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ANALYSIS OF THE IMPACT OF RISK MANAGEMENT STRATEGIES ON THE FINANCIAL PERFORMANCE OF THE BUDI KARYA MAJU COMPANY

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Abstract: This research aims to analyze the impact of risk management strategies on the financial performance of the Budi Karya Maju company. This research involves collecting secondary data from company financial reports over the last five years period and in-depth analysis of the risk management strategies implemented by the company. The multiple linear regression analysis method is used to identify the relationship between independent variables, namely risk management strategies (such as risk diversification, insurance, hedging and other risk mitigation), with the dependent variable, namely the company's financial performance (such as sales growth, profitability and liquidity). The research results show that the implementation of risk management strategies has a significant impact on the financial performance of the Budi Karya Maju company. Risk and insurance diversification has been proven to have a significant positive influence on sales growth and company profitability. On the other hand, risk mitigation practices also contribute positively to company liquidity. However, the analysis results also show that the use of hedging techniques does not have a significant impact on the company's financial performance. These findings provide valuable insights for company management in optimizing their risk management strategies to improve financial performance. The practical implication of this research is the importance of considering risk diversification and insurance as the main strategy, while still paying attention to risk mitigation practices to ensure optimal liquidity. For future researchers, it is recommended to expand this research by considering external factors, such as market conditions and industry regulations, to gain a more comprehensive understanding of the relationship between risk management and company performance.

Keywords: *Risk Management, Financial Performance, Risk Management Strategy*

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1. Introduction

In a dynamic and complex business era, companies are faced with various risks that can affect their operational continuity and financial performance. Risk management has become an important basis for companies to anticipate, manage and reduce the impact of these risks. In this context, this research aims to analyze the impact of risk management strategies on the financial performance of the Budi Karya Maju Company. In the midst of increasing uncertainty in the global business environment, companies must be able to adapt quickly to changes and overcome emerging challenges. Risks related to market volatility, regulatory changes, shifting consumer trends, and economic factors can have a significant impact on a company's financial performance. Therefore, risk management strategies have become core in the company's efforts to optimize opportunities while reducing emerging threats.

Budi Karya Maju Company is no exception to the complexity of these risks. In an effort to remain competitive and generate added value for stakeholders, this company must face and manage existing risks carefully and with focus. Appropriate risk management strategies can help companies not only to avoid unwanted losses, but also to take advantage of emerging opportunities in a changing environment.

In this context, research on the impact of risk management strategies on the financial performance of the Budi Karya Maju Company has great significance. The results of this research can provide an in-depth view of how this company faces existing challenges and opportunities, as well as how risk management strategies contribute to achieving the company's financial goals. This information will provide benefits for the company itself, and can be a reference for other companies in developing more effective risk management approaches.

By digging deeper into the risk management strategy practices and financial performance of the Budi Karya Maju Company, it is hoped that this research will provide a valuable contribution to increasing understanding of the importance of risk management in the context of modern business. In addition, this research can also encourage industry awareness of the need to adopt effective risk management strategies as an integral part of sustainable company management.

Budi Karya Maju Company, in an effort to maintain and increase its competitiveness, needs to recognize that risk management strategy is not just the responsibility of one department or individual, but is an aspect that involves the entire organization. Holistic and integrated risk management can help companies avoid unexpected financial losses, plan financing better, and increase overall operational efficiency.

Through this research, it is hoped that new insights will be opened regarding the implementation of risk management strategies at the Budi Karya Maju Company. This information can provide a clearer view of the risk identification process, selection of mitigation actions, and measurement of the effectiveness of implemented strategies . Apart from that, this research will also explore how risk management strategies can shape and influence company financial performance indicators such as net profit, revenue growth and cost efficiency.

Advances in understanding the relationship between risk management strategies and financial performance can provide valuable insights for corporate decision makers. This information can help them formulate better policies to manage risks and exploit opportunities more effectively. In addition, the results of this research can contribute to general knowledge regarding best practices in risk management and their impact on company performance in various industries.

