



# Evaluation Of Graha Nusantara's Operational Risk Management Process Using ISO 31000:2018

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## ABSTRACT

Graha nusantara is one of the business units of cooperative x which is engaged in building rental. Since the pandemic in 2020, Graha Nusantara has experienced a decrease in demand for building rentals which has led to a decrease in revenue. In addition, Graha Nusantara has also experienced problems related to its business operations such as canceling events by consumers for various reasons, building maintenance and management, employee management to those related to vendor partners. This causes Graha Nusantara to continue to lose money due to ineffective building operations which can actually be prevented by streamlining Graha Nusantara's operations. This study aims to evaluate operational risk management in the Graha Nusantara business unit, which is a building leasing business, with reference to risk management standards based on ISO 31000. The method used in this research is descriptive qualitative analysis with a case study approach, through interview and documentation data collection techniques. The results showed that risk management has not determined the scope, context and criteria process according to ISO 31000 and nineteen risks with various levels of risk were identified. Therefore, this study recommends handling each risk and it is expected that management establishes a risk management policy, especially operational risk.

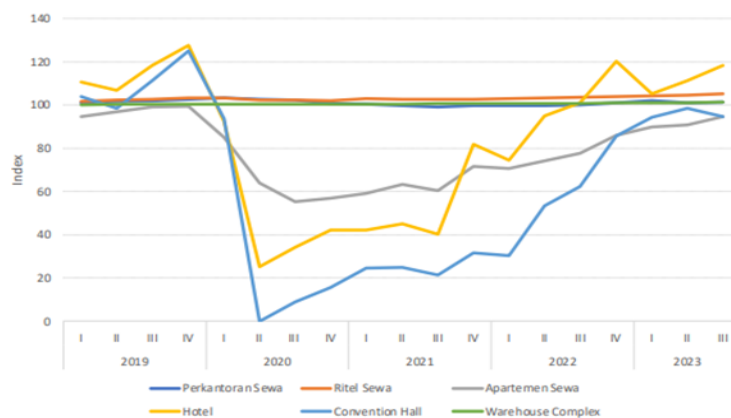
## INTRODUCTION

Cooperatives are one of the implementations of the Pancasila economy, which is an economic system based on Pancasila and the 1945 Constitution with the principle of kinship. Cooperatives play a major role in the Indonesian economy to date (Aristawati & Hartati, 2022). The establishment of cooperatives is based on Law Number 25 of 1992 concerning cooperatives which aims to contribute to building the national economy. In the law, it is also explained about the role of cooperatives, namely Developing and building the economic capacity and potential of

the general public, especially cooperative members in order to improve social and economic welfare, Striving to improve the quality of life of the community actively, As a pillar, cooperatives also play a role in strengthening the people's economy and strengthening the national economy, Using the principles of kinship and economic democracy to develop and realize the national economy.

One of the cooperatives in Indonesia is Parent Cooperative X, which runs several business units in the building rental sector. One of the business units that makes a major contribution to Parent Cooperative X 's finances is the Graha Nusantara Business Unit. Graha Nusantara is a business unit under Parent Cooperative X by forming a separate management or organization from the Parent Cooperative X structure. As such, it operates its business independently, but still reports its business accountability to Parent Cooperative X. In recent years, the Graha Nusantara business unit has experienced a significant decline in revenue due to the COVID-19 pandemic. After the issuance of the PSBB regulation, all activities involving mass gatherings were stopped. As a result, the organization of weddings or other events was completely eliminated. In accordance with Susanti and Hernawati's research (2021), which states that the implementation of Large-Scale Social Restrictions (PSBB) has resulted in a drastic decrease in revenue for building rental services. The decline in income was caused by a decrease in property demand, this can be seen from graph 1 below.

