



Analysis of Risk Management on SMEs in Padang: Case Study Optic Ihsan

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ABSTRACT

The recession that shook the world due to Covid 19 has not ended. This situation hurts almost all SMEs, including Optic Ihsan located in Padang City, West Sumatra, vulnerable to natural disasters. Revenue that has continued to decline since the pandemic until the end of 2024 is a strong reason to conduct a risk management analysis for the continuity of the store in the future, facing the recession 2025 which is expected to peak in 2026 and end in 2027. The purpose of this study is to analyze the possible risks that exist in Ihsan Optic using ISO 31000. The research method used is qualitative. Data collection was carried out by observation and in-depth interviews. The results of this study obtained 10 possible risks that occurred, consisting of 3 High Risk, 6 Medium Risk, and 1 Low Risk. It is recommended to increase online store activities and maintain and improve service and quality through good quality management

1. Introduction

The post-pandemic 19 economic situations have been predicted and evaluated by several studies, one of which was studied by Damian Justin, Ayhan Kose, and Naota Sagarawa in 2022 who predicted the scenarios for the global economy in 2022–24 by comparing the pre- and post-pandemic conditions through forecasting from past data studies. From the research, it was measured that growth is slowing sharply, and fears of an impending global recession are rising. Rising global borrowing costs are heightening the risk of financial stress among the many emerging market and developing economies (EMDEs) that over the past decade have accumulated debt at the fastest pace in more than half a century.

Recession is a risk faced by SMEs in post-pandemic and unsure when it will end. The global economy in 2025 is expected to hold steady. However, various near-term risks make

the economic outlook uncertain. The 2020s is uncertainties that complicated action on global challenges such as poverty and climate change and low probability but high impact events, such as Pandemic Covid 19. Moreover, economic recession could happen from throughout history affecting the financial levels of businesses and profits for SMEs (Benabed & Bulgaru, 2023). Then, national economic recovery in the post-Covid-19 pandemic era must start with Small, and Medium Enterprises (Maliha, 2024). Therefore, to avoid the economic downturn, SMEs have to take action and prepared to cope risk.

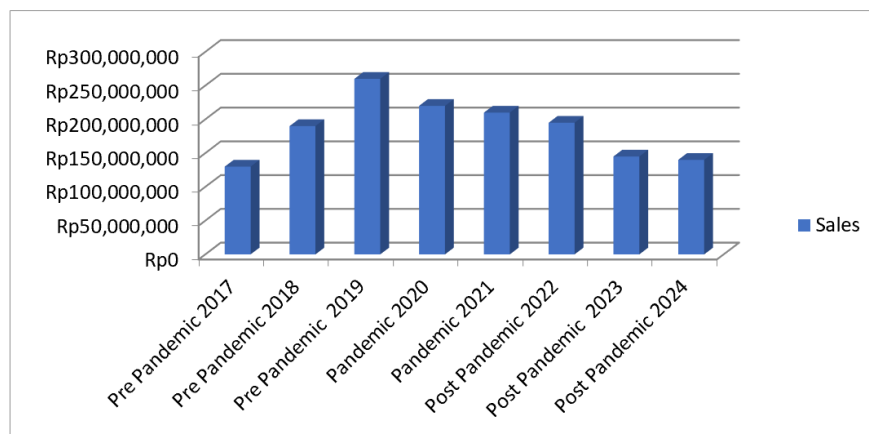
SMEs play a vital role in creating economic stability and supporting economic growth by contributing around 60.5 percent of gross domestic product and absorbing 96.9 percent of the total workforce in Indonesia (The Jakarta Post, 2024). However, SMEs have experienced a negative impact during the pandemic. It was found that only 30% of SMEs

operated during pandemic. The significant impact was the reduction of the operational schedule and the reduction of human resources/labor/staff. (Septrizarty & Mulyadin, 2021). Therefore, SMEs struggle to embrace future risks and maintain their business. Although some can survive during the COVID-19 pandemic, SMEs should be prepared for Risk Management to cope with risks that threaten their business development. According to Ferreira de Araújo Lima, P et al. (2019), Risk Management is clarity to develop competitiveness, reduce potential losses, and exploit new business opportunities for SMEs. Moreover, SMEs are more vulnerable and have

weaker crisis preparedness than large companies. Thus, SMEs should be engaged in Risk Management (Saputra et al. 2023).

