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RISK MANAGEMENT TO MINIMIZE CONSTRUCTION COMPANIES PROBLEMS

Faizal Addin Achmad
Universitas Krisnadwipayana

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E-mail:
ujangwar@gmail.com

ABSTRACT

The research objective is to explain and describe risk management in minimizing problems that occur in the construction companies. The research method was carried out qualitatively througha literature study approach with the development of theory from W. Brand William about riskmanagement. Data collection techniques with documentation studies. Data processing techniques with condensation, data presentation, and drawing conclusions. Data validity technique with source triangulation. The results of the study show: (1) risk management is aneffort made by the construction company to manage the risks that the construction company will face or is currently facing. (2) company problems are problems that arise as a result of discrepancies between processes and production results due to negligence in the utilization of the construction company resources. (3)company risk management steps: (a) risk identification, by analyzing and analyzing the characteristics of the problems faced by the company. (b) risk measurement, by measuring how big the problem will be at risk of causing harm to the construction company. (c) risk handling, namely efforts made by the company to accept, reject and fix existing problems with the aim of not causing fatal consequences for the construction company.

1. INTRODUCTION

Indonesia has experienced significant economic growth and infrastructure development in recent years. The government has taken steps to increase infrastructure development to support this economic growth. However, in the implementation of infrastructure projects, unexpected cost increases often occur.The problems that are often encountered in the implementation of construction projects are low productivity and quality, costs that are not according to plans and inappropriate implementation times (Dulaimi and Tanamas, 2005).Infrastructure projects tend to be complex and involve various aspects, such as design, construction, land acquisition, regulation, and others. Each of these aspects can significantly affect project costs. Problem is an event that occurs because of a mismatch between what is desired and existing standards. Problems are synonymous with events that have a negative impact on a person or organization. The definition of risk is based on ISO 31000, "Risk is all about uncertainty, or more importantly, the effect of uncertainty on the achievement of objectives.

Risks can be classified into two types and may have potential negative effects as follows: First, traditional risks are based on physical or legal causes such as natural disasters, fires, accidents, etc. Second, intangible risks such as those related to knowledge, competence, communication, and relationships between contracting parties; adhering to completion schedules and achieving performance, operational efficiency, cost overruns and quality standards, and risks associated with not being able to provide the necessary human and labor resources, and failure of contractors and suppliers to fulfill their contractual obligations due to improper or inappropriate risk management -obedience.

Likewise with problems within the company which also have a negative impact on the company's system. Problems in construction companies occur because of discrepancies between work standards and quality standards for the products they are producing. Problems within the company are influenced by many factors such as a lack of workers (in quantity), poor employee work quality, inadequate equipment, unclear work systems and so on.

The problems that arise in the company are at risk of decreasing the quality and quantity of production which will automatically affect the bankruptcy of the company. The risk that arises from the problems faced by the company is one of the negative effects that arise as a result of the company not being able to overcome the problem well. In addition, risks can occur due to the lack of information that is owned or even does not have information that is owned by individuals or organizations related to events that will occur.[1]. Risk is the possibility of unwanted or unexpected adverse consequences (losses) occurring in a company with the characteristics of uncertainty over the occurrence of an event and uncertainty which, if it occurs, will result in a loss.[2].

So to overcome these risks, risk management is needed to know the form of improvement so that risks can have a good impact and see opportunities for decision making because they have an impact on activities to be carried out next which are able to produce recommendations for improvements to measurements of the previous work system[3]. With risk management, it is hoped that the company can improve its internal system, the company is also able to decide on active strategies in building and developing the company's quality culture so that future risk management can be handled properly.

A complete risk management process with risk sources, the company can carry out an assessment of the risks that may arise and analyze the strategies that will be carried out by small industries in handling or managing risks and strive for business people in small industries to also be aware of the importance of risk management in overcoming risk hazard[4].

Risk management is carried out to increase the complexity of the company's activities which can increase the level of risk faced by the company with the aim of protecting the company against losses that may arise in its production process by balancing management and production management strategies with risk management so that the company will get optimal results from its production process[5].

Risk management is a series of procedures and methods used to identify, measure, monitor and control risks arising from the company's business activities[6]. With risk management the company is able to predict the basics, the magnitude and frequency of possible losses suffered if something unexpected occurs beforehand; creating the basics to minimize a risk; optimization of the cost of risk with the costs to be incurred should be compared if managed through insurance institutions or self-managed institutions and provide a basis for making decisions[7]to estimate the risks that may arise[8].

Based on the explanation above, the researcher is interested in conducting research on theoretical studies on risk management in minimizing company problems which are raised using the theoretical approach of M. Brand Willian regarding risk management steps. The difference between this Reader's study and others is that this research describes several risk management steps whose explanations are taken from theory and the results of research that has been done previously so that this paper becomes a complex writing about risk management in overcoming problems that occur in companies.

