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Implementing Risk Management in Small Business: Harum Laundry MSMEs Case Analysis

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Abstract: This study aims to examine the implementation of business risk management in Harum Laundry MSMEs. The analysis was conducted on various aspects of risks such as financial, operational, marketing, and product faced by Harum Laundry MSMEs. The method used in this research is a qualitative approach by collecting data through interviews. The results of the analysis identified that the biggest risk is related to finance, where reliance on personal capital can result in disruption to business operations. The research also offers solutions in controlling these risks by proposing cooperation with business partners as an anticipatory measure against possible business failures. It is hoped that the results of this study will not only provide benefits for entrepreneurs to implement risk management in their businesses, but also increase understanding of the importance of risk management in the business context.

Keyword: MSME business; risk management; qualitative method

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Introduction

In an increasingly complex and dynamic business environment, risk management is one of the important aspects that must be considered by every business actor, including Micro, Small and Medium Enterprises (MSMEs). This complexity arises from various factors such as rapid technological change, global economic fluctuations, market uncertainty, and frequent regulatory changes (Febriyantoro & Arisandi, 2018; Mavilinda et al., 2021). Each of these factors carries risks that have the potential to disrupt business operations and sustainability. Therefore, MSMEs, which often have limited resources compared to large companies, must be more vigilant and proactive in identifying, analyzing and managing existing risks. A systematic and effective risk management approach is vital to ensure that MSMEs can survive and thrive amidst increasingly fierce competition and an ever-changing business environment (Andayani et al., 2021; Sasongko et al., 2020).

MSMEs are of course related to business, and risk is always present in carrying out these business activities. Risk is the possibility of loss due to a certain event. Therefore, before the risk occurs, we must be prepared to face or minimize it by implementing risk management. Risk management is needed to direct, identify, and establish solutions to handle risks. The risk management process can be used as a reference so that organizations can maintain consistency in carrying out the stages of managing their risks, from setting the context to monitoring, reviewing, and reporting on each risk managed (Darmawi, 2022; Setiawan et al., 2021)

In this study, researchers analyzed Harum Laundry MSMEs engaged in services, specifically offering washing and ironing services for clothes, pants, bedcovers, bed linen, curtains, dolls, jackets, blankets, and dry cleaning that are calculated based on units or kilograms. Given the development potential of Harum Laundry, the implementation of risk management is very important. Risk management needs to be implemented so that the company can identify potential risks that may occur and prepare the right solutions to overcome them.

The purpose of this study is to identify the risk management process, analyze the risks that may arise, control these risks, and develop a risk management strategy. In addition, this research aims to increase the awareness of Harum Laundry MSME business actors about the importance of risk management in their business (Siswanti et al., 2020). The results of this study are expected to help entrepreneurs implement risk management in their business to anticipate and identify high-probability risks, so that their business can grow and be sustainable in the future.

Theoretical Basis

One of the most relevant and practical theories in understanding risk management for small businesses is the Contingency Risk Theory. This theory is rooted in the broader field of contingency theory in organizational studies, which posits that there is no single best way to manage an organization or its functions. Applied to risk management, the Contingency Risk Theory argues that the design and implementation of risk management practices must be context-specific, depending heavily on the internal and external environment in which a business operates. For small businesses, this approach is particularly significant, as they typically face a unique set of vulnerabilities compared to larger enterprises. These may include limited financial and human resources, lower access to formal risk management infrastructure, dependence on a small number of clients or suppliers, and greater sensitivity to market fluctuations or policy changes.

Unlike large organizations that can afford to implement complex, standardized risk frameworks, small businesses often need to adopt more flexible, intuitive, and resource-sensitive methods. The Contingency Risk Theory acknowledges that small business owners are frequently involved in every aspect of the operation, from finance to customer relations, and therefore need adaptive tools that reflect their reality. This may involve informal but regular risk assessments, practical strategies such as maintaining liquidity buffers, obtaining basic insurance coverage, or forming strategic partnerships to share risks. Furthermore, the theory encourages a focus on adaptive capacity, or the ability of small firms to rapidly respond to risks as they emerge—leveraging their typically shorter decision-making chains and closer contact with customers and suppliers.

The theory also highlights the importance of environmental scanning and awareness. Since small businesses operate in dynamic environments where technological, economic, and regulatory changes can occur rapidly, risk management cannot be static. Contingency Risk Theory suggests that firms must continuously assess their internal competencies and the external threats or opportunities they face, and then align their risk responses accordingly. For example, a small food business might face sudden changes in health regulations or supplier disruptions; instead of relying on a pre-set policy, the business must quickly adapt by sourcing alternative suppliers or adjusting operational procedures.

