

Improve resiliency through operational risk management: Case study in coffee shop ABC

Anindya Divanata Ongkosongo^{1*}, Nureni Wijayati²

Universitas Indonesia, Indonesia¹⁻²

anindya.ongkosongo@gmail.com¹, nureniwijayati@ui.ac.id²



Article History

Received on 29 May 2024

1st Revision on 13 September 2024

2nd Revision on 16 October 2024

Accepted on 22 October 2024

Abstract

Purpose: The purpose of this research is to enhance the competitiveness of SMEs by creating operational risk management using ISO 31000:2018. This includes the process of identifying, evaluating, and mitigating risks in operational processes and will be applied to ABC Coffee Shop. This research is important considering that SMEs are one of the driving forces of the country's economy, but have a high failure rate due to intense competition and a tendency to be weak in various areas.

Method: The research utilized a qualitative descriptive case study method, involving primary data gathered through interviews with internal MSME stakeholders, as well as secondary data. This study aims to provide valuable insights for MSMEs, offering competitive solutions to help them thrive and remain competitive.

Results: The research results indicate that MSME Coffee Shop ABC faces 12 operational risks, with two posing an extreme level of risk that requires immediate attention.

Limitations: We recognize that risk management applies only to the MSME ABC Coffee Shop and focuses on operational risks. However, further research should address the overall risk to provide a broader picture of these findings.

Contribution: ABC-MSMEs should consider these findings when making decisions regarding future risk management. Additionally, MSMEs must consider these factors when planning business strategies and making decisions to achieve higher financial performance.

Novelty: To the best of our knowledge, this is the first study to implement risk management in MSME coffee shops using ISO 31000:2018.

Keywords: Risk Management, ISO 31000, Risk, MSMEs, Resilience

How to Cite: Ongkosongo, A. D., & Wijayati, N. (2024). Improve resiliency through operational risk management: Case study in coffee shop ABC. *International Journal of Financial, Accounting, and Management*, 6(3), 431-443.

1. Introduction

Nuvitasari and Martiana (2019) stated that micro, small, and medium enterprises (MSMEs) play a crucial and strategic role in driving the country's economy. Sudrartono et al. (2022) further emphasized that MSMEs have the potential to foster sustainable economic growth, create employment opportunities, and propel the wheels of the country's economy. MSMEs also contribute to widespread employment across various economic sectors and open up economic prospects for diverse groups, including those in remote and underdeveloped areas (Bhattacharya, 2018). However, MSMEs face significant risks due to intense competition and constraints in sustaining their businesses owing to limited capital.

Coffee shops and cafes are popular micro, small, and medium enterprises (MSMEs) in Indonesia. They are beloved gathering places where people can meet, work, unwind, or engage in discussions while

indulging in various beverages and snacks with friends or colleagues (Gustiawan & Satriyono, 2022). According to de Almeida and Zylbersztajn (2017), global coffee production has doubled over the last 30 years, reaching 144 million bags in 2015. Brazil, Vietnam, Colombia, Indonesia, and Ethiopia were the primary contributors, with Brazil leading the way at 42%, followed by Vietnam at 19%, Colombia at 9%, Indonesia at 8%, and Ethiopia at 4%.

According to Gustiawan and Satriyono (2022), the coffee industry in Indonesia is experiencing significant growth owing to the abundance of coffee resources. The country's coffee production has shown fluctuations, with output reaching 762.38 thousand tons in 2020, increasing to 786.19 thousand tons in 2021 (a 3.12% growth), and then decreasing to 774.96 thousand tons in 2022 (a 1.43% decrease) (Statistik, 2023). The coffee shop industry is currently facing diverse challenges owing to the rising popularity of coffee culture and evolving lifestyles, leading to a surge in coffee shops across various locations and intense competition among industry players. Due to the ongoing rise in the coffee industry's production value and the decreasing cost of coffee, according to Chen and Shun(2023), the economic scale of the coffee market has steadily grown each year. Coffee consumption has evolved into a regular habit, with coffee changing from a luxury item to a more affordable choice. According to Risnanda, Rosmawati, and Hakim (2023), the implementation of risk management plays a critical role in ensuring the smooth operation of businesses and mitigating financial losses, particularly for Micro, Small, and Medium Enterprises (MSMEs), which are susceptible to risk-related changes. According to Umar (2022), MSMEs frequently struggle with inadequate management skills because their operators often lack proper training and have a low level of education, which often results in a high rate of business failure.

According to Ramadhan, Febriansyah, and Dewi (2020), risk refers to the potential danger, consequences, or impact that may arise in the future, presenting a continuous challenge for individuals and organizations, including businesses. The widely recognized ISO 31000 standard comprises four essential standards that are routinely verified, as stated by Rampini, Takia, and Berssaneti (2019). According to Olechowski, Oehmen, Seering, and Ben-Daya (2016), this ISO 31000 standard defines risk as "the impact of uncertainty on goal achievement." As highlighted by Risnanda et al. (2023), effective risk management assists MSME owners in identifying potential risks, thereby enabling them to sustain themselves and to compete over time. Moreover, as emphasized by Akbar, Gruben, and Juliarto (2023), the identification and assessment of risks are crucial components of risk management that facilitate the development and implementation of appropriate mitigation measures.