2. LITERATURE REVIEWS

Risk management

Risk Management is defined as the process of identifying, measuring and ascertaining risks and developing strategies to manage risks that involve processes, methods and techniques that help project managers maximize the probability and consequences of positive events and minimize the probabilities and consequences of adverse events.[9]. In addition, risk management is called risk management which covers all aspects of the company and is carried out in an integrated manner by presenting the risks in an integrated and holistic portfolio, so that with this portfolio, the company's problems can be dealt with early and comprehensively.[10].

Risk management is the process of planning, managing and controlling resources and other activities within a company with the aim of minimizing consequences or losses at costs that are still within the company's project feasibility level.[11]. Risk management is a set of policies, complete procedures owned by the company to manage, monitor and control risks that may arise by calculating all risks and their effects on the company so that the result of this management is whether the risk is acceptable or not.[2].

Risk management is an action taken to avoid risks that may arise in the future, both pure and speculative risks, risks to objects and people, fundamental risks and particular risks. risk)[12], [13].Risk management is carried out to help companies shift their focus from crisis response and compliance to proactively evaluate risks in business strategy to improve investment decision making and maximize stakeholder value so as to improve the quality of decision making and maximize stakeholder value.[14].

So from some of the definitions above, it can be concluded that risk management is a way for a person or company to manage risks that may or may have occurred with the aim of minimizing problems and overcoming problems so as not to suffer losses either in physical or final form.

Company Issues

Problems in the company occur because of problems in the individual that occur when an individual faces uncertainty about the job he is expected to carry out[15]. Company problems are all problems that arise as a result of differences in personal and social backgrounds before joining a company in which company members must manage problems properly, especially by using active and open communication to take advantage of potential problems that exist for the good of the company[16]. Problems in the company are seen as optimal effectiveness when employees experience the right level of conflict but the company will be less effective when they have a high level of conflict[3].

So it can be concluded that organizational problems are problems or conflicts that arise as a result of communication and interaction between resources within the company which as a whole these conflicts can interfere with the company's performance.

The causes of problems within the company are individual differences which include differences in stances and feelings, differences in cultural backgrounds so as to form different individuals, differences in individual or group interests, rapid and sudden changes in values in society, and differences in patterns of interaction between one and another. other[17]. Types of problems within the company include: first, hierarchical conflicts or conflicts between various levels of the company, for example conflicts with supervisory personnel, the board of commissioners may conflict with top management, or in general there is a conflict between management and employees. Second, functional conflict or conflict between the various functional departments of a company, for example, a conflict between the production and marketing departments in a company. The three line-staff conflicts are often the result of differences inherent in line personnel and staff. Fourth, formal-informal conflicts, namely conflicts between formal and informal companies[18].

3. METHODS

The research method in this study was carried out qualitatively with a literature study approach, namely research conducted to clearly explain and describe risk management in minimizing company problems which was carried out by collecting literature related to risk management theory from W. Brand Willian. Documentation study data collection techniques, namely by collecting readings that are in the form of theoretical and also the results of other people's research in books or scientific journals that are able to explain risk management in minimizing company problems.

Data processing techniques by condensation, namely collecting written or reading data according to the research focus, namely risk management in minimizing research problems, then presenting data by presenting data in written form, namely complete sentences, clear and easily understood by all parties, and finally drawing conclusions to get the final data as outlined in this paper. Data validity techniques are carried out by source triangulation by combining several sources from books, the internet or online scientific journals so that the data presented in this paper is said to be valid data.

4. RESULTS AND DISCUSSION

Risk management in minimizing company problems needs to be carried out by a company leader. In managing risk within the company so that it has a positive impact on the company, it can be done with the steps of W Brand-William (1995) as follows:

A. Risk Identification

Risk identification is the process of analyzing and recognizing the types of risks that arise in a company during the production process of the goods or services it is producing. Risk identification is carried out by observing the work carried out in each stage of the work process and conducting open interviews with workers doing the work, supervisors for each work area, area person in charge, staff and viewing company documents in the form of work accident records with the aim of obtaining risk events that according to company conditions[19]. Risk identification is an activity of identifying potential hazards in the work area by defining the characteristics of the hazards that may occur in the area and evaluating the risks that occur through risk assessment using a risk assessment matrix and Fault Tree Analysis which is used to analyze a system failure where In every problem there are factors that cause the problem[20].

Risk identification is an activity that is carried out by analyzing and monitoring the company's internal and external factors to form risk alternatives to deal with these risks so that they can be minimized which can be done by mapping losses from risk aspects that arise in the company[5]. The purpose of carrying out risk identification is to clearly identify, assess and rank risks; focus on the main risks (major risks); clarify decisions on loss limits; minimize the potential for damage if the worst conditions arise; control aspects of uncertainty in the project; clarify and define the role of each person/entity involved in risk management[21].

Risk identification is carried out in three ways: first, by comparing normal operating conditions

(N) with daily work and according to procedures. Comparing abnormal operating conditions (A) with work outside the procedure. The third compares an emergency condition (E) with a situation that is difficult to control[12]. The steps for identifying risks are as follows: first, forming a team by explaining: who is involved in activities related to risk identification? Companies can form a special team to identify risks consisting of company managers, employees and other experts. Second, information gathering through the risk identification process begins with gathering events that may pose a risk to the organization[22].