Optic Ihsan is one of the SMEs in Padang that sells eyeglasses, frames, lenses, and eyeglass spare parts. During the pandemic, they were able to survive even though their sales decreased 15% in 2020. However, their sales declined 47% in post-pandemic 2023 (Septrizarty et al., 2023). Figure 1 shows the unpredictable trend of declining sales during and after the pandemic 2020-2024). Therefore, Optic Ihsan should be able to analyze the risk of maintaining their business in post-pandemic.

Figure 1. The Income of Ihsan Optic periode 2017-2024



(Source: Optic Ihsan, 2024)

The purpose of this study is to analyze the risks and implementation strategies needed to develop Optic Ihsan. To identify this study, it uses a risk matrix based on the level of frequency and impact. Hopefully, with this study risk management analysis, the impact of risk in Optic Ihsan can be reduced.

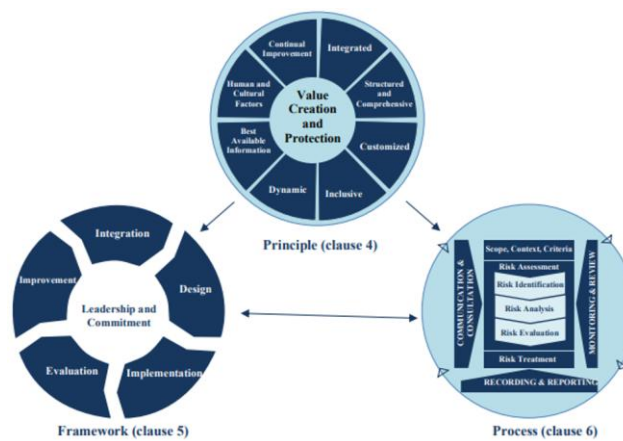
2. Literature Review

Risk Management

According to Berg (2010), risk is unavoidable and present in the daily lives of human situation. It refers to the uncertainty surrounding future events and outcomes and the impact on potential events that can influence the achievement of business objectives. Meanwhile, risk management applied to issues results in

adverse or unwanted consequences. Then, it is a management effort to control risks in business activities, by conducting risk analysis, risk evaluation, and mitigation plans. Thus, with well-managed risk management, SMEs can protect and create value for their business.

ISO 31000:2018 Risk Management is a standard guideline, demands, and instructions for a company in building a foundation and framework for a risk management program. The ISO 31000:2018 guidance includes principles, framework, and risk management process. Risk management principles are aimed to create and protect value. The risk management principles guide how to characterize effective and efficient risk management (Mulia & Saputra, 2021).

Figure 2. ISO 31000:2018 Principles

(Source: Hardjomidjojo et al, 2021)

The principle of risk management is the main reference in implementing risk management in all areas of the company. Nine principles of risk management programs (Hardjomidjojo et al, 2021):

- 1) Integration; an organization, should integrate its risk management efforts into all parts and activities of the organization
- 2) Structured and comprehensive; creating and following a comprehensive, structured risk management approach leads to the most consistent, desirable risk management outcomes.
- 3) Customised; an organization's risk management approach should be customized to its own needs, including its objectives and the external and internal context in which the organization operates.
- 4) Inclusive; Risk management should involve all stakeholders appropriately and timely to be most effective. This allows all stakeholders' different knowledge sets, views, and perceptions to be considered and implemented into risk management efforts.
- 5) Dynamic; as the organization changes, including its external and internal context, its risk management program and efforts should change too. A risk management program should help the organization anticipate, identify, acknowledge, and respond to changes appropriately and timely.
- 6) Uses the best of available information; Effective risk management is done by considering information from the past and present and anticipating the future.

Therefore, the past and present information must be as reliable as possible, and risk managers must consider the limitations and uncertainties with that past and present information. All relevant stakeholders should receive necessary information in a timely and clear manner.