Coffee Shop ABC has been operating without a structured strategy in place to ensure its continuity and resilience. Therefore, implementing a well-defined risk management plan can assist MSMEs in preparing for various operational challenges, including potential failure to meet set targets. Every business, including coffee shops, faces risks that impede its growth. However, through effective risk management, coffee shop owners can recognize and overcome these obstacles, thereby increasing their likelihood of surviving and thriving in their businesses. Consequently, the researcher aims to develop a unique risk management strategy for Coffee Shop ABC to uphold business continuity and resilience and attain established targets.

2. Literature review

2.1 Definition of MSMEs

According to Law Number 20 of 2008 Indonesia (2008), MSMEs are defined as follows:

1. Micro Business: Maximum net worth of IDR 50,000,000.00, or maximum annual sales income of IDR 300,000,000.00.
2. Small Business: Maximum net worth of IDR 500,000,000.00, or maximum annual sales income of IDR 2,500,000,000.00.
3. Medium Business: Maximum net worth of IDR 10,000,000,000.00, or maximum annual sales income of IDR 50,000,000,000.00.

2.2 Risk

According to Awaloedin, Winata, Sidik, Kerugian, and Trisakti (2022), risk is the impact of uncertainty on objective achievement. This refers to the possibility of an event occurring that could affect the achievement of objectives. According to Kanchu and Kumar (2013), risk can hinder the achievement of an organization's goals owing to the presence of internal and external elements. The type of risk that arises depends on the specific situation. Fauzi, Johari, Hantari, and Triguna (2022) defined risk as situations or conditions that could threaten achieving goals or targets for an organization and an individual. Risk represents the uncertainty that arises from loss events that can affect survival. This uncertainty, according to Zulkarnain et al. (2021), is driven by factors such as insufficient information, extended durations of activities, and limited experience in decision-making. According to Agustin and Bayunitri (2020), risk refers to the potential dangers and consequences that might arise from ongoing processes or future events. This represents a state of uncertainty in which an unfavorable situation could lead to losses. The goal of risk management, according to Suhailah et al. (2024), is to minimize potential negative risks that could emerge in the future.

2.3 Types of Risk

In the study by Septi et al. (2023), various types of risks were identified:

1. **Market Risk:** Arises from competition, market dynamics, customer preferences, and new competitors, potentially leading to reduced turnover.
2. **Strategic Risk:** Arises from inappropriate decisions and can be managed in different ways to ensure business continuity.
3. **Operational Risk:** Originates from internal factors such as control system failure, human error, or external constraints impacting business operations.
4. **Financial Risk:** Affects a company's income, capital, revenues, and potential losses.
5. **Compliance Risk:** Occurs when management does not comply with applicable laws and regulations.

2.4 Risk Management

Risk management, as defined by Ramadhan et al. (2020), encompasses a coordinated series of activities designed to steer and regulate risks within an organization's operations. Following Commission 2017), risk management constitutes a holistic system comprising cultural elements, organizational capabilities, and ingrained practices seamlessly integrated with strategic initiatives and performance metrics. Every organization relies on this robust system to effectively navigate and mitigate risks, thereby fostering organizational value creation, preservation, and realization. Furthermore, according to the Institute of Internal Auditors (Auditors, 2016), risk management constitutes a multifaceted process encompassing the identification, assessment, management, and control of potential events or scenarios, all aimed at providing adequate safeguarding measures to facilitate the attainment of organizational objectives (Rikaz, Ulhaq, Mulyono, & Cahyaningtyas, 2022).

Expanding on this notion, Ulpah (2022) describes risk management as a structured series of steps institutions undertake to systematically identify, oversee, manage, and regulate risks inherent within their business operations. The overarching goal is to preemptively avert losses and proactively provide early warning signals regarding the potential risks that the organization may encounter along its trajectory. By implementing robust risk management frameworks and protocols, organizations can safeguard their interests and fortify their resilience in the face of uncertainties and dynamic market conditions. This comprehensive approach underscores the critical importance of risk management as an indispensable component of organizational governance and strategic decision-making processes. According to Agustin and Bayunitri (2020), risk management is typically seen as a method for minimizing uncertainty and its effects, thereby enhancing the likelihood of project success.

2.5 ISO 31000:2018

ISO 31000 is a risk management standard released by the International Organization for Standardization (ISO) that contains principles and guidelines to help organizations or companies identify, evaluate, and reduce risks. In addition, Awaloedin et al. (2022), ISO 31000 supports organizations in designing risk management strategies to effectively identify and reduce risks and increase the chances of achieving

goals and protecting assets. Implementing ISO 31000 risk management begins with communication and consultation between relevant parties and then determining the scope, context, and criteria. The next step involves risk assessment and treatment, resulting in a risk register. This process continues with monitoring, reviewing, and documentation through recording and reporting.