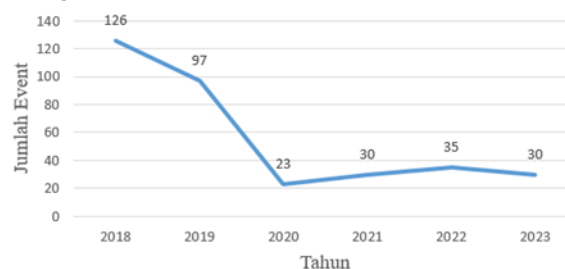
**Figure 1 Commercial Property Demand Index (Quarterly)**



Source : Property Market Report 2023

Graph 1 shows a drastic decline in commercial property demand in 2020. Then the demand for property has increased periodically in the years after that. However, this does not match the demand for building leases at Graha Nusantara. According to data from Graha Nusantara, since 2020 the occupancy of Graha Nusantara has decreased and has not fully recovered until now. This can be seen in graph 2 below.

**Figure 2 Recap Of Total Events At Graha Nusantara 2018-2023**



(Source: Graha Nusantara Event Recapitulation Document)

In addition, as a service business, Graha Nusantara experienced problems related to its business operations such as event cancellations by customers for various reasons, building maintenance and management, employee management and related to vendor partners. This caused Graha Nusantara to continue to lose money due to ineffective building operations which could have been prevented by streamlining Graha Nusantara's operations. If Graha Nusantara continues to lose money, it will impact on the income of Parent Cooperative X which continues to decline, and may even lead to business closure.

This is also exacerbated by the impact of Covid-19, which is still being felt today (Djalante et al., 2020). In March 2020, the World Health Organization (WHO) declared COVID 19 a global pandemic and coordinated global efforts to manage its impact. The scale of the pandemic's impact is unprecedented, with some studies suggesting that it may take more than a decade for the world to recover socially and economically. In Indonesia, the President reported the first COVID-19 case on March 2, 2020, after which the number of cases has been increasing.

The increasing number of COVID-19 cases has forced the President of the Republic of Indonesia to issue Presidential Decree No. 12 of 2020 on the non-natural disaster of the spread of Corona Virus as a national disaster. This decision led to the implementation of large-scale social restrictions (PSBB) by the government based on Government Regulation Number 21 of 2020 (Njatrijani & Madjan, 2022). The implementation of large-scale social restrictions (PSBB) limits community activities in an area suspected of being infected with covid-19 (Al Fauzi et al., 2022). This restriction includes various activities, such as offices, religion, teaching and learning, socio-culture Njatrijani and Madjan (2022) including Indra et al. business activities run by cooperatives.

## **LITERATURE REVIEW**

### **Risk**

According to Lam (2017), risk is a variable that can cause deviations from expected results that can affect the achievement of business objectives and overall organizational performance. According to ISO 31000:2018, risk is the effect of uncertainty on organizational goals or objectives. Effects are deviations from what is expected, and can be positive, negative or even both and can create opportunities and threats. In a book written by Darmawi (2022), it is said that risk is the result of deviations from realization that may occur unexpectedly. This definition shows that even though an activity has been planned as well as possible, uncertainty will always exist and cause the initial plan to not be fully compliant. Referring to the various risk definitions described by Lam (2017), ISO 31000: 2018 and Darmawi (2022), it can be concluded that risk is the possibility of an event that can result in deviations of both positive and negative nature originating from future uncertainties and can occur unexpectedly, so that it can affect the achievement and goals of an organization.

### **Operational Risk**

According to Lam (2017) operational risk is the risk caused by human error, failure of internal processes or systems or external events that are economically detrimental. Operational risk is also related to the realization of the operational activity process of an organization and can be experienced by every type of business (Lestari, 2019). A distinctive feature of operational risk is its enormous potential impact, ranging from large monetary losses and ruined reputations to threatening the stability of financial institutions globally (Chernobai et al., 2021). Unlike credit risk and market risk, where the sources of uncertainty are external to the firm, operational risk is created by sources internal to the firm and is the result of control failures (Wipplinger, 2007).

### **Operational Risk Management**

According to Lam (2017), operational risk management aims to establish and test internal control systems to prevent, detect and mitigate operational risk exposures. Each business unit is required to identify and assess its operational risks and ensure that they are effectively measured and managed, taking into account operational losses, talent management, third-party vendor management and information technology/cyber risks.