The stages of risk identification include: first mDetermine the risk unit to be identified, for example the sales department, then the risk owner is the sales unit. Second, understand the business processes of the risk unit to be identified which provide products and or services to other units and even to customers to find out the various activities that exist in that risk unit. The third determines crucial (critical) activities when the risk unit is unable to produce products or services due to the activity concerned being disrupted or not working as it should. The fourth determines the goods and people involved in these crucial activities in relation to who the people are and their products or services. The fifth determines the form of loss that can occur to products or services or people from these crucial activities. Sixth, determining the risk or cause of a loss by knowing the cause of the risk is very important because the handling of the same risk will be handled differently if the causes are different. Seventh make a list of risks that contain two important things, namely the risk statement and the causes of risk[1].

B. Measuring Risk

Measuring risk is the company's way of measuring how big or heavy the risk will be borne by the company during a certain period based on the results of existing risk identification. Risk measurement is an effort made to find out the size of the risk that will occur with the aim of seeing the level of risk faced by the company, then being able to see the impact of risk on company performance while at the same time being able to prioritize risks, which risks are most relevant[5]. Risk measurement is carried out by periodically evaluating the appropriateness of assumptions, data sources and procedures used to measure risk and by improving the risk measurement system if there are material changes in business activities, products, transactions and risk factors.[23].

Risk measurement is an advanced stage of risk identification in order to determine the magnitude of the risk. This is done to see the level of risk faced by individuals and companies so that the impact of risks on individual and company performance can be estimated and risk priorities and risk relevance to current conditions can be determined.[1]. Measurementrisk is carried out to determine the magnitude of a risk by considering the level of consequences (severity) and the possibility that can occur to take risk mitigation measures[24].

The purpose of the House of Risk is to identify risks and carry out risk mitigation designs based on the results of risk assessment calculations to reduce the probability of a risk agent occurring through prevention efforts in accordance with the priority level of the risk agent[25]. In addition, the purpose of this measurement is to understand the characteristics of risk better, measure the size of the risk, measure the impact of the risk on individuals and companies, scale risk priorities, and handle risk.[26]. What must be considered in measuring risk: first, the frequency or number of events that will occur which may impact losses that occur in a period so that the average value of losses can be determined during a budget period. Second, the magnitude of the possibility of events that can impact the losses arising from these risks so that variations in the value of losses can be determined from one period to another and the overall impact of these losses, especially losses that are self-borne (retained) not just the financial value[27].

C. Risk Handling

Risk handling is a strategy carried out by companies to overcome or handle risks that will be accepted by the company. Risk management is an effort made to anticipate the occurrence of risks that can be done by: elimination with avoidable risks by eliminating sources of danger, substitution by replacing materials, tools or work methods with others.

So that the possibility of accidents can be minimized; engineering control that reduces risk by carrying out technical engineering on tools, machines, infrastructure, environment and or buildings; administrative controls by reducing contact between recipients and sources of harm such as worker rotation and placement[24]. Actions that can be taken in dealing with risk are: first to hold risk (Risk Retention), this action is taken because the impact of an adverse event is still acceptable (acceptable). Second, reducing risk (Risk Reduction) Reducing risk is carried out by studying the risk in depth, and carrying out prevention efforts at the source of risk or combining efforts so that the risks received do not occur simultaneously. Third, transfer the risk (Risk Transfer). Done by way of insuring the risk either partially or wholly to another party. Fourth, avoidance of risk (Risk Avoidance) Done by avoiding activities with a high level of loss[2].

The handling of risk against risk can also be done by avoiding or rejecting by not taking risks, reducing to reduce the possibility of risk occurring, Funding/accepting by funding risks if they occur, tackling to minimize the consequences of risks and transferring by transferring risks to other parties.[9]. Based on the results of research on risk handlers who are withheld, it means facing risks by holding back several aspects such as increasingly expensive prices, lack of manpower, expired products, slow marketing. Meanwhile, risk avoidance is carried out to avoid bankruptcy and loss of company branding which affects family life and oneself caused by no income from the business, prohibited products from being circulated, leaving assets and so on.[4]. In addition, risk management can also be done by maintaining health and increasing endurance, companies are required to spread risks, provide guarantees or other facilities in such a way that they are not concentrated on consumers or certain consumer groups.[28].

5. CONCLUSION

Risk management in a company really needs to be done with the aim that the problems in the company do not have a negative impact and harm all parties within the scope of the company. Risk management is an effort made by a company or organization to manage risks that may or are currently emerging with the aim of minimizing losses that will occur. Meanwhile, company problems are problems that arise as a result of the company's production process which is caused by the asynchronous performance of the resources contained in the company in producing goods or services. Risk management in minimizing problems within the company can be done by following steps: First, risk identification, namely efforts made to identify risks that may arise as a result of performance discrepancies with company goals. The second measure of risk is the effort made by the company to identify the amount of risk that will be borne by the company to overcome the company's losses during a certain period. Third, risk management is the company's efforts to accept or reject existing risks through risk acceptance or rejection strategies.

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