



SUMMARY

HELEN WIRYANI. Risk Mapping in Upholstery Industry with ERM Approach. Supervised by NOER AZAM ACHSANI and LUKMAN M. BAGA.

This research is a case study in PT XYZ, an upholstery manufacturer. The upholstery industry has a high degree of uncertainty and high level of risk. Risk should be managed properly to minimize the company's losses. Purpose of this study is: (1) to identify risk faced by PT XYZ, (2) to measure and to map the risk of PT XYZ, (3) to formulate an effective risk mitigation strategy for PT XYZ.

This study was held in PT XYZ, which is located in Bogor, from April to November 2012. This study uses a descriptive approach using purposive sampling method within interviews and focus group discussion (FGD). Data used in this study are primary and secondary data. Primary data are obtained through interviews and focus group discussions with selected respondents. Meanwhile secondary data are obtained via internal data from PT XYZ, libraries, journals, magazines, newspapers, and internet.

A kind of method for risk management is Enterprise Risk Management (ERM). In ERM, risks are observed in four areas: strategic, operating, reporting, and compliance. Using ERM to manage risk can help company to prepare any uncertainty, increase value added and competitive advantage.

Risk mapping with ERM approach is guided by the eight components of ERM. The first three components are internal environment, objectives setting, and event identification. They performed to determine the situation and circumstances at PT XYZ and identify the existing risks. Based on the study of PT XYZ business process, it appears that the risks exist in strategic, operating, reporting, and compliance area.

The fourth ERM component is risk assessment, which is done to get whole picture of the risk scores and risk mapping in PT XYZ. The scores are obtained by measuring the probability and impact of the risk. In PT XYZ the risks are quite diverse, there's a risk that often occurs but the impact is small but there also the rare one but has a significant impact when it happens.

Once the risks are assessed, the next step is conducting risk response which is the fifth component of ERM. Risk response is formulation from risk mitigation strategies. Generally, risks that need to be addressed immediately is from unacceptable category, which often occurs and have a major impact.

After risk responses, the next components are the control activities, information and communication, and monitoring. These are the last three components of ERM. The control activities are necessary to ensure the effective risk response. An effective Information and communication allows the information delivered to the right person, and monitoring is needed to monitor the result achieved. Managerial implications are directed to achieve the objectives setting.

Conclusion on the result of this study are: (1) the risks found in the PT XYZ business process stage related to areas of strategic, operation, reporting, and compliance, (2) the level of risk experienced by PT XYZ reflected in the risk map formed by risk assessment based on probability and impact, (3) strategies need to be developed for





Effective risk mitigation for PT XYZ is by handling the highest priority risk first and then to the lower risk.

Key words: enterprise risk management, focus group discussion, risk mapping, upholstery industry

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