JOURNAL OF ACCOUNTING ISSUES

ISSN: 2985-6027
E-ISSN: 2985-5713
VOLUME 2 NO 1. 2023
PP: 45-53

APPLICATION OF STRATEGIC MANAGEMENT AS A RISK MANAGEMENT APPROACH IN THE FINANCIAL INDUSTRY

Eriek Alfianza Monde
Hasanuddin University, Makassar, Indonesia. E-mail:

ABSTRACT

Strategic management will help companies to make the best decisions, assist companies in preventing new problems, increase interaction at all levels, while helping company performance to be more effective, promote healthy and superior competition, and maximize resources. Management strategies are effectively implemented in companies related to financial industry and risk management. In implementing the strategic management process related to risk management, there are several things that must be considered by companies including recognizing the environment, formulating strategies, implementing strategies, and evaluating strategies.

This research uses literature study. In obtaining research data, collecting, analyzing and organizing, every article and book obtained as research material. The research method applied is a qualitative method with a type of literature review (literature review) in which the researcher seeks to collect the data obtained and understand the theories from some of the previous literature related to the research.

The results of the study show that strategic management is effective in managing risk in the financial industry when the strategic management process can be implemented properly. The risk management process includes: 1. Recognizing the environment in which companies are required to collect, research and provide information as a strategic objective. Indirectly, the introduction of the environment helps to analyze the internal and external teams influencing the company. Financial risk can be minimized if there is sufficient information related to the feasibility of granting credit to prospective customers. This information can be obtained through the prospective customer's business environment through payment ability or liquidity. The information obtained will be analyzed by the credit worthiness section. 2. Formulate a strategy related to determining an action in achieving the goals and objectives of the organization. Companies are required to be able to make decisions that are considered strategic for business progress. Risk management that is not optimal will have an impact on the achievement of short and long term company goals. 3. Implementing a strategy in which the company must be able to create an effective organizational structure to create a comfortable environment. With a clear organizational structure, each employee will have a good job description. Placement of employees in accordance with the specifications on the job description will minimize the financial risk that occurs. This is because employees have good competence in making creditworthiness analysis. 4. Evaluation of the strategy in which the company must evaluate and assess

the internal and external environment. Evaluation helps the company to assess the success or failure of the strategy that has been formulated by the company. Evaluation of the creditworthiness of prospective customers will minimize financial risk. Errors in evaluating creditworthiness will result in losses on accounts receivable which will have an impact on company profitability.

Keywords: Strategic Management, Risk Management

A. INTRODUCTION

Along with the rapid growth of the financial services industry, risk management becomes something very important to be managed properly (Pratama, 2018). The financial services industry refers to services in the financial industry. The financial services industry can also refer to a number of organizations that have authority for the management of funds. All activities in the Financial Services Industry or IJK are included in economic activities. These activities are supervised by the Financial Services Authority (OJK), which is an independent institution to supervise, inspect and investigate in accordance with the provisions in Law Number 21 of 2011 concerning the Financial Services Authority (OJK).

The financial services industry is a collection of companies or institutions, including supporting institutions, engaged in financial services (Fasa, 2016). The financial services industry is a pillar of the national economy that is expected to advance general welfare and global competitiveness. In order for this to happen, its implementation must always be supervised by the OJK institution. In an organizational activity that involves many people, management is very necessary to produce effective and efficient work. An organization, both profit and non-profit, has a goal to be achieved. To achieve these goals, a long-term strategy or plan is needed. Strategizing must be accompanied by good management so that goals can be achieved.

Strategy management is related to the unique and valuable posis approach obtained by carrying out a series of activities (Porter in Fitri, 2023). Formulating a management strategy must consider the company's strengths and weaknesses, personal values, industry opportunities and threats, and community expectations (Widayanto, 2020). Strategic management is also considered effective in running and maintaining a business amid the rapid development of the financial industry (Arifuddin, 2021). This step is also considered effective as a driver to compete with competitors in the financial industry. With strategic management, companies can assess businesses and competitors to outperform competition and help evaluate, even make decisions by considering company policies (Kausar &; Agusta, 2022).