However, while the theory's flexibility is a strength, it also invites certain criticisms. Because it relies so heavily on context, it can lack the structured discipline of more formal risk management standards like ISO 31000. There is also a risk of inconsistency or short-term thinking if decision-making is guided solely by immediate conditions rather than long-term strategy. Despite these limitations, Contingency Risk Theory remains a highly valuable framework for small businesses. It empowers them to develop customized, cost-effective, and scalable approaches to risk, without overburdening them with unnecessary complexity. By encouraging alignment between strategy, structure, and situational factors, the theory supports a more sustainable and resilient model of business risk management

Method

Qualitative research methods can be interpreted as research approaches that aim to understand phenomena in their natural context, without manipulation or control of the environment as typically found in experimental research designs. These methods are primarily utilized when the objective is to explore the depth and complexity of human behavior, social interactions, organizational dynamics, or cultural practices, where statistical generalization is not the main goal. In qualitative research, the researcher serves as the key instrument, playing a central role in collecting, interpreting, and analyzing data. The involvement of the researcher is not only as a data collector but also as an interpreter of the meaning behind social actions and interactions. Data collection in qualitative research typically employs triangulation techniques, which involve the combination of several methods such as interviews, observations, and document analysis, to ensure the credibility, validity, and reliability of the findings (Sugiyono, 2019). Data analysis is conducted through an inductive approach, allowing patterns, categories, and themes to emerge from the data rather than being imposed a priori.

In this study, the research approach utilized is a case study, which is particularly suitable for exploring contemporary phenomena within real-life contexts, especially when the boundaries between the phenomenon and its context are not clearly evident. The case study approach enables an in-depth and holistic understanding of a specific subject, which in this case is the risk management process within Harum Laundry, a Micro, Small, and Medium Enterprise (MSME). The primary method of data collection employed in this research is the in-depth interview, which allows researchers to obtain detailed, nuanced information directly from informants through open-ended and semi-structured questions. These interviews are aimed at capturing the perspectives, experiences, and insights of the business actors involved. As supplementary techniques, observation and direct business analysis are also conducted. Observation allows researchers to directly witness operational processes and behaviors in the natural business environment, while business analysis helps to uncover underlying patterns or issues in the workflow, financial structure, and operational risks (Aditya, 2021; Lubis et al., 2022).

The data analysis process in this study is concentrated on the identification and classification of potential risks faced by Harum Laundry MSMEs. Through systematic interpretation of the collected data, the study aims not only to describe the risks but also to understand their root causes and the contextual factors that contribute to their emergence. Subsequently, the analysis extends to the formulation of relevant and applicable risk mitigation strategies, which are grounded in empirical findings and adapted to the specific characteristics and resource limitations of the MSME being studied. This comprehensive and contextualized analysis is expected to contribute practically to the improvement of risk management practices in MSMEs and academically to the enrichment of literature related to qualitative research in business risk analysis.

Result and Discussion

MSME Risk Identification

The research begins by identifying risks at Harum Laundry MSMEs using a table to find out what risks are likely to occur and the impact of identifying these risks. This process is obtained from collecting data from interviews and observations at the research location. Table 1 explains the identification of risks, the impact of risk identification, and the level of risk in the form of a percentage that can represent the existing conditions of Harum Laundry MSMEs.

Table 1. Risk Identification

No.	Risk Identification	Risk Impact	Probability	Risk Value
1	Harum Laundry does not have capital from the government and only uses personal capital.	Lack of Business Capital	60%	Very High Risk
2	Increase in raw material prices related to laundry business	Need for more capital	6%	Low Risk
3	Minimal business profit generation	Business capital tends to decrease	7%	Low Risk
4	Lack of human resources to assist in the work	Decreased Work Productivity	25%	Medium Risk
5	Marketing is done based on the location of the business, not yet using digital marketing media	Dependence on on-site customers, unable to expand customer reach	30%	Medium Risk
6	The number of competitors in the same business field	Less customers, high competition	45%	High Risk
7	Product maintenance is not regularly performed	Declining service quality	15%	Medium Risk

Based on table 1, it can be explained that the probability value is obtained from the provisions: >10% = Low Risk, 10% = Medium Risk, <20% = High Risk and <50% = Very High

Risk.