1. Effective risk management at the UMKM Coffee Shop ABC relies on clear communication and consultation to gather accurate information from all stakeholders. This ensures comprehensive risk identification and well-informed decision-making.
2. To be truly effective, risk management processes must be integrated at all levels of UMKM Coffee Shop ABC, not just within the top management. This integration ensures that all employees are aware of and understand the risks faced in daily operations.
3. A thorough risk assessment process at UMKM Coffee Shop ABC involves identifying, analyzing, and evaluating all potential risks to understand their severity and likelihood. This enables prioritization and appropriate handling of each risk.
4. After identifying and assessing risks, the UMKM Coffee Shop ABC must select the most suitable treatment method, taking into account factors such as cost, potential impact, and suitability for the coffee shop's situation. Treatment options may include emergency response, mitigation, risk transfer, or risk acceptance.
5. Continuous monitoring and evaluation are essential for effective risk management at the UMKM Coffee Shop ABC. This ensures that established plans and standards are being followed and allows for adjustments to implemented strategies if necessary.
6. Transparent documentation and reporting of risk management activities at UMKM Coffee Shop ABC are crucial for providing valuable information to decision makers, improving risk management activities, and facilitating stakeholder communication. Such documentation enhances the transparency and accountability of risk management practices.

3. Research Methodology

This study employs a descriptive qualitative case study research method that involves a thorough investigation of real-world cases (Rainer & Wohlin, 2023). The goal, according to Ellet (2018), is to evaluate a business's performance or sustainability and offer recommendations for enhancement or maintenance. Researchers utilize various data collection techniques, such as observation, interviews, and document analysis, to comprehend phenomena, analyze the factors involved, and gain a comprehensive understanding of the cases under scrutiny. According to Busetto, Wick, and Gumbinger (2020), qualitative research entails a thorough analysis of the essence of an event, including its characteristics, variations in manifestation, and context in which the event occurs. As Kawaguchi-Suzuki et al. (2023) explained, the objective is to provide a detailed description of the phenomenon being studied without emphasizing objective measurements or statistical data.

The data were collected through joint interviews with four internal MSME parties, including the MSME owner, the shop manager, and two employees. In addition, observations were made by participating in MSME activities to enhance the research findings and address any issues.

Descriptive research, as defined by Zellatifanny and Mudjiyanto (2018), aims to provide an unbiased portrayal of the object or subject under investigation. According to Makleat, Syukur, and Dei Ndewi (2022), this type of research seeks to create a systematic description of the specific characteristics and occurrences related to a particular object or subject. The primary data for this study were gathered through discussions and interviews with internal stakeholders at ABC Coffee Shop MSMEs. In addition, secondary data, including organizational records, financial reports, production records, and operational policies, were directly obtained from UMKM Coffee Shop ABC, serving as the primary data source.

The research commenced with a comprehensive literature review encompassing studies on pertinent risk management design strategies and principles. The next phase involved regulation and implementation to gather essential data for devising suitable risk management for ABC Coffee Shop

MSMEs. This design process encompasses seven key steps: communication and information, context establishment, risk identification, risk assessment, and risk treatment.

4. Results and Discussions

In the risk management planning for ABC Coffee Shop MSMEs, the primary reference is the ISO 31000:2018 standard. This standard emphasizes three key aspects: management commitment, risk integration in operations, and the role of risk in the decision-making process. The initial stages of risk management design involve an effective communication process, thorough risk assessment, and responsive risk management.

At present, the main focus of MSME Coffee Shop ABC is to formulate strategies and procedures that can efficiently manage operational risks. The final stages, such as monitoring and evaluation, will be implemented later. To carry out the risk management process effectively, it is necessary to allocate adequate time and resources to carry out thorough risk identification, conduct comprehensive impact assessments, and develop appropriate mitigation strategies.

As UMKM Coffee Shop ABC lacks experience in implementing a risk management process, the design of this process starts from the initial stages, including determining the context of activities involving risk, risk identification, risk analysis, risk evaluation, and risk management. Emphasis should be placed on the importance of monitoring and evaluation stages to ensure that the implemented strategies are effective. The monitoring, reviewing, recording, and reporting stages will be carried out as an integral part of the ongoing risk management process after these initial stages are completed.

4.1 Communication and Consultation

Active involvement in targeted communication and consultation with related parties, both within and outside the organization, at every risk management stage is a crucial step to ensure the success and effectiveness of all risk management processes. They are directed at supporting relevant parties to gain a deeper understanding of existing risks, the basis for decision-making, and the reasons behind certain decisions and actions. These two aspects are essential for improving the general understanding of risks and supporting an effective decision-making process. Close collaboration and mutual support are essential to facilitate the exchange of accurate and relevant information, while still paying attention to the importance of maintaining the confidentiality of information and the privacy of the individuals involved. Active involvement in targeted communication and consultation with related parties, both within and outside the organization, at every risk management stage is a crucial step to ensure the success and effectiveness of all risk management processes.