1. Operational Losses: Aims to measure and track operational losses and incidents across the organization to identify root causes, mitigate risks and ensure that losses are within acceptable levels.
2. Talent management: build and retain a talented workforce, primarily through professional development and retention of high-potential employees.
3. Third-party vendor management: Relying on business partners and third-party vendors to provide critical services. Therefore, to minimize relationships with high-risk third-party vendors.
4. IT/Cyber Risk: Aims to manage IT infrastructure and ensure system availability and capacity to meet business requirements and to protect against natural and man-made threats, including cyber-attacks.

### **ISO 31000 Risk Management**

The ISO 31000 risk management standard is one of the risk management standards consisting of a series of international standards for implementing risk management guidelines issued by the International Organization for Standardization (Sanjaya et al., 2020). Like other ISO management standards, ISO 31000 provides a structured framework intended to meet the needs of any type of organization or situation (Lubis & Tarigan, 2017; Pratama & Wiradarma, 2019). According to Driantami et al. (2018), one thing that distinguishes ISO 31000 from other risk management standards is that ISO 31000's perspective is broader and more conceptual than others. This is indicated by the existence of a risk management framework which is an implementation of quality management principles and is known as "Plan-Do-Check-Action".

### **METHODS**

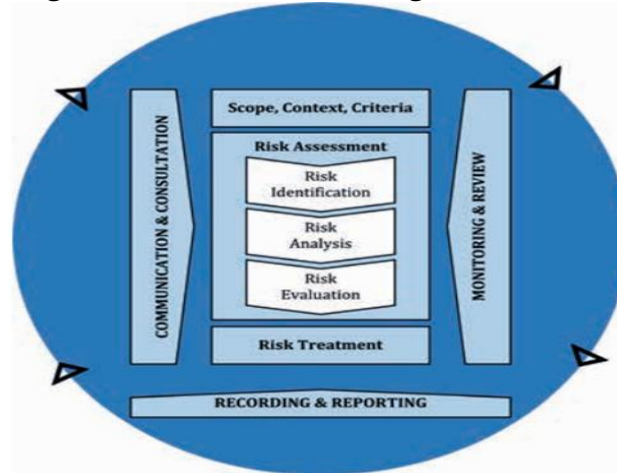
In this study, the research method used is descriptive qualitative analysis with a case study approach. Descriptive method is an approach used to collect data that describes the characteristics of an object, event and situation (Sekaran & Bougie, 2017). Case study analysis was chosen because it can help in answering research questions that primarily aim to understand contemporary events that exist in real-life contexts (Eriksson & Kovalainen, 2010). In addition, as stated by (Yin, 1994), the case study approach is most appropriate when 'how' or 'why' questions are asked about a particular set of events over which the researcher has little or no control.

A case study is a research strategy that consists of a series of data collection methods and utilizes analysis methods with specific approaches (Mills et al., 2009). In this study, data was collected through a combination of semi-structured interviews and document analysis. While data analysis was conducted through a thematic approach, namely by identifying, analyzing, organizing, describing, and reporting themes or patterns found in the data (Braun & Clarke, 2006). This research applies thematic analysis techniques to gain an in-depth understanding of the operational risk management process at Graha Nusantara using the ISO 31000:2018 standard. In qualitative research, thematic analysis is one of the most commonly used methods (Bryman, 2016). According to Heriyanto (2018), thematic analysis is a method that can be used to analyze data to recognize patterns or get themes from a set of data collected by researchers.

In the early stages of thematic analysis, data reduction is carried out to understand the themes in the ISO 31000: 2018 concept in the flow of organizational business processes. In an effort to obtain a set of data at Graha Nusantara, researchers used semi-structured interview

data collection techniques. Evaluation of the risk management process based on ISO 31000:2018, namely communication and consultancy, determining the scope, context and criteria, was obtained from structured interview data. Furthermore, risk assessment includes risk identification, risk analysis and risk evaluation as presented in figure 1.