Strategic management will help companies to make the best decisions, assist companies in preventing new problems, increase interaction at all levels, while helping company performance more effectively, increase healthy and superior competition, and maximize resources (Arifuddin, 2022). Effective strategic management is implemented in related financial industry companies and risk management. In implementing the strategic management process related to risk management, there are several things that must be considered by the company, namely first recognizing the environment where the company is required to collect, research and provide information as a strategic objective. Indirectly, the introduction of the environment helps to analyze the internal and external teams in influencing the company. Second, formulate a strategy which aims to determine an action in achieving organizational targets and goals. In its realization, strategy formulation includes developing the company's vision and mission, as well as formulating strategies to be used by the company. Companies are also required to be able to make decisions that are considered strategic for business progress. Third, implement a strategy where the company will involve a strategy that has been formulated in order to function optimally. Strategic implementation while designing organizational structure, distributing resources, and managing human resources. Companies must manage policies and human resources, and encourage employees to be motivated to do work. But what is important is that the company must be able to create an effective organizational structure to create a comfortable environment. Fourth, strategy evaluation where companies and organizations must evaluate and assess the internal and external environment. The goal is to find out the application of company performance. The company must be able to assess changes that occur internally as well as externally. The evaluation stage also helps the company to assess the success or failure of the strategy that has been formulated by the company (Susetyo &; Prasetyo, 2020; Jikrillah et al, 2021).

Along with the times, companies in the financial industry continue to change and develop following the internal and external environment. Organizational changes to adapt to this have the potential to cause opportunities and risks for the organization (Sumadi, 2020). Opportunities can be opportunities for organizations to go to several better levels while risks become a potential loss and failure. Risks related to adverse events or the possibility of the results obtained deviating from the expected (Fasa, 2016).

Risk is the possibility of an event that has an impact on achieving organizational goals (Pratiwi &; Kurniawan, 2018). If the risk befalls an organization, then it can have a negative impact on the organization. In the worst possible situation, the risk could result in the destruction of the organization. The most fundamental aspect in the financial industry is related to financial risk. Financial risk is all forms of decisions related to finance that cause losses (Arifuddin, 2021). Financial risk is closely related to finance such as the effect of transactions on the balance sheet, employment contract obligations, debt payment maturity, company liquidity risk and things that reduce financial flexibility (Fasa, 2016). Identification of risk management is known as risk management, which is not only identification but analyzes risk responses formally, consistently and comprehensively so as to create benefits achieved (Hermansyah, 2020). The implementation of strategic management is effective in managing financial risk, thus having an impact on financial performance.

B. LITERATURE REVIEW

Management can be interpreted as the process of planning, organizing, mobilizing, and supervising resources to achieve an effective and efficient goal. As for strategy, it is a decision making related to expected environmental conditions and conditions (Sukarsono, 2017). Strategic management is an art and science in formulating, implementing, and evaluating decisions from various functions so that an organization can achieve its goals or objectives (David &; David, 2017). Strategic management as a series of fundamental decisions and actions set by top management and implemented by all levels of the organization in order to achieve organizational goals (Rahmat, 2014: 14).

Activities or activities of strategic management have three main activities, namely strategic analysis, strategic decision selection, and strategy implementation (Johnson et al., in Rianto & Wijaya, 2022). Strategic management is seen as the evolution of management for two reasons, namely (1) strategy is the organization's grand plan to overcome current challenges and simultaneously achieve the organization's vision and mission in the future, (2) the organization applies strategic management in response to changes in the world in improving dayasaing for future success (Naution, 2018).

A special feature of strategic management is the emphasis on strategic decision making. Strategic decisions are closely related to the long-term future for the organization as a whole and have three characteristics. First, Rare is a special and unusual decision that cannot be replicated. Consequential are strategic decisions that use important resources and require a lot of commitment. Third, Directives are strategic decisions that make decisions that can be replicated for other decisions and future actions for the organization as a whole (Meidita &; Sukmono, 2023).

Strategy management is a process or series of decision-making activities that are fundamental and comprehensive, including how to implement them, to achieve common goals (Sedjati, 2015). The main purpose of implementing strategic management is to overcome various problems that exist in the company (Kadar et al., 2021). Meanwhile, the objectives of strategy management according to Catio (2021) are:

1. Safeguarding the interests of many parties. In its implementation, managers must attach importance to other parties related to management affairs. Do not let any party be harmed by decision making or planned activities to be carried out.
2. Give direction to achieve goals. Strategy management helps the company to achieve its goals. Therefore, managers must be able to determine the direction and steps that are in accordance with the company to achieve goals.
3. Anticipate change. As time goes by, changes are bound to exist. Strategy management is intended as a guideline to control or as an adaptation step to the possibility of change.
4. Achieve effectiveness as well as efficiency. Strategic management also aims to make all activities in the company, from employees to how they work, can run effectively and efficiently as possible, by utilizing existing resources. Strategy management is divided into three important stages according to Kaplan & Norton in Aji et al (2023), namely:

1. Strategy formulation stage At this stage, the company will carry out strategy formulation. This formulation includes the vision and mission, identification of opportunities, threats and determination of internal strengths and weaknesses of the company. In this stage, long-term goals, alternative strategies and specific strategies to achieve goals are also formulated.
2. Strategy implementation stage. At this stage, the company will implement the previously designed strategy. The company will also set annual goals, motivate employees, make policies, allocate resources, direct marketing efforts, create an effective corporate structure and develop a culture that is in line with the company's strategy.
3. Strategy evaluation stage. At this stage, the company will carry out an evaluation process of the strategy that has been implemented. This evaluation process includes assessment and acquisition of information. This stage aims to find out the internal and external factors that the company has. If in the evaluation process, poor performance is found, improvements will be made in order to

obtain success in the future.
The tasks of strategic management according to E.Yunus (2016) are as follows:
1. Formulate the company's mission, goals, philosophy, and goals.
2. Analyze the condition of the company's internal capabilities.
3. Assess the external environment, competitive factors, and contextual factors of the company.
4. Analyze company resources.
5. Identify profitable options and evaluate them based on the company's mission Determine long-term goals and key strategies.
6. Develop annual goals and short-term strategies that are in accordance with the company's vision and mission.
7. Implement the strategy by managing all company resources. 8. Evaluate the success of the process .

Risk Management Concept

Risk can be grouped into pure risk, which is risk with the possibility of loss but the possibility of profit does not exist, and speculative risk, which is the risk where the company expects losses and profits. In addition to pure and speculative categorization, risk can also be distinguished between dynamic risks that arise from changes in certain conditions (changes in societal conditions, technological changes, which can give rise to new types of risks) and static risks that arise from certain equilibrium conditions (practically no risk changes over time). Risk can also be related to subjective risk, risk related to one's perception of risk, and objective risk, risk based on observation of objective parameters (Hermansyah, 2020).

The financial services industry has three broad scopes, namely:

1. Banking industry. Banking is everything related to banks, from institutions to the process of carrying out their business activities. The banking industry is closely related to the working system of banks which are one of the financial institutions. So the banking industry also includes the process of managing financial funds, ranging from cash to credit.
2. Non-bank financial industry. Unlike the banking industry, the non-bank financial industry is an activity related to financial management, but the system and how it works are not like banks. Because usually this type of industry withdraws its funds indirectly.

3. Capital market industry Capital market industry. The capital market is a place to conduct long-term capital transactions where there is demand by issuers of securities and offers by investors.

Risk management aims to manage these risks so that we can obtain the most optimal results. In the context of the organization, the organization will also face many risks. If the organization cannot manage risk well, then the organization can suffer losses. Therefore, the risks faced by the organization must also be managed, so that the organization can survive, or perhaps optimize the risk. According to the Decree of the Minister of Finance (KMK) Number 577/KMK.01/2019 concerning Risk Management within the Ministry of Finance, the purpose of risk management is to increase the possibility of achieving the vision, mission, goals of the organization and performance improvement and protect and increase the added value of the organization. Meanwhile, according to KMK Number 577/KMK.01/2019, risk management is a systematic and structured process supported by a risk-aware culture to manage organizational risks at an acceptable level in order to provide adequate confidence in achieving organizational goals.

C. RESEARCH METHODS.

This research uses literature studies. In obtaining research data, collecting, analyzing and organizing, every article and book obtained as research material. The research method applied is a qualitative method with a type of literature review where researchers attempt to collect data obtained and understand theories from some previous literature related to the research. In this study, it was applied to collect references that aimed to be used as research findings, and draw conclusions. The collection of data and theories is cited by adopting from various sources such as books, articles, journals, and previous research that is relevant to current research studies.

D. DISCUSSION

Strategy management is very helpful for companies in the financial industry in risk management. Strategy management helps companies make the best decisions, so as to prevent new problems related to the risks caused. Risk managed through risk management which is part of corporate strategy management will increase interaction at all levels, while helping the company's performance more effectively, increasing healthy and superior competition, and maximizing the resources used.

