

Risk Management Application for Business Startups "Jamu Partnership" in Indonesia

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ABSTRACT

Background – Awareness of a healthy lifestyle and thinking back to nature makes society in Indonesia choose jamu as their daily routine drink. Jamu itself is a term for natural traditional medicine from Indonesia. Unfortunately the types of jamu products are still very limited in variants, have a bitter taste and difficult to find in modern places such as cafes. Currently the Indonesian government provides support in health and fitness tourism business activities in the form of jamu cafes. In addition, the community's desire for entrepreneurship through SMEs is also very large. This is a potential opportunity for startup companies in the field of jamu partnerships (business opportunity). Besides that, risks in this startup business also need to be identified, analyzed and treatment.

Method – Using the ISO 31000:2018 risk management approach.

Result – This analysis help jamu startup companies (business opportunity) in making the right decisions to mitigate risks, so that the business can be sustainable.

Keywords: Risk Management, Startups, Jamu Partnership, Business Opportunity, Indonesia.

1. INTRODUCTION

Awareness of healthy living is starting to become a lifestyle that can be said to be popular in Indonesia. Every year, according to a survey conducted by insurance institutions in Indonesia, 73% of Indonesian society considers health as the most important issue. Thinking back to nature is one of the people's choices to implement a healthy lifestyle. In line with

this thought, many peoples in Indonesia choose jamu as their daily routine drink. Jamu itself is a term for natural traditional medicine from Indonesia. Unfortunately the types of jamu products are still very limited in variants, have a bitter taste and difficult to find in modern places such as cafes. The Indonesian government through the Minister of Health Regulation Number 76 of 2015 also supports health and fitness tourism in the form of jamu cafes. In addition, the current desire of the peoples in Indonesia to become entrepreneurs is also very high. Based on databoks 2020, business community activities through SMEs increased from 52.8 million in 2010 to 64.2 million in 2018. Seeing such a huge opportunity, PT OAM (PT Oesodo Alam Mandiri), which is a jamu partnership business startup company (business opportunity), has emerged to create a very attractive business ecosystem for both existing and new business actors. This is because, PT OAM answers the opportunities with providing partnerships for cafes and jamu products. Through partnerships, partners can directly run their businesses with small capital, can use their own brands, obtain delicious, sweet and innovative jamu products, and also receive training and assistance in their business.

2. MATERIALS AND METHODS

In today's global business environment, a startup company will constantly face challenges including

challenges in managing business risks. Failure to proactively identify, assess, mitigate, report, and monitor these risks can result in significant loss to the reputation and revenue of the organization (Hogan, J.,

& Lodhia, 2011). The risk management process implemented by PT OAM as a jamu partnership business startup refers to the ISO 31000 standard in 2018, and uses a framework as shown in Figure 2.1 below.

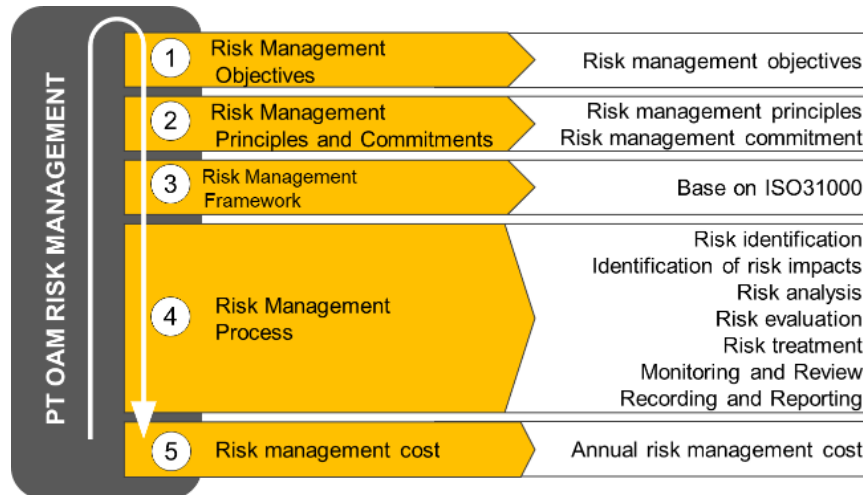


Figure 2.1 PT OAM Risk Management Framework.

Source: Author, 2021.

Risk Management Objective

The purpose of PT OAM risk management process is to ensure that the company's vision of being a pioneer in jamu medicine partnerships that is able to adapt to modernization in the health sector can be achieved properly. ISO 31000 provides a structured framework intended to align risk management objectives with organizational needs (Almeida et al., 2019). The scope of risk management implementation must refer to the company's risk management objectives (Kwarti et al., 2019).