**Figure 1 ISO 31000 Risk Management Process**



## RESULTS AND DISCUSSION

### Results Of Operational Risk Management Process Evaluation

This subchapter explains the results of research in evaluating the operational risk management process at Graha Nusantara. Evaluation of the operational risk management process refers to the ISO 31000:2018 standard which is a general risk management guide and can be applied to any type of industry. The following is an explanation of the evaluation for each of Graha Nusantara's operational risk management processes:

#### Communication And Consultation

Based on ISO 31000:2018, the initial stages that must be planned before the risk management process are communication and consultation. Through communication and consultation, decisions can be taken appropriately because they can understand a risk, especially operational risk, as well as the reasons why an action must be taken. The marketing manager at Graha Nusantara uses a communication process by involving various areas of expertise in what is usually called a meeting forum meeting management. The meeting involved: general manager, finance manager, team leader operational, team leader engineering, park operator, to security. This meeting, which is held once a month, usually discusses problems during the past month and what kind of handling was carried out. This aims to avoid clashes and misunderstandings.

According to information from several sources, it was said that at Graha Nusantara itself, there were rarely any differences of opinion. However, when differences of opinion occur, all parties will always communicate by taking a 'middle path'. This aims to not disrupt the course of the event. Meanwhile, the decision making regarding which option to choose in these differences is made by the marketing manager. If the problem exceeds the marketing manager's capacity, it will be delegated to general manager as the highest authority in the Ocean Hall.

Document recording in the communication process at Graha Nusantara is carried out from the moment the customer orders the event date until the event is finished. However, there is no document that can communicate the entire integrated risk management process of all business processes. So far, the parties concerned have only been informed verbally based on personal experience and directions from seniors or superiors.

Based on various presentations from sources, it is known that Graha Nusantara has implemented communication and consultation. However, the implementation of communication and consultation at Graha Nusantara does not yet include discussion of risks. So in practice, there are still risks that have not been mitigated.

### **Determining Scope, Context And Criteria**

In this research, the scope of operational risk management is in all business processes at Graha Nusantara. This is because Graha Nusantara is a business unit of Cooperative X which carries out its business activities in the service sector. In practice, the parties involved in the scope of an event are not just parties management Graha Nusantara and customers as stakeholders, but also partner vendors. The marketing manager who has authority in Graha Nusantara's business activities has not specifically defined the definition of the scope of risk management in specific business processes. In practice, the scope of Graha Nusantara's risk management process takes into account the objectives and decisions that need to be made, the expected results of the steps to be taken in the risk management process, time, location, resources needed, responsibilities and relationships with business processes.

As an organization that has been running for many years, Graha Nusantara management is increasingly trained to overcome problems when risks arise. In practice, risk assessment analysis is carried out by managers, especially marketing managers as the authority in planning and determining the implementation of business processes. If the marketing manager experiences problems in overcoming and determining the type of effective risk mitigation, then he will involve general manager as the owner of higher authority.

In the risk management process, context is divided into two, namely external and internal context. In an internal context, in practice the organization views all management who work for Graha Nusantara, including the Parent Cooperative and partner vendors. Meanwhile, external parties such as customers and guests attending the event. Determination of risk criteria at Graha Nusantara is based on experience in carrying out business activities and communication between related parties in organizing events. However, this must still be adjusted to customer conditions, so that when implemented, the estimated risk criteria may change. This is in accordance with Darmawi's (2022) statement which explains that risk is the result of deviations in realization that may occur unexpectedly. So it can be concluded that determining the scope, context and criteria in the Graha Nusantara business process has not been carried out. Based on ISO 31000, the scope, context and criteria for risk management should be defined separately for a particular business process.