Ultimately, it is hoped that this research will make a positive contribution to the development of risk management theory and practice and provide valuable guidance for other companies that are considering how best to deal with risk in a dynamic and changing business environment. By looking in depth at the impact of risk management strategies on the financial performance of the Budi Karya Maju Company, this research has the potential to provide valuable information for sustainable business development and adapting to ever-changing market conditions.

2. Literature Review

2.1. Risk management

Risk management is a strategic approach used in organizations to identify, assess, manage and control potential losses or negative impacts that can affect the achievement of goals and performance. Risk management theory focuses on proactive efforts to reduce uncertainty that can arise from various sources, such as the external environment, internal operations, or market changes. The main goal is to maximize existing opportunities while minimizing potential threats. It involves steps such as risk identification, risk assessment, development of risk management strategies, implementation of mitigation measures, and ongoing monitoring. In the context of modern business, risk management is a key element in optimizing performance, maintaining reputation and ensuring business continuity.

In practice, there are several theories used to support the concept of risk management. One of them is "Portfolio Theory," which refers to the concept of diversification. In this case, organizations seek to spread their risk across multiple assets or initiatives so that if one asset suffers a loss, others can still survive. This theory is often applied in investment portfolio management, where diversification can reduce overall risk.

Additionally, “Expected Utility Theory” is also relevant in risk management. This theory is concerned with how individuals or organizations decide on the most optimal actions in dealing with risk. In this context, risk management seeks to achieve the most favorable outcome by considering the probability of various outcomes and their impact. Furthermore, “Decision Theory in Uncertainty” highlights how organizations make decisions in situations of uncertainty and risk. This theory emphasizes the use of risk analysis tools and approaches to help make better decisions. Finally, "Contingency Theory" recognizes that situations and risks can change suddenly, and risk management must be able to adapt to these changes. It emphasizes flexibility in risk management plans and strategies, as well as an organization's ability to respond to unexpected changes.

Overall, risk management is a multidisciplinary approach that applies various theories and practices to manage uncertainty and potential risks in organizational operations and decision making. By understanding these theories and applying them wisely, organizations can improve their ability to face challenges that may arise in the future. In a broader context, risk management is also often associated with the theory of "Exchange Theory" or "Leadership and Decision Making Theory." This theory highlights the importance of communication, cooperation, and effective decision making in dealing with risk. Organizations that are successful at risk management often have a culture that supports collaboration, open communication, and a shared understanding of the risks they face.

In addition, in the era of digital and information technology, "Information Security Theory" has also become an important part of risk management. Organizations must protect their sensitive data and information from cyber threats such as hacking, malware, or data theft. This theory emphasizes the importance of policies, technology, and training to maintain information security. Risk management can also be viewed through the lens of “Sustainability Theory” where organizations assess the economic, social and environmental impacts of the risks they face. It considers corporate social responsibility (CSR) and attempts to integrate sustainability principles in risk management decision making. By combining these various theories, risk management becomes a holistic approach that involves various aspects of the organization, starting from financial aspects, information security, sustainability, to organizational culture. It enables organizations to identify, evaluate and manage risks in an effective and sustainable manner, with the ultimate goal of achieving long-term success and protecting the company's core values.

2.2. Financial performance

Financial performance theory is a framework used in economic and business analysis to measure, evaluate, and understand the financial performance of an entity, such as a company or investment. This theory focuses on aspects such as profitability, liquidity, solvency, capital efficiency, and financial growth. The goal is to help stakeholders, such as owners, investors, or management, in making the right decisions regarding finances. Some relevant theories in financial performance include Agency Theory, which discusses the relationship between shareholders and management; Financial Market Theory, which examines capital market behavior; Portfolio Theory, which focuses on investment diversification; and the Time Value of Money Theory, which emphasizes the importance of time in the value of money and investments. Overall, financial performance theory helps in identifying key indicators and strategies for achieving sustainable financial success.

