

Analysis of the Effect of Risk Management Implementation on Business Sustainability UMKM in Semarang City

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Abstract. Risk management is a structured approach to identifying, analyzing, and addressing risks that may hinder the achievement of business objectives. The purpose of this study is to understand and analyze how risk management can influence the sustainability of Otako Takoyaki and Whatever. The method used in this study is a qualitative approach to provide an opportunity to gather in-depth information about the implementation of risk management in this UMKM. Findings obtained through interviews, observations, and documentation reveal that Otako Takoyaki and Whatever have implemented risk management in their business practices. This is evident in how the business owners and staff handle changes in conditions, such as a decline in consumer purchasing power and an increase in competitors with similar business concepts. Despite these two factors, which are considered to potentially impact business sustainability, Otako Takoyaki and Whatever demonstrates that effective and efficient risk management practices can maintain operational continuity, as evidenced by the business's continued existence to this day.

Keywords : Risk Management; UMKM; Business Sustainability

INTRODUCTION

In an era of globalization and increasingly intense competition, Micro, Small, and Medium Enterprises (UMKM) in Indonesia face various obstacles, such as market changes, new policies, and operational risks. UMKM play a crucial role in Indonesia's economy, serving as the foundation for absorbing the labor force and fostering local innovation. They act as key players in various economic activities, creating significant job opportunities, driving economic growth in regions, serving as a source of innovation in the market, and making a substantial contribution to the national balance of payments. UMKM Otako Takoyaki and Whatever, which operates in the culinary sector, serves as an appropriate case study to examine how risk management can impact the sustainability of their business. This research aims to investigate the impact of implementing risk management on the sustainability of this UMKM (Operational, 2025).

Risk management is a structured approach to identifying, analyzing, and addressing risks that could hinder the achievement of business objectives. Risk management is more than just a measure to avoid financial losses; it is also a proactive approach to ensuring the continuity of operations and the growth of small and medium-sized enterprises (UKM). The implementation of risk management in micro, small, and medium enterprises is often hindered by a lack of resources, limited understanding, and the assumption that risk management is only important for large companies. By implementing risk management effectively, UMKM can enhance their resilience and competitiveness. In the food industry, risks may arise from the quality of raw materials, changes in consumer preferences, and issues related to food safety and health. Therefore, it is crucial for Otako Takoyaki and Whatever to have an appropriate risk management plan. In this study, one of the reasons for selecting Otako Takoyaki and Whatever as the research subject is the business's success

in adapting and developing Japanese cuisine in the local market. Not only does it offer authentic flavors, but Otako Takoyaki and Whatever also introduces innovations in presentation and menu variations that attract consumers. This study aims to provide insights into risk management for business sustainability that can be applied by other UMKM, thereby enhancing business growth and stability amid various challenges and uncertainties.

Business sustainability is a vital concept for UMKM, especially in the context of inclusive economic development. Sustainability encompasses not only operational continuity, but also social and environmental impacts. Through the implementation of good risk management, UMKM can ensure that they not only survive, but also thrive in the future. This is particularly relevant given the high number of UMKM that fail in the early stages of their operations. This high failure rate creates an urgent need for research focused on risk management practices that can prevent such losses (Aziz et al., 2024). One theory supporting the application of risk management for business sustainability is the Principles of Risk Management. These principles emphasize the need for a systematic and structured approach to risk management. This theory argues that risk management must be carried out comprehensively, from the identification, analysis, evaluation, to risk control stages. These principles also underscore the importance of integrating risk management into business strategies and processes, as well as conducting continuous monitoring and evaluation so that Otako Takoyaki and Whatever can adapt to the ever-changing business environment. Additionally, openness in communication and compliance with regulations are crucial elements for building trust and credibility, all of which contribute to the strength and sustainability of the business in the long term. In this study, the importance of implementing risk management for the sustainability of “Otako Takoyaki and Whatever” is evident, especially given the intensifying competition in the food industry and economic uncertainties that could impact business operations. Although there have been studies on risk management in the small and medium-sized enterprise sector, there remains a lack of research on specific applications in the fast-food industry, particularly those incorporating foreign cultural elements. This study aims to address this gap by analyzing how effective risk management strategies can support the sustainability of Otako Takoyaki amid market challenges. Thus, the results of this study are expected to contribute significantly to the understanding of appropriate risk management practices in the food industry and offer recommendations that can be applied by other small and medium-sized businesses (Aghitsni & Busyra, 2022).

In this study, business sustainability will be assessed through several indicators, including revenue growth, customer loyalty, and product innovation. Previous studies have shown that UMKM that incorporate risk management into their business strategies tend to perform better than those that do not. Therefore, it is important to examine how Otako Takoyaki and Whatever manage risk and its impact on their business sustainability.