- 7) Considering human and cultural factors.
- 8) Risk management is a human activity within one or more cultures (organizational culture, et cetera.). Risk managers must be aware of the human and cultural factors that the risk management effort takes place in and know the influence of human and cultural factors on the risk management effort.
- 9) Practices continual improvement; through experience and learning, risk managers must continually strive to improve an organization's risk management efforts

3. Methods

This study used qualitative research with in-depth interviews, observations, and a literature study about risk management. Interviews were conducted with optic owners and employees. This interview includes the possible risks experienced by the store during the pandemic and post-pandemic (the beginning of 2020- the end of 2024). This study follows five steps to observe risks by Utamajaya et al (2021, p. 329):

- 1) Risk Assessment. It is a structured method to show whether a business has an acceptable level of risk.
- 2) Risk Identification. It is an effort to find and identify risks that may arise in the business

operational activities, and it is carried out on all business processes. It aims to find out all risks that arise from various factors, either due to human factors, nature, or infrastructure.

- 3) Risk Analyst. It covers aspects of assessment, characterization, management, and procedures related to the risks of a business. It is used to analyze the results of data obtained from the previous risk identification process to determine the level of risk.
- 4) Risk Evaluation. It is a process of comparing risk levels from the lowest to the highest encountered during the analysis process. This step is intended to facilitate the risk

acceptance process based on the results of the risk analysis. This process determines which risks require treatment and priority. Therefore, a risk matrix is needed to ensure risk management by comparing risk levels and risk criteria.

- 5) Risk Treatment. It is actions that need to be implemented to address previously identified risks and minimize the overall impact of the risk.

4. Result and Discussion

The Risk Assesments

The Risk Assesments of Optic Ihsan was divided into 3 stages; risk identification, risk analysis and risk evaluation.

Table 1. risk identification and impacts

ID	RISKS	Factor	Impacts
R1	Wildfire	Nature	Closing the optic
R2	Pouring caused flood		Work is disrupted because customers do not shop due to rainy days and flooded roads
R3	Foreshock		Work is slightly disrupted because people are a little traumatized to leave the house
R4	Blackout	Facilities	Work is interrupted because there is no light to check their eyes and put on lenses
R5	Human Error	People	Work is disrupted because work slows down and there is a process of repeating work
R6	Supplier Error		Work is disrupted due to work slowing down and repetition of work
R7	Online shop	Market	Work is not disrupted because eye examination services cannot be done by online, only interrupted in the purchase of frames
R8	Daring studying Method		Work is slightly disrupted because students as main customers cannot go to the optic
R9	New Competitors		Work is not interrupted because there are already regular customers, only reduced for new customers who go to new stores
R10	Low of demand caused by recession	Economic	Jobs are severely disrupted leading to reduced income.

Risk Analysis

The next step, here is an assessment of possible risks based on the Likelihood and impact table in table 2 below.

Table 2. Likelihood and impact assessment

ID	Risiko	Likelihood	Impact
R1	Wildire	L1	I5
R2	Heavy Rain	L4	I4
	Foreshock	L2	I2
R3			

R4	Electricity off	L2	I5
R5	Human Error	L4	I3
R6	Supplier Error	L4	I3
R7	Online shop	L5	I2
R8	Daring studying Method	L5	I3
R9	New Competitors	L5	I2
R10	Low of demand caused by recession	L5	I4

Risk Evaluation

The last stage of the Risk Assessment process is risk evaluation. The stage Begins with determining which risks must come first and

require exclusive handling. The results are poured into a risk evaluation matrix shown by. Table 3 below is a risk assessment matrix of Ihsan's optical.

Table 3. Risk evaluation matrix based on likelihood and impact values

		Impacts				
		Neglible (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Certain (5)		R7, R9	R8	R10	
	Likely (4)			R5, R6	R2	
	Possible (3)					
	Unlikely (2)		R3			R4
	Rare (1)					R1

Table 4 below shows the risk groups based on their level. There are three high risk, six

medium risks and a low risks.

Table 4. Risk grouping based on risk level

ID	Risiko	Likelihood	Impact	Risk Level
R2	Pouring and caused flood	L4	I4	High
R8	Daring Styuding Method	L5	I3	High
R10	Low of demand caused by recession	L5	I4	High
R1	WildFire	L1	I5	Medium
R4	Black Out	L2	I5	Medium
R5	Human Error	L4	I3	Medium
R6	Supplier Error	L4	I3	Medium
R7	Online shop	L5	I2	Medium
R9	New Competitors	L5	I2	Medium
R3	Foreshock	L2	I2	low

Risk Treatment

The last stage worked on in this study is risk treatment. This stage contains a proposal for a treatment to be carried out on risks in order to

minimize or prevent the possibility of risks in Optic Ihsan that have been identified and grouped. Table 5 shows risk treatment Optic Ihsan to prevent the impacts of risks.