In implementing the strategic management process related to risk management, there are several things that must be considered by the company, namely:

First, recognize the environment in which companies are required to collect, research and provide information as a strategic objective. Indirectly, the introduction of the environment helps to analyze the internal and external teams in influencing the company. Financial risk is the most fundamental risk to companies in the financial industry. Financial risk is closely related to finance such as the effect of transactions on the balance sheet, employment contract obligations, debt payment maturity, company liquidity risk and things that reduce financial flexibility. Financial risk can be minimized if there is sufficient information related to the feasibility of providing credit to prospective customers. This information can be obtained through the prospective customer's business environment through payment capabilities or liquidity. The information obtained will be analyzed by the creditworthiness section.

Second, formulate a strategy which aims to determine an action in achieving organizational targets and goals. In its realization, strategy formulation includes developing the company's vision and mission, as well as formulating strategies to be used by the company. Companies are also required to be able to make decisions that are considered strategic for business progress. The company has both short-term and long-term goals. Short-term goals are related to the acquisition of maximum profit. Meanwhile, the company's long-term goals are related to the welfare of shareholders. Risk management that is not optimal will have an impact on achieving company goals.

Third, implement a strategy where the company will involve a strategy that has been formulated in order to function optimally. Strategic implementation while designing organizational structure, distributing resources, and managing human resources. Companies must manage policies and human resources, and encourage employees to be motivated to do work. But what is important is that the company must be able to create an effective organizational structure to create a comfortable environment. With a clear organizational structure, every employee will have a good job description. Placement of employees in accordance with the specifications in the job description will minimize the financial risks that occur. This is because employees have good competence in making creditworthiness analysis.

Fourth, strategy evaluation where companies and organizations must evaluate and assess the internal and external environment. The goal is to find out the application of company performance. The company must be able to assess changes that occur internally as well as externally. The evaluation stage also helps the company to assess the success or failure of the strategy that has been formulated by the company. Evaluation of the creditworthiness of prospective customers will minimize financial risk. Errors in evaluating credit keys will cause receivables losses that have an impact on company profitability.

E. CONCLUSION

1. Recognize the environment in which companies are required to collect, research and provide information as a strategic objective. Indirectly, the introduction of the environment helps to analyze the internal and external teams in influencing the company. Financial risk can be minimized if there is sufficient information related to the feasibility of providing credit to prospective customers. This information can be obtained through the prospective customer's business environment through payment capabilities or liquidity. The information obtained will be analyzed by the creditworthiness section.
2. Formulate strategies related to determining an action in achieving organizational targets and goals. Companies are required to be able to make decisions that are considered strategic for business progress. Risk management that is not optimal will have an impact on achieving short-term and long-term company goals.
3. Implement a strategy where the company must be able to create an effective organizational structure to create a comfortable environment. With a clear organizational structure, every employee will have a good job description. Placement of employees in accordance with the specifications in the job description will minimize the financial risks that occur. This is because employees have good competence in making creditworthiness analysis.
4. Evaluation of strategies where the company must evaluate and assess the internal and external environment. Evaluation helps the company to assess the success or failure of the strategy that has been formulated by the company. Evaluation of the creditworthiness of prospective customers will minimize financial risk. Errors in evaluating credit keys will cause receivables losses that have an impact on company profitability.

F. SUGGESTIONS

Risk management can be minimized by the company through the implementation of effective strategic management. However, good risk management must go through a good strategic management process. Therefore, it is necessary for companies to pay attention to the strategy management process including environmental introduction, strategy formulation, strategy implementation, and strategy evaluation.

BIBLIOGRAPHY

Aji, G., Septi, M., Triyulindra, Q., &; Hayuningtyas, G. (2023). Conceptual Framework for Strategic Management at Bank Syariah Indonesia: Literature Review—Descriptive. Profit: Journal of Management, Business and Accounting, 2(2), 250-265.

Arifudin, O. (2021). Strategic management theory and implementation.

Catio, M. (2021). *Strategy Management*. Indigo Media.

David FR, David FR. 2017. Strategic Management: A Competitive Advantage Approach, Concepts and Cases, Global Edition. Ed. ke-16. Harlow: Pearson Education Limited.

Fasa, M. I. (2016). Sharia Banking Risk Management in Indonesia. Li Falah: Journal of Islamic Economic and Business Studies, 1(2), 36-53.