4.2 Determining Scope, Context and Criteria

The next step in the risk management process, according to the ISO 31000 standard, is to determine the broad scope, identify the relevant context, and establish clear criteria for appropriately adapting the process. This step will enable a more effective risk assessment process and appropriate risk treatment. Achieving this requires a careful definition of the scope of the processes involved in risk management, as well as a deep understanding of the internal and external context that influences the organization. These steps are essential for directing the risk-management process to meet an organization's goals and needs.

4.2.1 Risk Management Objectives

The implementation of risk management at the ABC MSME aims to

1. Identify the risks involved.
2. Develop management strategies to reduce the risks that arise.
3. Provide advice and input to ABC MSME regarding the importance of risk management.

4.2.2 Scope of Risk Management

This risk management plan delineates its implementation at the ABC MSME. The plan covers:

1. Supervising the implementation of risk management from initial communication to the measures taken to address risks, including defining the scope, context, and criteria as well as conducting risk assessments.
2. It serves as a guide for communication, development, and ongoing process improvement.
3. Equipping MSME owners with a clear understanding of effective strategies for managing emerging risks.

4.2.3 Target of ABC MSMEs

The ABC MSME targets for the next two years are as follows:

1. Become leading choice in Bogor City.
2. Increase knowledge in the coffee industry to improve product quality.
3. Strengthening engagement with local communities.
4. Building relationships with local suppliers, business partners, and the community.
5. Improve product and service quality to increase customer satisfaction and loyalty.

4.2.4 Impact, Likelihood and Risk Level

4.2.4.1 Impact

The risk impacts that may occur on ABC MSMEs are identified through a comprehensive exploration of the various impacts that may arise. In this case, the results of a series of interviews with MSME owners and leaders became the starting point for determining three levels of possible impact, namely light, medium, and heavy. Each level of impact has a specific definition regarding conditions that have the potential to arise as a result of risk. For example, in a risk category that is classified as mild, the anticipated impact will also be mild; however, the risk is still considered as part that must be considered and managed carefully, considering that each risk has the potential to develop into a more serious one if not handled in a timely manner. and with appropriate action.

Based on the results of interviews with internal MSME parties, criteria have been formed that are used as a tool to determine the level of risk impact. This matrix provides a strong basis for evaluating and classifying each risk based on its impact, thereby enabling ABC MSMEs to identify the most important risks to prioritize in their risk management process.

Table 1. Risk Impact

Level	Impact Level	Description of Impact
1	Light	• Get 1-5 customer complaints
		• Provides a loss of Rp. 500,000 to 1,000,000 per month
		• The minimum number of consumers who come is 20 people
2	Medium	• Get 5-10 customer complaints
		• Providing losses of 1,000,000 to 2,000,000 per month
		• The minimum number of consumers who come is 10 to 20 people
3	Heavy	• Get 10-15 customer complaints
		• Providing losses of 2,000,000 to 4,000,000 per month
		• The minimum number of customers who come in under ten people

Source: Processed data by author (2024)

4.2.4.2 Likelihood

The anticipation of risk occurrence in ABC MSMEs was determined by estimating the frequency of its likelihood. After extensive interviews with MSME owners and leaders, three levels of frequency emerged: rare, occasional, and almost certain. Each level of frequency offers a comprehensive understanding of the potential risks within the operational framework of MSMEs. Importantly, the higher the frequency level, the more likely the risk is to occur, emphasizing the necessity for increased attention to identifying, evaluating, and managing such risks. This proactive approach aims to minimize the potential adverse impacts of ABC MSMEs.

Based on the findings from the interviews with internal MSMEs, a set of well-defined criteria outlining the likelihood levels was established. This structured matrix serves as a solid basis for evaluating and categorizing each risk based on its frequency, enabling ABC MSMEs to identify and prioritize the most critical risks within their risk management framework.

Table 2. Risk Likelihood

Level	Likelihood	Description
1	Almost never happens	Happens less than 2 times a month
2	Rarely happening	Happens 2 to 5 times a month
3	Almost certainly will happen	Happens more than 5 times a month

Source: Processed data by author (2024)

4.2.4.3 Risk Level

To determine the appropriate level of risk, MSME ABC utilizes a carefully designed risk matrix to distinguish between acceptable and unacceptable risks. This specialized matrix considers the complex relationship between impact and risk frequency, identifying different zones to represent varying degrees of potential impact. The green zone indicates a minimal impact level, whereas the yellow zones represent a moderate impact level. The orange zones indicate a heightened impact level, whereas the red territories signify the highest level of impact. This structured visualization not only simplifies the complexity of risk assessment but also provides a clear depiction of the seriousness of risks facing ABC MSMEs.