This study will also consider external factors that could affect the sustainability of UMKM, such as government policies and macroeconomic conditions. Policies that support UMKM growth, including access to financing and training on risk management, can be key elements in business success. In this regard, the role of the government is very significant in creating an environment that supports UMKM growth (Nugraha & Novianty, 2022). This study will also consider external factors that can affect the sustainability of SMEs, such as government policies and macroeconomic conditions. Policies supporting UMKM growth, including access to financing and training on risk management, can be key elements in

business success. In this regard, the government's role is highly significant in creating an environment that supports UMKM growth (Nugraha & Novianty, 2022).

In addition, this study will analyze the challenges faced by Otako Takoyaki and Whatever in implementing risk management. Some obstacles that may arise include a lack of understanding of risk management, limited resources, and resistance to change. By understanding these challenges, UMKM can develop more effective strategies to deal with the risks they face.

In this study, a qualitative approach will be taken to gain an in-depth understanding of risk management practices at Otako Takoyaki and Whatever. Interviews with the owner and staff will provide valuable insights into how risk is managed in day-to-day activities. In addition, secondary data analysis will be conducted to identify broader trends and patterns in the culinary industry.

This study is expected to contribute to knowledge about risk management and business sustainability among UMKM. The findings of this study can serve as a basis for other UMKM to develop better risk management strategies. In addition, the results of this study can also be used as a reference for government policies in supporting the development of UMKM in Indonesia.

METHOD

In this study, a qualitative method was used, which provided an opportunity to gather in-depth information about risk management practices in UMKM. This approach was chosen to explore the experiences, perspectives, and problems faced by the owners of Otako Takoyaki and Whatever in managing risk. By choosing a qualitative approach, this study aims to understand the specific context that influences risk management and business sustainability (Serambi et al., 2024).

This study adopts a case study approach, which provides an opportunity to conduct a detailed analysis of risk management at Otako Takoyaki and Whatever. By focusing on a specific case, this study can reveal the unique elements that impact business sustainability. The research design offers a clear structure for investigating specific actions taken by Otako in risk management, as well as how these actions support sustainability.

Data will be obtained through in-depth interviews and participatory observation. Observation is one of the fundamental foundations of all data collection methods in qualitative research, especially those related to social sciences and human behavior (Pratama et al., 2024). Interviews will involve owners and staff to obtain diverse perspectives on risk management. Observations will provide insights into understanding daily operational activities related to risk management.

The collected data will be analyzed using thematic analysis methods. This procedure involves identifying central themes that emerge from the data, which are related to risk management practices and their impact on sustainability. To maintain the validity and reliability of the data, triangulation methods will be applied. This includes comparing information obtained through interviews, observations, and relevant documents. With this approach, the research results can be ensured to be accurate and reliable.

RESULTS AND DISCUSSION

Otako Takoyaki and Whatever is one of the Micro, Small, and Medium Enterprises (UMKM) located in the city of Semarang. This UMKM was founded by a married couple in 2017 and is still in operation today. One of the reasons for choosing Otako as the research

subject is to analyze the impact of risk management implementation on business sustainability. In this study, the interviewees were the owner of Otako, who is a housewife, and one of her employees. The owner of Otako served as the primary source of information regarding the implementation of risk management within her business. Additionally, the information obtained from the interview with the employee was also crucial for understanding the process of implementing risk management directly on the ground.

In the world of micro, small, and medium enterprises (UMKM), risk is defined as any type of uncertainty that could hinder the achievement of business objectives, such as loss of customers, disruptions in the supply of raw materials, or changes in regulations that affect operations and profits. Based on the results of interviews conducted, the main risks faced by Otako Takoyaki and Whatever include market competition, fluctuations in demand, and operational risks such as disruptions in the production process and delays in the delivery of raw materials.

Otako UMKM conduct risk assessments by holding team discussions, conducting direct observations of market conditions, and analyzing previous operational experiences. Although still using an informal approach, this process also involves recording risks that arise for follow-up, such as changes in demand and delays in raw material supplies. This method is collaborative, involving employees directly involved in the field, so that operational and strategic risks can be detected naturally. However, this approach still focuses on experience-based knowledge and does not utilize more structured tools such as SWOT analysis or risk matrices commonly recommended in risk management studies for UMKM (Fajrul et al., 2025).

In addition, UMKM Otako implement various tactics to reduce and manage the risks they face in running their businesses. One important step taken is to diversify suppliers, i.e., not relying on a single source of raw materials. Thus, if there is a problem with the supply from one supplier, Otako can still obtain raw materials from other sources. This approach is effective in reducing the likelihood of delays or stock shortages that could disrupt the production process. Additionally, Otako maintains an emergency fund as a precaution against financial risks, such as sudden revenue declines or urgent needs to repair production equipment. This emergency fund serves as a buffer to keep the business running even in the face of unforeseen circumstances. To mitigate market risks, Otako actively engages in promotional activities to boost sales. Regular promotions help strengthen relationships with consumers, expand market share, and increase competitiveness amid uncertain market changes. With these measures, Otako strives to maintain business stability and improve business sustainability (Fatma Dwi Jati, 2023).