Fitri, A. Z. (2023). Implementation of strategic management in non-profit organizations (NGOs). Dirasah: Journal of Islamic Education Science and Management Studies, 6(1), 81-92.

Hanafi, Mahmud M. 2014. Risk Management. South Tangerang: Open University.

Hermansyah, S. H. (2020). *Indonesian National Banking Law: 3rd Edition*. Pretone Media.

Jikrillah, S., Ziyad, M., &; Stiadi, D. (2021). Risk Management Analysis of MSME Business Sustainability in Banjarmasin City. *JWM (Journal of Management Insights), 9*(2), 134-141.

Kadar, M. G., Sari, O. H., Simarmata, H. M. P., Lie, D., Sugiarto, M., Tanjung, R., ... & Weya, I. (2021). Strategic Management and Leadership. Our Foundation Writes.

Kausar, A., &; Agusta, R. (2022). The impact of implementing strategic management on the development of micro enterprises in South Sulawesi. *Journal of Nitro Financial Banking Management*, *5*(1), 20-32.

Ministry of Finance of the Republic of Indonesia. 2019. KMK Number 577/KMK.01/2019 concerning Risk Management within the Ministry of Finance. Secretariat General of the Ministry of Finance of the Republic of Indonesia.

Meidita, T., &; Sukmono, Y. (2023). Formulation of Rengginang product marketing strategy with the application of strategy management formulation. *Journal of Industrial Engineering: Journal of Research Results and Scientific Work in the Field of Industrial Engineering*, *9*(1), 155-166.

Naution, A. A. (2018). Strategic Management in Education. Kalam Mulia, 8(9), 1–58. https://www.academia.edu/download/58033893/MANAJEMEN_STRATEGIK_MPI-1_Semester_V.pdf.

Porter, M. E. (2008). The five competitive forces that shape strategy. Harvard business review, 86(1), 78.

Primary, R. (2018). Application of Risk Management in Sharia Banking (Case Study at Bank Muamalat &; Bank Syariah Mandiri Ternate City Branch). Journal of Management Partners, 2(6), 597-609.

Pratiwi, D., &; Kurniawan, B. (2018). The effect of the application of risk management on the financial performance of the banking industry. Journal of Business Accounting, 10(1).

Purwanto. (2008). Quantitative Research Methodology for Psychology and Education. Student Library.

Riani, Rezky; Dr. Heni Mutlarsih Jumhur, S.H., M.H., 2020. Implementation of Risk Management at the Ministry of Finance According to the Decree of the Minister of Finance (KMK) NO. 577. Telkom University.

Rianto, S., &; Wijaya, L. I. (2022). Strategic Management Practices During the Covid-19 Pandemic: A Case Study of Pt X Private Construction Implementers. *Journal of Business Applications and Management (JABM*), *8*(2), 481-490.

Sari, R. A., Yuniarti, R., &; Puspita, D. (2017). Risk management analysis in rattan small industry in Malang City. *Journal of Industrial Engineering Management*, *2*(2), 39-47.

Sedjati, R. S. (2015). *Strategic Management*. Deepublish.

Suharto, Dedhi. 2021. https://birokratmenulis.org/sekilas-pandang-mengelola-risiko-di-kementerian-keuangan/, accessed on July 21, 2021 at 05.48 WIB.

Sukarsono, A. (2017). Strategic Management of Cooperative Marketing Development in the Global Era. *JKIE (Journal of Knowledge Industrial Engineering), 4*(1).

Sumadi, S. (2020). Assessing the impact of the Covid-19 pandemic phenomenon on Islamic banking. *Journal of Sharia Economic Law*, *3*(2), 145-162.

Supriyadi, A., &; Setyorini, C. T. (2020). The effect of risk management disclosure on company value through financial performance in the Indonesian banking industry. *Owner: Accounting Research and Journal*, *4*(2), 467-484.

Susetyo, A., &; Prasetyo, A. (2020). Risk Management Training for Micro, Small and Medium Enterprises in the Covid-19 Pandemic Era. *JCSE: Journal of Community Service and Empowerment*, *1*(1), 81-87.

Widayanto, M. T. (2020). Analysis of the Application of Strategic Management and Its Impact on Business Performance. *JMK (Journal of Management and Entrepreneurship*), *5*(3), 173-182.

Widioatmodjo, S. (2015). *Capital market knowledge for the Indonesian context*. Elex Media Komputindo.

Jonah, E. (2016). Strategic management. Andy Publishers.