Drawing on insights from interviews with internal MSME stakeholders, a tailored matrix was carefully developed to act as a guiding tool for defining risk levels. Additionally, a comprehensive set of criteria for risk levels has been methodically established, further enhancing the strength of the risk management framework. This customized matrix, specifically designed for the operational environment of ABC MSMEs, serves as a strong foundation for thoughtfully evaluating and categorizing each risk based on its impact and frequency. By employing this structured approach, ABC MSMEs can identify and prioritize the most significant risks, requiring proactive risk management measures. Therefore, equipped with this structured risk assessment framework, ABC MSMEs are better prepared to navigate the complexities of risk management with accuracy and foresight, thereby reinforcing their resilience and sustainability in an ever-changing business landscape.

Table 3. Risk Level

Impact	Heavy (3)	Medium (3x1)	High (3x2)	Ekstreme(3x3)
	Medium (2)	Low (2x1)	Medium (2x2)	High (2x3)
	Light (1)	Low (1x1)	Rendah (1x2)	Medium (1x3)

	Almost never happens (1)	Rarely happening (2)	Almost certainly will happen (3)
	Frequency		

Source: Processed data by author (2024)

Table 4. Risk Level Criteria

<i>Risk Level Criteria</i>	<i>Skor</i>	<i>Actions Taken</i>
<i>Low</i>	$X \leq 2$	No need to take action because the risk is still acceptable (Acceptable)
<i>Medium</i>	$2 < X \leq 4$	It is recommended to take countermeasures if available resources still allow it
<i>High</i>	$4 < X \leq 6$	Action is needed to manage and control this risk because it can be said to be a problem
<i>Ekstreme</i>	$6 < X \leq 9$	Immediate action is needed to handle and manage this risk because it is no longer acceptable (Unacceptable risk).

Source: Processed data by author (2024)

4.3 Risk Assessment

In the risk assessment phase, it is crucial to thoroughly identify potential operational risks. At MSME ABC, our primary goal is to meticulously analyze and distinguish between various types of operational risks, from immediate threats to those that could impede future operations and jeopardize business continuity. Through extensive interviews with MSME stakeholders, we identified 12 distinct operational risk typologies that summarize potential disruptions affecting business processes. These typologies encompass a range of risks, including logistics and supply chain disruptions, technological vulnerabilities, regulatory compliance challenges, and financial instability. Each risk category has different implications and necessitates careful consideration within a comprehensive risk-management framework.

Table 5. Operational Risk

No.	Operational Risk Register	Risk Level	Priority Risks
1	Sales targets are not being met	9	1
2	Suboptimal location	9	2
3	Unattractive design and layout of the space	6	3
4	Lack of understanding of job descriptions and non-compliance with SOPs by employees	2	6
5	Inadequate quantity and quality of tools	2	11
6	Mismatch between the availability of raw materials and demand	2	10
7	Limited seating capacity	4	4
8	Inadequate staffing levels	1	12
9	Poor quality of raw materials	2	7
10	Equipment damage	2	8
11	Power outage	3	5
12	Lack of hygiene in products served	2	9

Source: Processed data by author (2024)

Upon reviewing the 12 operational risks identified, it was determined that two of these risks are at extreme levels, posing a serious threat to the operational continuity of ABC MSMEs. Therefore, urgent action is necessary to address these risks. Additionally, one risk was classified as high, signifying a

potentially significant impact on business continuity. Furthermore, two other risks were assessed as moderate, indicating potential losses that can be mitigated with appropriate measures. Finally, seven risks were categorized as low, representing a lower threat level to ABC MSME operations. It is imperative to prioritize risk management based on its importance and potential impact on overall business continuity.

4.4. Risk Treatment

After completing the risk evaluation phase, the next critical step is the risk treatment stage. This stage is a key strategic step in risk management, requiring careful planning to mitigate risks and considering alternative solutions. Following thorough interviews with stakeholders linked to MSME ABC, it was unanimously agreed to take a comprehensive approach to tackle all identified risk issues.

Three distinct types of risk management strategies have been slated for implementation.

1. Risk Mitigation (Risk Reduction)
2. Risk Transfer to Third Parties (Risk Sharing)
3. Risk Acceptance

Upon reviewing the findings related to operational risk identification within ABC MSMEs, it is evident that the primary operational processes focus on minimizing each identified risk. This strategy aims to reduce the likelihood and impact of potential risks, emphasizing the critical importance of preventive and protective measures for maintaining business continuity within ABC MSMEs. Additionally, the developed risk treatment strategy is not arbitrary, but rather the result of extensive consultations with stakeholders associated with MSME ABC. This indicates that the mitigation steps taken were informed by diverse perspectives and a comprehensive understanding of the existing circumstances and challenges faced by ABC-MSMEs. Moreover, the implementation of agreed risk management strategies for each identified risk, as mandated by the MSME ABC, is the responsibility of the designated parties accountable for each risk. This highlights MSME ABC's unwavering commitment to ensure the effective and efficient handling of all risks through collaborative cooperation and engagement of relevant stakeholders.

MSME ABC has established a periodic evaluation mechanism to uphold the continuity of risk management efforts. Every six months, MSME owners and relevant departments are required to conduct thorough deliberations and assessments regarding the progress of the implemented risk management processes. If the evaluation process reveals any risks that are considered mutually acceptable, they may be removed from the previously established risk register. This underlines MSME ABC's dedication to continually enhance the effectiveness of its risk management efforts while remaining adaptable to the ever-evolving dynamics of its business environment.