Table 5. The Risk Treatment of Optic Ihsan

ID	Risiko	Rosk Level	Usulan
R2	Pouring and caused flood	High	Maximizing online services because unpredictable weather can occur at any time, so it is necessary to maximize online services when customers cannot go to the optic, even though the store is not affected by flooding.
R8	Daring studying method	High	Providing discount bonuses and expanding the market for students who are the main market, maximizing e-commerce
R10	Low of demand caused by recession	High	Providing discount bonuses and expanding the market
R1	Wildire	Medium	Provide fire extinguishers
R4	Blackout	Medium	Using a Generator
R5	Human Error	Medium	Conduct training and reward and punishment
R6	Supplier Error	Medium	Perform quality management and checks during purchase
R7	Online shop	Medium	Enabling and maximizing e-commers
R9	New competitors	Medium	Improving services, both the quality of goods and services and services to consumers
R3	Foreshock	Low	Disaster simulation and rescue of infrastructure facilities

5. Discussion

The risk management analysis carried out on Optic Ihsan produced 10 possible risks faced based on data analysis and past events during 2020 – 2024 with follows explanation:

- 1) High-intensity rain in Padang City caused flooding. Although the store has never experienced flooding in its yard, many store customers were affected by the flood, and the assessment to go to the store was also affected by the flood. As a result, customers are lazy to leave the house, which causes buying and selling to fall. The anticipating by maximizing online sales.
- 2) Daring studying methods cause the students as customers of Optic Ihsan will turn to the online shop. The optic has to provide bonuses and negotiations through the online shop. Optical must maximize online shops to interact with students who are outside the city or in the region.
- 3) The low purchasing power of the people due to the post-pandemic recession is a big task. The store anticipates providing discounts and special treatment to special customers. In addition, it is necessary to improve services and design purchase packages for consumers. Unnecessary store expenses must be suppressed, so that operations are not too large.
- 4) Wildfires have never occurred in optics or shops located around optics. To anticipate this, fire extinguishers are provided
- 5) Optical must provide a generator set to replace electricity so that activities can be carried out
- 6) To reduce and prevent errors from employees, improving the quality of employees through training and giving punishments and rewards is carried out to motivate employees to work well.
- 7) Good relationships with suppliers must be set to maintain the quality of materials and standards used in Ihsan Optic. In addition,

make sure the SOPs in checking lenses and frames running well.

- 8) The rise of online shops with cheaper prices does not have much influence on optics, because optics provides good inspection and comfortable services. To anticipate this, the store must also activate online sales.
- 9) The emergence of new competitors is faced with improving the quality of goods and services as well as maximum service to customers. One of the principles used by Optical Courtesy is to make customers friends. The store acts as a consultant, friend, and best friend when customers complain about the eye problems they are facing. With this concept, there is a sense of comfort and trust from customers to optics, as well as a sense of satisfaction for workers when serving customers by considering customers as friends or relatives.
- 10) The location of the optical in Padang City, West Sumatra Province which is prone to earthquakes is one of the causes of the risk of small earthquakes. Based on monitoring and interviews, people in Padang City are not too worried about small earthquakes, they still carry out shopping activities. Anticipating the possibility of a small earthquake is to maximize quality management.

6. Conclusion

Based on the results, the solutions that must be immediately implemented by Ihsan Optic are maximizing online stores, and designing discounts and packages that can attract customer interest. The recession caused customers to shop for necessities only. Therefore, it is necessary to attract customers by providing cheap products and service packages. In addition, for the time being, optic must minimize expenses and operational costs because people's purchasing power is very low. This risk strategy is to previous research on marketing strategies by Septrizarty, et al 2023, the lack of Optic Ihsan in terms of promotion, location, and physical evidence. In addition, it is hoped that this study will be applied in optic to face the recession in 2025.

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