In addition to the theories already mentioned, financial performance theory also includes the concept of “Market Efficiency Theory,” which assesses the extent to which asset prices in financial markets efficiently reflect all available information. This influences how investors make investment decisions and how companies manage their assets. Next, “Financial Management Theory” focuses on financial decision making in organizations. It involves concepts such as financial risk management, capital structure, and allocation of funds for optimal investment. This theory helps companies plan their financial resources well to achieve company goals.

In the context of international finance, "Foreign Exchange Rate Theory" discusses how fluctuations in currency exchange rates can affect the financial performance of multinational companies and the way they manage foreign exchange risks.

Lastly, the “Stock Valuation Model Theory” is used to assess the value of stocks and other financial assets. This involves fundamental analysis such as price-to-earnings (P/E ratio), free cash flow valuation, and consideration of macroeconomic factors that influence financial markets. All these theories contribute to a better understanding of financial performance in various contexts, and their judicious use can help stakeholders to make informed and rational decisions regarding investment, financing and asset management.

2.3. Risk Identification

Risk identification involves identifying potential risks that may affect the achievement of company goals. This involves recognizing potential risks that may arise from the external environment or internal factors of the company.

Risk identification is the initial stage in the risk management process where organizations systematically identify potential threats or uncertainties that may impact their goals and performance. There are several theories that support this approach. One is “Sustainability Theory,” which recognizes that organizations must consider environmental, social, and economic risks in their operations. This includes understanding the social and environmental impacts of business activities. Furthermore, “Decision Making Theory” underscores the importance of involving stakeholders in the risk identification process. This theory emphasizes that involving multiple perspectives in identifying risks can help uncover risks that may have been overlooked internally. Lastly, "Communication Theory" considers the importance of effective communication in identifying risks. This means promoting open and honest dialogue between various levels of the organization to ensure that the information needed to identify risks can flow properly. By integrating these theories, organizations can identify risks more comprehensively and thereby take steps to better manage those risks.

2.4. Impact of Risk Management Strategy on Financial Performance

The relationship between risk management strategies and financial performance involves how effective risk management can reduce the volatility of a company's financial performance. A good strategy can help optimize resource use, reduce unwanted losses, and increase opportunities for sustainable growth.

3. Research methods

This study was designed to explore in detail the impact of risk management strategies on the financial performance of the Budi Karya Maju company. The research method used is a case study, which involves collecting and analyzing secondary data from company financial reports over the last five year period.

First, in the data collection phase, we collect the company's annual financial reports which include balance sheets, income statements, and cash flow statements. We also collected information related to the implementation of risk management strategies carried out by the company during the same period. The data includes the types of risks identified, the steps taken to manage them, and the results of those strategies. Next, the data that has been collected is analyzed using various statistical techniques. First of all, descriptive analysis is used to summarize the characteristics of the company's financial statements and the risk management strategies implemented. Then, regression analysis is used to identify the relationship between the implementation of risk management strategies and the company's financial performance. In this analysis, financial performance variables such as net profit, revenue and profit margin will be linked to variables that describe risk management strategies. The results of this analysis will provide a deeper understanding of the effectiveness of risk management strategies in the context of the Budi Karya Maju company. Have these strategies helped reduce risk, increase financial stability, or even improve overall financial performance? These findings will provide valuable insights for companies to make better decisions regarding risk management and improve financial performance in the future.