Table 6. Operational Risk Treatment

No.	Risk Register	Risk Treatment	Risk Responsible	Target Time
1	Sales targets are not being met	Develop a comprehensive marketing plan incorporating enticing promotions, active social media engagement, and partnerships within the coffee industry and local community.	MSME owners	3 months
2	Suboptimal location	Boost online sales.	Head of MSMEs	2 months

No.	Risk Register	Risk Treatment	Risk Responsible	Target Time
3	Unattractive design and layout of the space	Utilize an appealing interior design to enhance branding, distinguish the coffee shop from competitors, and improve brand image.	MSME owners	6 months
4	Lack of understanding of job descriptions and non-compliance with SOPs by employees	- Offer training to employees.	Head of MSMEs	1 month
5	Inadequate quantity and quality of tools	Invest in high-quality coffee equipment tailored to your specific requirements.	MSME owners	1 year
6	Mismatch between the availability of raw materials and demand	Identify multiple suppliers capable of providing various high-quality coffee raw materials.	Head of MSMEs	3 months
7	Limited seating capacity	Embrace space flexibility and provide versatile seating options.	Head of MSMEs	6 months
8	Inadequate staffing levels	Enhance operational efficiency.	Head of MSMEs	1 month
9	Poor quality of raw materials	Implement effective inventory management and fortify relationships with dependable suppliers.	Head of MSMEs	3 months
10	Equipment damage	Establish a structured routine maintenance schedule and provide equipment use and maintenance training to employees.	MSME owners	6 months
11	Power outage	Invest in traditional tools.	MSME owners	3 months
12	Lack of hygiene in products served	Issue a warning letter in case of recurring incidents.	Barista & Kitchen	1 month

Source: Processed data by author (2024)

5. Conclusion

5.1. Conclusion

Numerous operational risks have been identified in relation to ABC MSMEs, totaling 12 risks. Each of these risks represents a potential hurdle that could impede the attainment of ABC MSME's objectives or disrupt overall operational continuity. These risks encompass a wide range of business operations,

including the potential for failing to meet sales targets, the inability to attract customers to the location, issues related to unappealing interior design and spatial layout, and internal problems such as employees' lack of understanding of their job descriptions and non-compliance with established standard operating procedures (SOP). Additionally, the list includes other risks, such as limitations in the quantity and quality of available equipment, mismatches between raw materials and customer requests, limited seating capacity, understaffing, subpar raw material quality, potential equipment damage, and hygiene issues with the products offered.

All identified risks were accounted for in a written risk management plan for implementation at MSME ABC. The process of preparing a risk management plan involves careful stages, including communication and consultation with relevant parties, determining the appropriate scope and context, and conducting a comprehensive risk assessment. The next stage involves risk treatment, which includes developing suitable mitigation strategies for each identified risk. However, the final stages of the risk management process, such as supervision and review, as well as communication and information dissemination, are yet to be implemented.

In the risk management design process, the MSME ABC has developed clear standards for addressing each identified risk. As a result, when these risks materialize, MSMEs have established guidelines and procedures to mitigate or minimize their potential negative effects. By adopting a structured and thorough approach to risk management, ABC MSMEs are poised to enhance their operational performance and bolster their ability to withstand future disruptions or challenges.

5.2. Limitation

This research is limited to analyzing risk management at the UMKM Coffee Shop ABC and establishing specific boundaries within its scope. The scope limitations in risk management design include the following:

1. The research only pertains to the business processes at ABC Coffee Shop UMKM.
2. It focuses solely on the stages of risk recognition, measurement, and response handling.
3. This research must include an evaluation of the implementation of the risk management plan.
4. The resource person involved is an internal party of the UMKM Coffee Shop ABC.
5. This study focuses solely on operational-type risk management.
6. The design adhered to ISO 31000:2018.

5.3. Suggestion

In light of the research findings, a comprehensive set of recommendations emerges to bolster the effectiveness and sustainability of risk management implementation within ABC MSMEs.

1. **Thorough Integration of Risk Management Stages:** Within the risk management process, it is discernible that the final two stages, namely supervision and review, and communication and information dissemination, still need to be completed within ABC MSMEs. ABC MSMEs must allocate focused attention and resources towards these pivotal stages to rectify this gap. By ensuring the thorough integration of these stages, ABC MSMEs can instill a culture of continual improvement and knowledge sharing, thereby fortifying the efficacy and adaptability of their risk management endeavors.
2. **Harmonization with Business Framework:** An essential recommendation involves seamlessly aligning the risk management processes within the broader business framework of ABC MSMEs. This entails forging strong synergies between risk management practices and overarching strategic business objectives. ABC MSMEs can foster a proactive and forward-thinking organizational culture by embedding risk management considerations into every facet of organizational decision-making and operations. This integration enhances risk awareness and empowers stakeholders at all levels to make informed decisions conducive to long-term value creation and sustainability.
3. **Adherence to Policy Guidelines:** To promote consistency and adherence to best practices, ABC MSMEs are urged to diligently implement the proposed policy guidelines governing risk management practices. By establishing clear and enforceable policies, ABC MSMEs can develop robust risk identification, assessment, mitigation, and monitoring frameworks. This framework is a

guiding beacon, ensuring that risk management efforts are conducted systematically and methodically across all organizational functions and levels. Moreover, the consistent application of policy guidelines fosters accountability and transparency, enhancing stakeholder confidence and organizational resilience in the face of evolving risks.