### **Risk Identification**

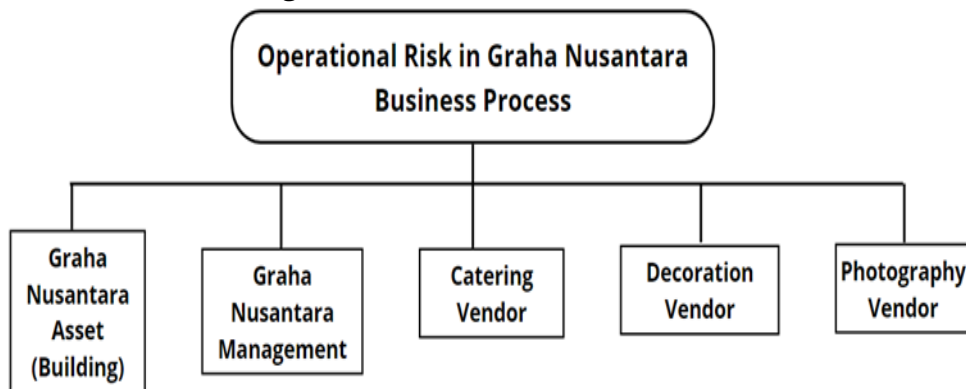
In the ISO 31000:2018 standard, the risk identification stage aims to detect, identify, and provide explanations regarding risks that can hinder or hinder the achievement of organizational goals. Organizations can use a range of methods to identify future uncertainties arising from events that hinder organizational goals. According to Abisay (2013), in the risk identification process, you must consider the source of the risk, the effect on the organization, risk control, when, where, why and how the risk can occur, as well as the reasons why current control is less effective.

In practice at Graha Nusantara, the business process for each event is almost the same, although not the same. Generally, what can be distinguished is the involvement of the vendor used. Like a graduation event that doesn't require decoration vendors like at a wedding party. The use of catering vendors can also be different according to customer needs, such as at a seminar event which serves boxed rice which is different from a wedding event which provides it buffet.

So risk identification is carried out only using qualitative analysis based on judgment and experience from managers as well as joint discussions with the vendors involved. These

experiences become lessons for managers so they can understand how to handle risks if they occur in the future. However, if the risk event does not involve damage and will result in repair costs, then there will be no recording of the incident. In this research, the risk identification process begins with interviews and discussions with the Marketing Manager, team leader operator and technical coordinator (engineering) regarding the Graha Nusantara business process, the author created risk breakdown structure (RBS) and using tools fishbone diagram To make it easier to identify risks, the identification results are as follows:

**Figure 2 Risk Breakdown Structure**



**Figure 3 Fishbone Diagram**

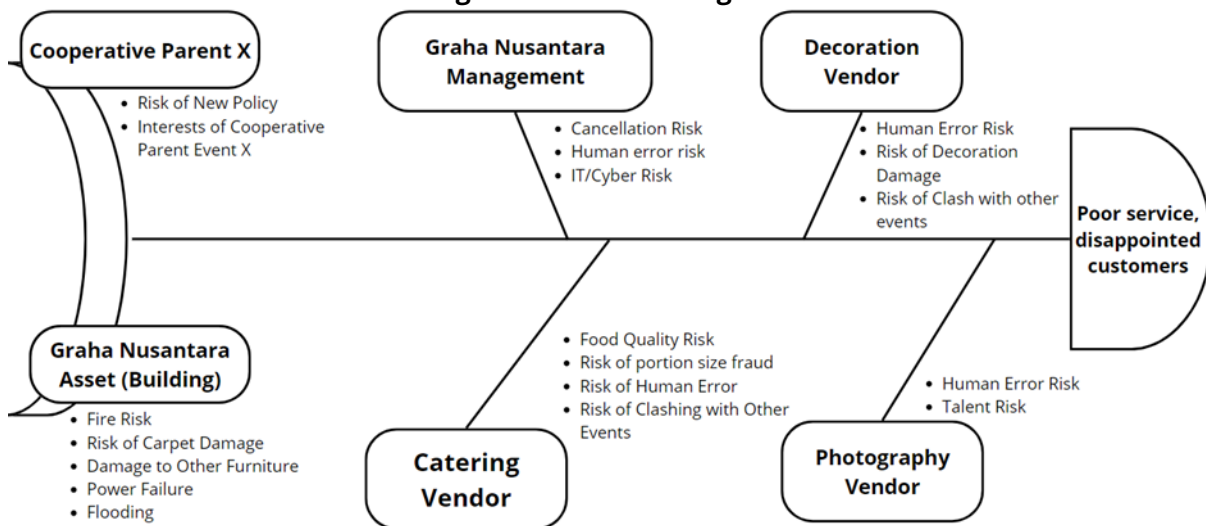


Figure 2 shows risk breakdown Structure based on the parties involved in the Graha Nusantara business process. Starting with booking a date by the customer, which is located at the Graha Nusantara building. Then the data is managed by Graha Nusantara management to coordinate with the vendors chosen by the customer. Up to the need for continuity of events involving operational departments and vendors.