Risk Management Principles and Commitments

PT OAM risk management principles include creating and protecting value, integrated, structured, comprehensive, customized, inclusive, dynamic, informational, human and cultural, continuous improvement (BSN, 2018). PT OAM commitment is determined through the roles and responsibilities of all parties through a clear organizational structure from top to low management. The company's top management needs to ensure that risk management is integrated in all

company activities, and shows its leadership and commitment (BSN, 2018). The role of top management is very important in carrying out risk management and ensuring effective internal implementation (David, 2012).

Risk Management Framework

PT OAM risk management framework aims to help organizations significantly integrate risk management into their activities and functions. The effectiveness of this risk management activity is highly dependent on the ability and speed of its integration into organizational governance, including in terms of decision making. This requires the support from company's top management level (BSN, 2018).

Risk Management Process

PT OAM risk management process begins with establishing the context of the basic risk parameters related to company's internal and external environment. Risk assessment process is carried out in four stages, namely (1) risk identification, (2) risk impact identification, (3) risk analysis,

and (4) risk evaluation. In this case, companies can identify based on experience from risk management team, company history and internal data, data trends in the market and conduct discussion groups with experts (Larasati et al., 2020). The results of risk identification activities are not only useful for the company's risk management team, but can also be used as secondary data by the entire company team (Novia et al., 2020). All teams that have been determined in risk management activities must be proactive for identify possible risks that will occur. After the risks have been identified, the next step is to identify the impact from risks. Next, analyze the risks that have been identified by providing assessment (weighting) both in terms of the probability of events and impacts that will be caused using a scale of 1 to 5. The results of the analysis are then evaluated by making an inherent map which describes the relationship between probability of event and impact. The risk appetite is determined according to the level of risk, that is ready to be accepted by PT OAM with considering the company's business strategy, operating effectiveness and efficiency also compliance with existing regulations (Febrianti & Novita, 2021). Risk appetite is an acceptable parameter for consistent risk-taking opportunities across the company, and reflects the mutual understanding between management willingness to allow risk resolution in pursuit of the company's strategic objectives. The steps for determining risk appetite include developing, communicating and monitoring and updating risk appetite (Epetimehin, 2013). Risk treatment will be carried out based on the risk appetite value that has been previously determined. This activity carried out in a systematic way where the risk has been assessed meaning that the risk management can run well (Purdy, 2010). After risk treatment, the results can be concluded in the residual risk map (Novia et al., 2020). Communication and consulting activities in PT OAM risk management were determined at an early

stage (David, 2012). In this activity, things related to risk results, causes, symptoms, positive factors, impact, the results of risk analysis and what steps must be taken as an existing risk mitigation action. It aims to assist relevant internal and external stakeholders in understanding risks, the basis for decision making and the reasons why certain actions are needed (BSN, 2018). Furthermore, monitoring and review activities are carried out on the existing risks. This activity doing routinely, regularly, and involves every part of the company. It aims to ensure and improve the quality and effectiveness of process design, implementation, and results. Ongoing monitoring and periodic review of the risk management process and its results should be a planned part of the risk management process, with clearly defined responsibilities. Monitoring and review should be carried out at all stages of the process. The results of monitoring and review should be incorporated into all management activities, measurement, and reporting of organizational performance (BSN, 2018). Monitoring and review is part of risk management which involves inspection and supervision (Grant, 2010). The last stage is the recording and reporting of risk management activities. Each risk management process and its results are documented and reported through a clear mechanism. This is so that risk management activities are conveyed to all parts of the company, can provide information for decision making and encourage more active activities (BSN, 2018).

Risk Management Cost

PT OAM requires costs, especially in its risk mitigation activities. The cost of mitigation capital is based on the hurdle rate determined by each section (Baldenius et al., 2007). After that, mitigation cost is submitted for approval by top management.

3. DISCUSSION

Based on the description of the risk management process in the materials and

methods section above, the following are the results of risk management discussion at PT OAM in Indonesia.

Risk Management Objective

PT OAM risk management objectives are divided into three stages that is short-term, mid-term and long-term goals as shown in Table 3.1 below.

Table 3.1 Risk Management Objective

Category	Goal content
Short-term (Y.0 to <Y.1)	Establish a risk management committee, roles and responsibilities. Identify, evaluate and mitigate very high and high category risks.
Mid-term (Y.1 to Y.2)	Mitigate moderate category risks. Evaluate and improve risk management twice a year.
Long-term (Y>2)	Integrate risk management activities in each departemen, into routine activities. Carry out continuous improvement in risk management.

Risk Management Principles and Commitments

PT OAM risk management principles and commitments are calculated according to the level and organizational structure as shown in Figure 3.1 below.