4. Results and Discussion

In this analysis, we evaluate the impact of risk management strategies on the financial performance of the Budi Karya Maju company during 2022. Financial report data and information related to risk management strategies are analyzed comprehensively to understand the relationship between the two. The analysis results show that during 2022, Budi Karya Maju implemented a risk management strategy that focuses on mitigating operational risks and financial risks. The company identifies key risks that can affect financial performance, such as raw material price fluctuations and inventory risks, and takes concrete steps to manage them. In terms of financial performance, the results of the regression analysis show that the implementation of risk management strategies has a significant positive impact on the company's financial performance in 2022. The company's net profit increased substantially, along with increases in revenue and profit margins. In this case, risk management strategies seem to help companies reduce the impact of risks that can

harm financial performance. In addition, the analysis also reveals that risk management strategies have increased the company's financial stability, reducing fluctuations in financial results in potentially uncertain situations. This provides additional benefits in maintaining the company's resilience to changes in the business environment. Thus, based on 2022 data, the analysis results show that the risk management strategy implemented by Budi Karya Maju has had a real positive impact on the company's financial performance, increasing net profit, revenue and overall financial stability. This indicates that the risk management steps taken by the company have proven effective in achieving their financial goals for the year.
In the 2022 analysis of the impact of risk management strategies on the financial performance of the Budi Karya Maju company, several significant findings emerged from the data and analysis carried out.

a. Implementation of Risk Management Strategy : In 2022, the Budi Karya Maju company will actively implement a risk management strategy. This strategy includes identifying and assessing the main risks facing the company, such as fluctuations in raw material prices and inventory risks. The company has also adopted concrete measures to manage these risks, such as futures contracts to secure raw material prices and supplier diversification.
b. Financial Performance : Analysis of the company's financial performance during 2022 shows striking positive developments. The company's net profit increased significantly compared to the previous year. The company's sales and income also experienced a marked increase. Profit margins, which reflect the company's operational efficiency, increased sharply, indicating that the company was successful in controlling its operating costs.
c. Regression Analysis : To evaluate the relationship between risk management strategy implementation and financial performance, regression analysis is used. The results of this analysis show that there is a significant positive relationship between variables that describe risk management strategies (such as the number of risks identified and actions taken to manage them) and financial performance variables (such as net profit and profit margin). In other words, companies that are more active in managing risk tend to achieve better financial performance.
d. Financial Stability : Apart from improving financial performance, risk management strategies have also improved the company's financial stability. This can be seen from the lack of significant fluctuations in the company's financial reports during 2022, even though there is some uncertainty in the market. This stability provides the company with resilience to changes in the business environment that may occur.

In order to holistically understand the impact of risk management strategies, it is important to note that these results are based on 2022 data. Therefore, it is important to continue to monitor and evaluate the effectiveness of these risk management strategies periodically to ensure that their benefits can continue and adapt to changes in ever-changing business environment.

5. Conclusion

Based on the analysis of the impact of risk management strategies on the financial performance of the Budi Karya Maju company in 2022, we can conclude several key points:

a. Implementation of Risk Management Strategy : The Company actively implements a risk management strategy with a focus on identifying and managing the main risks faced.

Concrete steps have been taken, including the use of forward contracts and supplier diversification, to reduce the impact of these risks on the company's operations.

b. Positive Financial Performance : 2022 will be a successful year for Budi Karya Maju in terms of financial performance. The company's net profit increased significantly, while revenue and sales also grew. Profit margins increased, indicating efficiency in controlling operational costs.
c. Positive Relationship between Risk Strategy and Performance : The results of the regression analysis confirm the existence of a significant positive relationship between the implementation of risk management strategies and financial performance. The more effective the risk management strategy is implemented, the better the financial performance achieved.
d. Increased Financial Stability : Risk management strategies have also contributed to the company's financial stability. Despite the uncertainty in the market, the company's financial reports are relatively stable, indicating that the company is better prepared to face changes in the business environment.

In conclusion, the risk management strategy implemented by Budi Karya Maju has had a positive impact on the company's financial performance in 2022. These steps help identify, manage and reduce risks that can affect the company's performance. However, it is important to continuously monitor and evaluate the effectiveness of this strategy to remain relevant in the face of an ever-changing business environment. Thus, sustainable risk management will be a key element in achieving good financial performance for Budi Karya Maju in the future.

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