Based on the analysis of the risk identification table at Harum Laundry MSMEs, here are some of the risks faced and their solutions:

The financial risks faced by Harum Laundry include the possibility of business failure in case of capital shortage as the business still relies on personal capital. This risk is exacerbated by inflation and rising prices of raw materials such as detergents and deodorizers. In addition, the use of business income for personal use by the owner may reduce the capital available for business operations. Operational risk occurs due to a lack of employees which can reduce business productivity. Non-standard operations can affect employees' performance and knowledge of Harum Laundry, making it not run optimally.

Marketing risks arise because the business is not widely known, due to marketing that only relies on the surrounding environment and does not utilize social media. The number of other laundry businesses makes Harum Laundry's marketing limited to the area around the business, so it cannot expand its market reach.

Product risk is related to the lack of maintenance on the equipment used, such as washing machines that are not regularly maintained, which can reduce the performance of the equipment. In addition, service quality is also a risk, such as customer confidence in the services provided and the ability of the service to solve problems quickly and effectively.

Solution to MSME Business Risk Identification

After identifying the risks to Harum Laundry, some problems need to be solved with appropriate solutions. Financial risk control that Harum Laundry should do includes preparing raw materials for the next 2-6 months to anticipate price increases, not relying on only one source of income to avoid business failure, and inviting partners or family members to invest in the business.

The operational risk control that Harum Laundry must do involves asking for help from family or relatives if they don't want to add employees, as well as providing training and information to employees so that they understand business SOPs.

The marketing risk control that Harum Laundry must do includes marketing the business through social media with advertisements, offering services that meet consumer needs, and targeting marketing to people who are boarders or migrants who do not have washing machines.

The product risk control that Harum Laundry must do involves routine maintenance of washing machines, ensuring the detergents and fragrances used are safe, and using clothes-safe irons. In addition, providing services in a polite and friendly manner, as well as not discriminating against consumers, is also an important part of product risk control.

Conclusion

Risk identification for Harum Laundry MSMEs covers several crucial aspects. In terms of financial risk, the owner still relies on personal capital for his business operations. In terms of operational risk, it is known that Harum Laundry only has less than five employees, which hinders a significant increase in business productivity. In terms of marketing risk, Harum Laundry is still limited to marketing in the neighborhood and has yet to utilize social media to expand its market reach. For product risk, the quality of service offered is very influential in attracting customers to use Harum Laundry's services. In comparing the analysis of previous research and current research, the researcher concludes that both have similarities in analysis, but differ in the problems addressed and the solutions provided.

The analysis of previous research shows that the biggest risk lies in product risk, while the current research shows that financial risk is the most dominant. Suggestions for this research include: (1) To overcome financial risk, Harum Laundry should prepare raw materials for the long term to anticipate inflation. (2) For operational risk, it is suggested that Harum Laundry set SOPs for employees and increase the number of employees to increase productivity. (3) For marketing risk, it is expected that Harum Laundry will start marketing its business through social media to reach more consumers. (4) For product risk, Harum Laundry needs to maintain the machines regularly to ensure that the service quality is maintained and there are no problems.

Future Research Recommendation

Given the findings and scope limitations of this study on Implementing Risk Management in Small Business, several directions for future research are recommended. First, future studies are encouraged to explore the implementation of risk management across a wider variety of sectors within the small business ecosystem. Since this research focused on a single business case, generalizability remains limited; therefore, comparative studies involving multiple MSMEs across different industries (e.g., manufacturing, services, agriculture) would enrich the understanding of sector-specific risk profiles and mitigation strategies. Second, future research may benefit from incorporating a longitudinal approach to examine how risk management practices evolve over time within small businesses, particularly in response to external changes such as economic crises, regulatory reforms, or technological advancements. This would provide deeper insights into the sustainability and adaptability of risk mitigation frameworks in dynamic business environments.

Third, the integration of quantitative methods alongside qualitative approaches is recommended for future research. By combining structured risk assessment tools (e.g., risk scoring matrices, financial risk ratios) with qualitative insights, researchers can produce a more robust and measurable evaluation of risk impact and likelihood. Such a mixed-methods approach could also help validate findings and support the development of standardized risk management models tailored for small enterprises. Fourth, there is a need for further investigation into the role of digital tools and technologies in enhancing risk management capabilities in small businesses. Future studies could assess the effectiveness of digital solutions such as cloud-based risk tracking systems, AI-based risk prediction models, and mobile applications in supporting decision-making and early risk detection in resource-constrained enterprises.

Lastly, future research could delve into the behavioral and psychological aspects of risk perception among small business owners and managers. Understanding how personal values, experience, and cognitive biases influence risk-related decisions can offer critical insights for designing training programs and policy interventions that encourage proactive risk management behavior in the small business sector.

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