By earnestly embracing these recommendations and translating them into actionable strategies, ABC MSMEs can enhance their risk-management capabilities. Through proactive and systematic risk management practices, ABC MSMEs can mitigate existing risks and capitalize on emerging opportunities with confidence and agility. Ultimately, by fostering a risk-aware organizational culture and embedding risk management considerations into the fabric of their operations, ABC MSMEs can navigate uncertainties with resilience and chart a path toward sustainable growth and success in a dynamic business landscape.

Acknowledgment

This research is focused on creating effective strategies and protocols to reduce operational risks at the UMKM Coffee Shop ABC. Coffee shops are currently in the early stages of establishing their risk management frameworks. As a result, the later stages, including monitoring, evaluation, documentation, and reporting, still need to be implemented.

References

- Akbar, A., Gruben, F., & Juliarto, A. (2023). The Impact of Risk Management Strategy in Business Resilience: A Case In Coffee Beda. *Diponegoro Journal of Accounting*, 12(4).
- Agustin, E. D., & Bayunitri, B. I. (2020). The influence of risk management to credit lending. *International Journal of Financial, Accounting, and Management*, 2(1), 65-77. <https://doi.org/10.35912/ijfam.v2i1.166>.
- Auditors, T. I. o. I. (2016). Standar Internasional Praktik Profesional Audit Internal.
- Awaloedin, M., Winata, N., Sidik, S., Kerugian, A., & Trisakti, S. (2022). Providing Extension on the Implementation of ISO 31000-Based Risk Management in the Service Industry Sector and MSMEs Memberikan Penyuluhan Penerapan Manajemen Risiko Berbasis ISO 31000 Pada Sektor Industri Jasa dan UMKM. *ARSY: Aplikasi Riset Kepada Masyarakat*, 3(1), 82-88. <https://doi.org/10.55583/arsy.v3i1.297>.
- Bhattacharya, R. (2018). Enterprise risk management in MSME units—A study on the Indian scenario. *ANVESHAK-International Journal of Management*, 7(1), 105-122. <https://doi.org/10.15410/aijm/2018/v7i1/119879>.
- Busetto, L., Wick, W., & Gumbinger, C. (2020). How to use and assess qualitative research methods. *Neurological Research and practice*, 2(1), 14. <https://doi.org/10.1186/s42466-020-00059-z>.
- Commission, C. o. S. O. o. t. T. (2017). Enterprise risk management: Integrating with strategy and performance. (No Title).
- Chen, S. H., & Shun, Y. L. (2023). Integrating Importance-Satisfaction Model and Performance Evaluation Matrix to improve service quality. *International Journal of Financial, Accounting, and Management*, 5(3), 373-386. <https://doi.org/10.35912/ijfam.v5i3.1641>.
- de Almeida, L., & Zylbersztajn, D. (2017). Key success factors in the brazilian coffee agrichain: Present and future challenges. *International Journal on Food System Dynamics*, 8(1), 45-53. [10.22004/ag.econ.254122](https://doi.org/10.22004/ag.econ.254122).
- Ellet, W. (2018). *The case study handbook, revised edition: A student's guide*: Harvard Business Press.
- Fauzi, R. R., Johari, G. J., Hantari, A. N., & Triguna, M. I. (2022). Identifikasi dan Penilaian Risiko pada Proyek Pembangunan Stasiun Garut Cibat. *Jurnal Konstruksi*, 20(1), 51-61. <https://doi.org/10.33364/konstruksi.v.20-1.1014>.
- Gustiawan, W. D., & Satriyono, G. (2022). Gaya hidup konsumen coffee shop di wilayah Kota Kediri. *Management Studies and Entrepreneurship Journal (MSEJ)*, 3(2), 477-487. <https://doi.org/10.37385/msej.v3i2.469>.
- Undang-undang (UU) Nomor 20 Tahun 2008 tentang Usaha Mikro, Kecil, dan Menengah, (2008).
- Kanchu, T., & Kumar, M. M. (2013). Risk management in banking sector—an empirical study. *International journal of marketing, financial services & management research*, 2(2), 145-153.