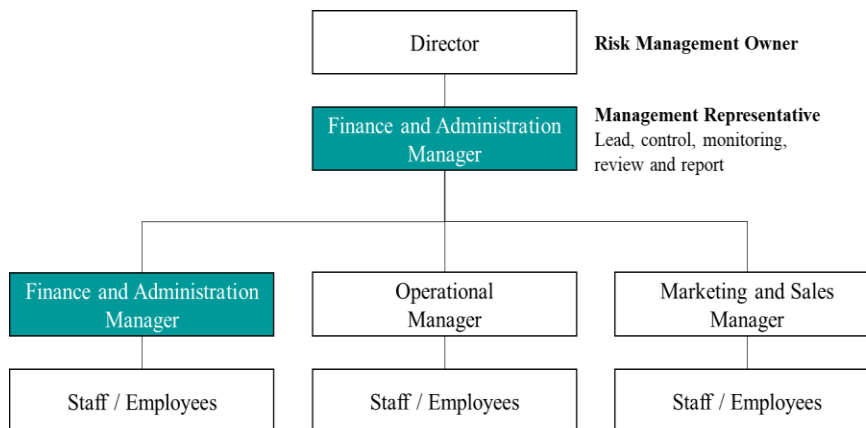


Figure 3.1 Risk Management Organization Structure.
Source: Author, 2021.

Risk Management Framework

PT OAM risk management process basically refers to ISO 31000:2018 as shown in Figure 3.2 below.

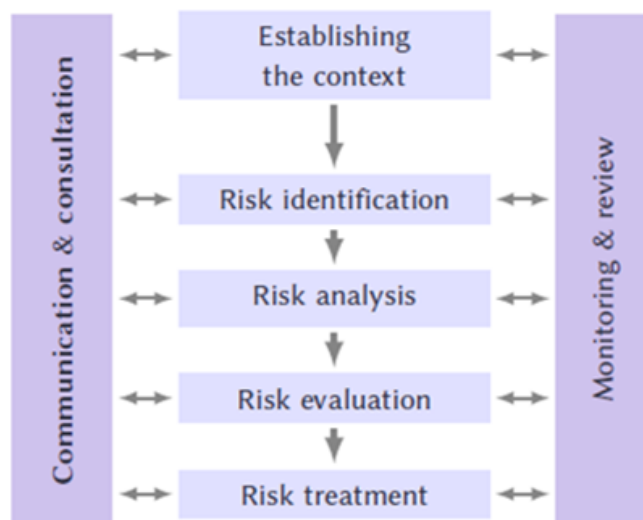


Figure 3.2 ISO 31000 Risk Management Process.
Source: Marsden, 2018.

Risk Management Process

Table 3.2 Risk Identification.

Code	Risk Event
Internal Risk	
R001	Failed in the partnership process
R002	Customer complaint
R003	Conflict with employees.
R004	Unskilled employees.
R005	Sick employees.
R006	Work and traffic accidents.
R007	Lack of capital.
External Risk	
Buyer or Supplier	
R008	The product is not accepted by the market.
R009	Expired product.
R010	Consumer purchasing power decreased.
R011	Damage to herbal products.
R012	Conflict with partner cafe.
R013	Conflict with toll parties.
R014	Product delivery delays.
Competitor companies or substitute products	
R015	The emergence of competitors with similar products.
Government regulation	
R016	Tax increase.
R017	Increase in the value of the minimum wage.
R018	Business license revoked.
Other	
R019	Natural disasters.
R020	Fire.
R021	Crime.
R022	Energy supply
R023	Demonstration.
R024	Covid 19.

Based on the analysis of risk identification from both internal and external factors, there are 24 risks that have the potential to disrupt the smooth running of the jamu partnership startup business that will be carried out by PT OAM as shown in Table 3.2. Each risk is identified by the causes, symptoms, positive factors (controls) and what impact they can have on the company's business sustainability. Furthermore, risk analysis is carried out by first conducting discussions with the company's risk management team to determine the criteria for the probability and the risk impact value.

Table 3.3 and 3.4 below show the value of the possibility and impact of risks in the PT OAM herbal medicine startup business.

Table 3.3 Risk Likelihood Value.

Likelihood Value		
Index	Frequency	Description
1	Rare	< 2 times per year
2	Unlikely	2 to 5 times per year
3	Possible	6 to 12 times per year
4	Likely	1 to 7 times per month
5	Certain	8 to 12 times per month

Table 3.4 Risk Impact Value.