Another obstacle faced by Otako in implementing risk management is closely related to resources, both in terms of funds and formal risk management knowledge. In addition, insufficient time to carry out comprehensive planning is also an important obstacle in the effective implementation of risk management strategies. This situation is in line with the results of research on other UMKM, which indicates that limited funds and a lack of knowledge about risk management are the main factors that hinder business risk management (Suci et al., 2024). These limitations make it difficult for Otako to implement a structured and sustainable risk management system, so that emerging risks cannot always be dealt with properly.

The implementation of risk management has a significant impact on Otako's business continuity. By efficiently managing various risks, from operational risks to market risks, Otako can reduce the possibility of losses that could disrupt business operations. Effective

risk management also contributes to improved operational efficiency, where production and distribution run more smoothly by reducing the possibility of delays or damage. In addition, risk management that focuses on customer satisfaction, such as maintaining product quality and providing fast service, strengthens customer relationships. This helps Otako maintain customer loyalty, even in the midst of intense competition. Overall, the implementation of comprehensive risk management enables Otako to remain sustainable and continue to grow despite facing various challenges in an ever-changing business environment (Sihotang et al., 2024).

UMKM Otako have implemented concrete examples of risk management in their business operations to maintain product quality and smooth business activities. One of the key measures implemented is the strict enforcement of hygiene procedures throughout all stages of production. Every employee is required to adhere to hygiene standards, from washing hands before handling ingredients, maintaining the cleanliness of cooking utensils, to ensuring that the kitchen area remains clean and hygienic at all times. This step aims to reduce the likelihood of food contamination, which could endanger consumer health and potentially damage the business's reputation if a food safety incident occurs (Br Tarigan et al., 2024). Additionally, Otako Takoyaki regularly monitors raw material availability to prevent shortages, especially during periods of high demand. Inventory management is carried out by recording the entry and exit of raw materials, paying attention to expiration dates, and maintaining good communication with suppliers to ensure a stable supply. This approach aligns with inventory management principles recommended for micro, small, and medium enterprises (UMKM) in the food sector, such as implementing the FIFO (First In, First Out) system and conducting regular stock assessments to reduce the likelihood of raw material shortages or waste (Maulana et al., 2024). The implementation of these concrete actions demonstrates Otako Takoyaki's commitment to actively addressing operational risks, thereby maintaining product quality, customer satisfaction, and business sustainability amid the highly competitive culinary sector.

CONCLUSION

Based on the results of a study on the implementation of risk management at UMKM Otako Takoyaki and Whatever in Semarang City, it can be concluded that the implementation of efficient and effective risk management has a significant impact on business continuity. Otako Takoyaki has implemented organized procedures to identify, analyze, and address the risks it faces, including market risks such as competition and changes in demand, as well as operational risks such as delays in the delivery of raw materials. The risk identification process is carried out jointly through internal discussions, market observations, and assessments of previous experiences, although formal tools such as SWOT analysis or risk matrices are not yet utilized.

The main strategies implemented include adding supplier variety to reduce potential delays in supply, providing reserve funds to overcome financial problems, and actively promoting to maintain customer loyalty and increase sales. The implementation of this risk management strategy has proven effective in maintaining operational stability, ensuring business continuity amid intense competition and economic fluctuations, and enhancing the competitiveness of UMKM in the local market. Additionally, employee participation in identifying and addressing risks is one of Otako's strengths in fostering a culture of vigilance and adaptability to changes in the business environment.

This study also identified that the main challenges faced by Otako Takoyaki are limited resources, both in terms of funds and formal knowledge about risk management, as well as limited time to carry out more in-depth planning. However, with commitment and strong adaptability, Otako Takoyaki has managed to survive and continue to grow, demonstrating that the proper implementation of risk management is crucial for the sustainability of UMKM, particularly in the highly volatile food industry.

Based on the results of the study, there are several strategic recommendations that Otako Takoyaki can implement to improve the sustainability of its business. First, employee capacity building is very important through training, seminars, or mentoring on risk management, so that owners and staff can be more structured in identifying and managing risks. Second, the use of formal tools and methods such as SWOT analysis, risk matrices, or risk checklists should be implemented to make risk mapping and prioritization more objective and measurable. Additionally, diversifying business strategies by adding new product or service types can reduce reliance on a single income source and expand market share. Otako Takoyaki is also advised to increase its contingency funds and explore external financing sources to strengthen its financial resilience against sudden risks.

The use of digital technology for marketing, financial recording, and inventory management will support increased operational efficiency and reduce the risk of human error. Furthermore, establishing cooperation and building networks with other MSMEs, business communities, or culinary associations can open up broader marketing opportunities and allow for the sharing of experiences in risk management. Finally, regular assessment and monitoring of risk management strategies must be conducted to ensure Otako Takoyaki can continue to adapt to changes in the business environment and maintain its competitiveness in a competitive market.

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