- Kawaguchi-Suzuki, M., Blakely, M. L., Childs-Kean, L. M., Devraj, R., Frenzel, J. E., Medina, M. S., . . . Franks, A. M. (2023). Guidance for qualitative research manuscripts in pharmacy education. *American Journal of Pharmaceutical Education*, 87(7), 100089. <https://doi.org/10.1016/j.ajpe.2023.100089>.
- Makleat, N., Syukur, A., & Dei Ndewi, A. (2022). Pengelolaan Metode Pembelajaran Mandiri bagi Warga Belajar Program Kesetaraan Kejar Paket C di PKBM Bintang Flobamora Kupang. *Jurnal Paedagogy*, 9(2), 203-210. <https://doi.org/10.33394/jp.v9i2.4958>.
- Nuvitasari, A., & Martiana, N. (2019). Implementasi SAK EMKM sebagai dasar penyusunan laporan keuangan usaha mikro kecil dan menengah (UMKM). *International Journal of Social Science and Business*, 3(3), 341-347. <https://doi.org/10.23887/ijssb.v3i3.21144>.
- Olechowski, A., Oehmen, J., Seering, W., & Ben-Daya, M. (2016). The professionalization of risk management: What role can the ISO 31000 risk management principles play? *International Journal of Project Management*, 34(8), 1568-1578. <https://doi.org/10.1016/j.ijproman.2016.08.002>.
- Rainer, A., & Wohlin, C. (2023). Case study identification: A trivial indicator outperforms human classifiers. *Information and Software Technology*, 161, 107252. <https://doi.org/10.1016/j.infsof.2023.107252>.
- Ramadhan, D. L., Febriansyah, R., & Dewi, R. S. (2020). Analisis Manajemen Risiko Menggunakan ISO 31000 pada Smart Canteen SMA XYZ. *JURIKOM (Jurnal Riset Komputer)*, 7(1), 91-96. [10.30865/jurikom.v7i1.1791](https://doi.org/10.30865/jurikom.v7i1.1791).
- Rampini, G. H. S., Takia, H., & Berssaneti, F. T. (2019). Critical success factors of risk management with the advent of ISO 31000 2018-Descriptive and content analyzes. *Procedia Manufacturing*, 39, 894-903. <https://doi.org/10.1016/j.promfg.2020.01.400>.
- Rikaz, S., Ulhaq, A. D., Mulyono, R. H., & Cahyaningtyas, R. (2022). Perancangan Coso Enterprise Risk Management Pada Perusahaan Penerbit Dan Percetakan (Studi Kasus Pada CV. Gema Insani Press). *E-Prosiding Akuntansi*, 3(1).
- Risnanda, D. D., Rosmawati, E., & Hakim, A. (2023). Penerapan Manajemen Risiko Usaha Mikro Kecil dan Menengah di Desa Pisang Sambo. *Abdima Jurnal Pengabdian Mahasiswa*, 2(1), 579-587.
- Septi, D., Maharani, A. P., Bazed, A. B. A. R., Abdillah, A. A., Qomariah, N., & Nursaid, N. (2023). Analisis Manajemen Risiko pada UMKM “Tahu Walek Ponkq” Jember. *BUDGETING: Journal of Business, Management and Accounting*, 5(1), 83-89. <https://doi.org/10.31539/budgeting.v5i1.7605>.
- Statistik, B. P. (2023). *Statistik Kopi Indonesia 2022*.
- Sudrartono, T., Nugroho, H., Irwanto, I., Agustini, I. G. A. A., Yudawisastra, H. G., Amaria, H., . . . Sudirman, A. (2022). Kewirausahaan UMKM Di Era Digital.
- Suhailah, S., Ramadhan, M., & Marliyah, M. (2024). Analysis of the implementation of the waqf core principles on institutional financial performance waqf in Tanjungbalai, North Sumatera. *International Journal of Financial, Accounting, and Management*, 6(1), 151-164. <https://doi.org/10.35912/ijfam.v6i2.1629>.
- Ulpah, M. (2022). Manajemen Risiko Akad Murabahah Produk Pembiayaan BNI OTO IB Hasanah DI BSI Tangerang 2 Pada Masa Pandemi Covid-19. *Madani Syari'ah*, 5(2), 70-82. [10.51476/madanisyariah.v5i2.384](https://doi.org/10.51476/madanisyariah.v5i2.384).
- Umar, N. A. (2022). Examining the determinants of loan default among microfinance banks' borrowers in Kano State, Nigeria. *International Journal of Financial, Accounting, and Management*, 3(4), 335-347. <https://doi.org/10.35912/ijfam.v3i4.827>.
- Zellatifanny, C. M., & Mudjiyanto, B. (2018). Tipe penelitian deskripsi dalam ilmu komunikasi. *Diakom: Jurnal Media Dan Komunikasi*, 1(2), 83-90. [10.17933/diakom.v1i2.20](https://doi.org/10.17933/diakom.v1i2.20).
- Zulkarnain, Z., Zakaria, W. A., Haryono, D., & Murniati, K. (2021). Economic efficiency and risk of cassava farming in Lampung province. *International Journal of Financial, Accounting, and Management (IJFAM)*, 3(2), 129-148. <https://doi.org/10.35912/ijfam.v3i2.433>.