Index	Impact	Impact on company reputation (Qualitative)	Impact on company performance targets (Qualitative)	Impact on company business operations (Qualitative)	Impact on Customers
1	Insignificant	No impact	Very small impact, performance targets still can be achieved	No significant operational impact	CSI Value 81% to 100%
2	Minor	Internal impact	Impact on the achievement, and company's performance slightly below the target	There is a problem, shutdown operation < 1 day	CSI Value 61% to 80%
3	Moderate	Local impact (city or district)	Delayed achievement of company targets	There is a disturbance, operational shutdown 1 to 7 days	CSI Value 41% to 60%
4	Major	Regional impact (Province)	Impact on the achievement, and company performance far below the target	There is a disturbance, operational shutdown 1 to 2 weeks	CSI Value 21% to 40%
5	Catastrophic	National scale impact	Not achieving the company targets	An interruption occurred, operational shutdown > 2 weeks	CSI Value 0% to 20%

Risk evaluation is carried out for each identified risk by weighting the probability and impact values so that the RPN (Risk Priority Number) value is obtained. After that the value is evaluated

using the inherent map as shown in Figure 3.3 below.

Before carrying out risk treatment, the PT OAM team determines the risk appetite that will be used in risk management according to Table 3.5 below.

Risk Analysis Matrix			Impact Level				
			1	2	3	4	5
			Insignificant	Minor	Moderate	Significant	Catastrophic
Likelihood level	5	Almost Certain					
	4	Likely				R015 R024	R001
	3	Possible		R022	R010	R014	R002 R008 R009 R012
	2	Unlikely				R004 R017 R021	R007 R011 R013 R018 R020
	1	Rare				R003 R005 R006 R016 R019 R023	

Figure 3.3 Risk Inherent Map.
Source: Author, 2021.

Table 3.5 Risk Appetite.

Risk level	Risk value	Content
Very high	15 to 25	Immediate action is needed to manage the risk (short term).
High	10 to 14	Action is needed to manage risk (short term).
Moderate	5 to 9	Action will be taken in the medium term.
low	4	The risk is acceptable to the company and no action is required.
Very low	1 to 3	

Based on the risk appetite in Table 3.5 above, there are 18 risks that must be

treated or mitigated from a total of 24 existing risks as shown in Figure 3.3. Six risk items (R003, R005, R006, R016, R019, R023) is acceptable to the company. The risk mitigation plan will be carried out by the person in charge in every department. After the mitigation plan is carried out, the RPN value will decrease and is summarized in a residual risk map as shown in Figure 3.4 below.

Risk Analysis Matrix			Impact Level				
			1	2	3	4	5
			Insignificant	Minor	Moderate	Significant	Catastrophic
Likelihood level	5	Almost Certain					
	4	Likely					
	3	Possible					
	2	Unlikely		R001 R008 R009 R012 R013 R014	R010 R015		
	1	Rare		R002 R004 R011 R020 R022	R017 R018 R024	R003 R005 R006 R007 R016 R019 R021 R023	

Figure 3.4 Risk Residual Map.
Source: Author, 2021.

PT OAM conducts communication and consultation based on the value and

impact of risk. This is doing regularly with the company's management to produce the

right decisions in the risk mitigation process. Meanwhile, monitoring and review will be carried out according to Table 3.6 below.

Tabel 3.6 Risk Monitoring and Review.

No	Activity
1	Finance and administration manager will be prepare procedure and forms for event and mitigation risk reports.
2	Related employee fills out monthly event and risk mitigation reports according to their work area.
3	Event and risk mitigation reports are summarized by the manager of each section and reported quarterly.
4	All reports from departements are summarized by the finance and administration manager and used on joint review every six months.
5	The risk management report is included in the company's annual report.

The last stage in risk management process are recording and reporting risk management activities as shown in Table 3.7 below.

Table 3.7 Recording and Reporting.

No	When	Activity	PIC	Monitoring by
1	Every month	Completing individual risk mitigation and event reports.	Every employee	Each department managers
2	Quarterly	Make a summary of the event report and risk mitigation of each department.	Each department managers	Finance and administration manager
3	Every six months	Summarize the event and risk mitigation report from all department.	Finance and administration manager	Director
4	Annual	Make an annual risk management report.	Finance and administration manager	Director

Risk Management Cost

PT OAM risk management fees are structured over a five year period. The costs are greatest in the first and second years because of the large initial investment. Meanwhile, costs in the following year were relatively stable with an estimated cost increase of 5% annually.

4. CONCLUSION

The jamu partnership business in Indonesia is very potential and must be accompanied by appropriate risk management activities, for the company is able to compete and be sustainable, especially for Startup Company or business. Based on the description above, there are 24 risks that have the potential to disrupt operations business of PT OAM as a startup company. These risks are analyzed based on internal and external factors in the context of marketing, operations, human resources, and finance. There are seven items with very high risk categories and six items with high categories which are the focus of mitigation activities according to the company's short-term risk management objectives. Five moderate risks will be mitigated in the mid-term and others are acceptable to the company. PT OAM risk

management plan is carried out in a structured and sustainable manner based on ISO 31000:2018.

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