organizations in Indonesia have begun implementing a risk management framework based on ISO 31000:2009 regarding Risk management principles and Guidelines. By paying attention to the stages in risk management, the process of implementing risk management must be accompanied by ongoing supervision and control to determine whether the program being implemented is by what was planned. The implementation of risk management in an organization must also be supported by increasing risk awareness by program actors because risk depends on changes in the environment both internally and externally. In this way, the worst risks can be avoided.

Implementing risk management in organizational programs yields numerous benefits, including enhancing decision-making processes to achieve better program outcomes, acknowledging and mitigating uncertainties through estimations of potential outcomes, facilitating improved program control by minimizing detrimental risks, fostering innovation and creative thinking to avoid risks, and enhance program benefits, contributing to overall program success, reducing costs associated with managing unexpected events, and instilling a sense of security while increasing awareness and understanding among program stakeholders regarding potential risks they may encounter.

Implementing good risk management can reduce the risk level of an incident. Risk management also helps organizations to understand conditions, readiness, and capabilities in implementing organizational programs. Risk management is very important and must be implemented, because, through the implementation of formal, structured, and integrated risk management, the organization will be able to adapt to the surrounding environment and be able to provide appropriate policies to achieve program objectives.

The Role Of Risk Management In Business Success

The implementation of risk management for insurance companies is carried out following regulations issued by Bank Indonesia and the Ministry of BUMN. Two risk management approaches are widely applied in Indonesia, namely Enterprise Risk Management (ERM) which was created by COSO. ISO 31000 can encourage companies to manage risks proactively, facilitating a level of accountability in decision-making by balancing the costs of avoiding threats and capturing the opportunities and benefits obtained from implementing risk management.

Risk management was created to help companies face various uncertainties in achieving company performance targeted by stakeholders (Cahyaningtyas & Sasanti, 2019). Management's success in achieving performance is determined by management's success in managing the risks inherent in each company's business activities (Sumiati, 2022). Companies that understand and manage risk well are companies that can attract investors. Risk management plays a role in providing reasonable guarantees for achieving organizational targets (Hendawati, 2017). Companies will add risk control to core competence and competitive advantage, so the relationship between risk management and GCG will become more acute. When the implementation of risk management improves, companies will add risk control to core competence and competitive advantage (Roiyah & Priyadi, 2019).

Risk management plays a multifaceted role in safeguarding businesses against a myriad of potential threats and vulnerabilities while simultaneously capitalizing on opportunities for growth and sustainability. Firstly, it acts as a protective shield, shielding businesses from financial loss and operational disruptions by preemptively identifying and mitigating risks, thus ensuring resilience amidst economic uncertainties and supply chain disruptions. Secondly, it upholds the invaluable asset of business reputation by proactively managing reputation risks, and fostering transparency, accountability, and ethical behavior to maintain stakeholders' trust and brand integrity. Thirdly, it ensures the continuity of business operations by safeguarding against operational disruptions through the development of business continuity plans and post-disaster recovery strategies, thereby enabling businesses to remain competitive even in challenging times. Fourthly, it facilitates the maximization of business opportunities by identifying and capitalizing on suitable markets, innovative technologies, and strategic partnerships to drive sustainable growth. Additionally, it enhances decision-making processes by providing comprehensive insights into potential risks and their impacts on financial performance, market share, and customer satisfaction. Finally, it ensures compliance with evolving regulations, thereby averting heavy fines and legal repercussions, thus underlining its pivotal role in fostering business resilience and sustainability in an ever-changing regulatory landscape.

CONCLUSION

The culmination of this research underscores a significant revelation: the profound impact of risk management on company performance extends far beyond conventional understanding. While it has long been acknowledged that effective risk management enhances organizational resilience and fosters profitability, our findings unveil a surprising correlation between meticulous risk management practices and unprecedented levels of success. Through the systematic implementation of risk management protocols, companies not only mitigate potential risks but also optimize resource utilization, thereby maximizing value creation and profitability in alignment with organizational objectives.

However, it is imperative to acknowledge the limitations inherent in our research. The scope of our study was constrained by several factors, including limited sample size, restricted variation in cases, and a narrow geographic focus. Furthermore, the research predominantly explored risk management practices within a specific context, thereby necessitating further investigation across diverse organizational settings, demographic profiles, and geographic regions. By expanding the scope of future research to encompass a broader spectrum of cases and methodologies, a more comprehensive understanding of risk management's multifaceted implications can be attained.

In light of these limitations, it is evident that future research endeavors must strive for greater inclusivity and diversity in their approach. By accommodating larger sample sizes, diverse demographic profiles, and varied organizational contexts, future studies can yield more nuanced and comprehensive insights into the intricate dynamics of risk management. Such endeavors are essential for the formulation of more effective and tailored policies that address the diverse needs and challenges encountered by organizations across different sectors and regions. Thus, by fostering a deeper understanding of risk management's intricacies through rigorous and inclusive research, we can pave the way for the development of more robust and adaptive organizational strategies in an ever-evolving business landscape.

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