To find out more about the risks to the parties involved, the author identified them with the help of a diagram tool fishbone as in Figure 3. Based on the results of interviews with marketing managers, 19 risks were identified that have occurred and have the potential to occur in Graha Nusantara's business processes. These 19 risks are operational risks caused by human negligence, failure of internal processes or systems or external events resulting in economic losses (Lam, 2017). Diagram fishbone also describes the operational processes within Graha Nusantara, as stated by Lestari (2019) that operational activities create operational risks and can be experienced by every type of business. If there is limited knowledge regarding the risk

identification process, then the managers will ask the experts and vendors concerned. and other building managers to enrich knowledge about building management.

According to the results of interviews with managers, Graha Nusantara management has not published a special document that accumulates the risks of each event or the organizational risks of the events as a whole. So in this case, risk identification is only at the level of each event held involving different vendors and stakeholders.

In carrying out business activities, managers identify risks in general and then the next process is open so that it can still be updated as the event progresses and experiences both at Graha Nusantara and in other buildings can become lessons about risks.

Based on ISO 31000:2018, the process after risk identification is the risk assessment stage. This stage aims to obtain an in-depth understanding of the nature, character and level of risks that have been identified. This process requires consideration of various aspects such as uncertainty, sources of risk, consequences, the possibility of an event occurring, and its detection.

## CONCLUSION

The aim of this research is to evaluate the operational risk management process at Graha Nusantara based on the ISO 31000 standard by analyzing priority risks and how to mitigate them, as well as providing recommendations for actions that can be implemented by Graha Nusantara management regarding aspects of operational risk management to improve organizational sustainability.

This research uses the ISO 31000 standard as an evaluation tool because this standard can be adapted to various industrial sectors, including the object of this research, namely businesses engaged in building rental services. The method used in this research is descriptive qualitative analysis with a case study approach, through data collection techniques of semi-structured interviews and documentation.

In practice, Graha Nusantara management has implemented several aspects of operational risk management but there needs to be increased awareness regarding risks. As in the communication and consultation process, Graha Nusantara communicates general information, not specific information regarding risks. Graha Nusantara management has also not yet determined the scope, context and criteria.

This is because many things need to be adjusted to customer conditions and needs, in accordance with Darmawi's (2022) statement which explains that risk is the result of deviations in realization that may occur unexpectedly. Apart from that, in the recording and reporting process, Graha Nusantara management only records and reports events that cause general financial losses regarding the event and not regarding detailed risks. Therefore, it can be concluded that several aspects of the operational risk management process at Graha Nusantara are not in accordance with the ISO 31000 standard.

The results of the risk assessment have identified 19 operational risks. Based on the results of this research provides suggestions for improving the implementation of risk management in Graha Nusantara management by establishing specific risk management policies through recommendations for creating integrated risk management documents and improving risk analysis including suggestions for Graha Nusantara management to create standards regarding integrated likelihood and impact criteria for all business processes, with several adjustment limits that can be determined.

So that managers can carry out evaluation analysis and have the same understanding of information technology project risk management based on these criteria. In this way, understanding of risks will increase and communication between various activities and roles at Graha Nusantara will be effective.



## SUGGESTION

Future researchers can use this research as a reference for evaluating risk management, especially operational risks and other risks for research objects in the same or different industries. Future researchers can develop methods and use different analytical tools or add other research variables that are still relevant. Research in the future, you can use data collection techniques through FGD (Forum Group Discussion) to increase the level of validity and reliability of information from various existing sources.

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