

## SWOT Analysis Approach in Business Risk Management for MSMEs

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**Abstract:** Risk management analysis techniques using SWOT analysis can be used in helping MSME businesses. The main problem faced is the inability to manage risks that can threaten the business continuity of UMKM Kopitiam Nusantara. The solution offered is the implementation of effective risk management through the identification of strengths, weaknesses, opportunities, and threats faced. The research method used is qualitative with a participatory observation approach and in-depth interviews. The results showed that Kopitiam Nusantara has strengths in menu variety, comfortable atmosphere, good customer service, and affordable prices. However, weaknesses such as limited facilities and the use of traditional equipment need to be addressed. Opportunities from economic growth and the trend of returning to tradition can be capitalized on, but threats from fierce competition and changing consumer preferences must be well managed. This study concludes that effective risk management is critical to the sustainability of MSME businesses.

**Keyword:** culinary business; MSME; risk management; SWOT Analysis

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## Introduction

One of the fast-growing MSME sectors is the culinary business, particularly traditional cafes such as kopitiam. Kopitiam, which combines coffee drinking culture with typical snacks, has become a popular choice among urbanites. Kopitiam Nusantara has managed to attract customers with a concept that combines local flavors and a traditional atmosphere. Although this business has shown encouraging growth, it is not free from various risks that could threaten its business continuity. These risks include economic fluctuations, changing consumer preferences, operational issues, and the threat of intensifying competition (Prasetyani & Wahyuningsih, 2019; Suwarni & Handayani, 2021). Therefore, risk management is a crucial aspect that needs to be considered by MSMEs such as Kopitiam Nusantara to ensure long-term sustainability and success (Kusuma et al., 2021).

Risk management is the process of identifying, analyzing, and mitigating risks that can affect the success of a business. In the context of MSMEs, particularly kopitiam businesses, risk management has a high urgency given their limited resources and lower adaptability compared to large enterprises. MSMEs often operate with slim profit margins and limited capital (Wijaya et al., 2022). Thus, the lack of effective risk management strategies can lead to significant financial losses or even bankruptcy (Yuningsih et al., 2022).

At Kopitiam Nusantara, various types of risks can arise, ranging from financial risk, operational risk, to reputational risk. For example, fluctuations in the price of raw materials such as coffee and sugar can affect production costs and selling prices (Candrasari, 2022). In addition, changes in government regulations regarding the culinary business or health and hygiene standards can also add to the operational burden (Indriyani et al., 2022). Other operational risks include equipment breakdowns, decreased service quality, and ineffective supply chain management (Jikrillah et al., 2021; Wiyono & Paramarta, 2021). In terms of reputation, errors in service or inconsistent products can lead to decreased customer loyalty.

Literature studies show that risk management in MSMEs is a topic that is gaining increasing attention. (Mustofa, 2022; Sudarmo, 2020) show that the implementation of systematic risk management in MSMEs can improve operational efficiency and business sustainability. The importance of a proactive approach in identifying risks, including financial, operational, and strategic risks (Aryani et al., 2022). Other research by (Saputra et al., 2022; Simarmata et al., 2021) highlighted that the use of information and communication technology (ICT) in risk management can assist MSMEs in collecting relevant data, monitoring risk indicators, and taking corrective actions more quickly. In the context of culinary businesses, food quality and safety risks are one of the main concerns. Risk management in cafes shows that diversifying suppliers and purchasing raw materials strategically can reduce price and supply risks.

This research aims to analyze risk management in MSME businesses, with a case study on Kopitiam Nusantara. Specifically, this research has several main objectives: Identify the types of risks faced by Kopitiam Nusantara, Analyze the impact of these risks on Kopitiam Nusantara's business, Evaluate the risk management strategies that have been implemented by Kopitiam Nusantara and Provide recommendations to improve risk management at Kopitiam Nusantara. This research will identify various risks that have the potential to affect the operations and business continuity of Kopitiam Nusantara. This identification includes financial, operational, strategic, and reputational risks (Paramarta et al., 2021; Sudarmo et al., 2020).

By achieving these objectives, this research is expected to make a significant contribution in understanding and improving risk management in MSMEs, especially in the culinary sector such as Kopitiam Nusantara. The results of this study are also expected to serve

as a reference for other MSMEs in developing effective risk management strategies to face business challenges and uncertainties.

Strategic Management Theory provides a foundational framework for understanding how businesses, including Micro, Small, and Medium Enterprises (MSMEs), formulate, implement, and evaluate strategies to achieve sustainable competitive advantage. This theory emphasizes the importance of aligning internal resources and capabilities with external opportunities and threats, which aligns directly with the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis approach. At its core, Strategic Management Theory posits that organizations must continually assess both their internal environment—such as operational capacity, financial strength, and human resources—and their external environment, including market trends, customer behavior, regulatory shifts, and competitive dynamics. This dual focus enables businesses to make informed decisions that balance risk and opportunity, which is critical for MSMEs that often operate with limited resources and face higher vulnerability to market changes. SWOT analysis, derived from the Strategic Management framework, serves as a practical tool to systematically identify and categorize internal and external factors affecting business performance. Strengths and weaknesses represent internal factors, such as access to capital, employee skillsets, brand recognition, or technological capabilities. Opportunities and threats, on the other hand, involve external elements like economic shifts, technological innovations, changes in consumer preferences, or competitive pressures. By mapping out these elements, MSMEs are better equipped to assess their current position and design strategies that minimize risks and capitalize on growth opportunities. For example, a small retail business with strong customer loyalty (a strength) may use that advantage to expand into online markets (an opportunity), while simultaneously addressing a limited digital marketing capacity (a weakness) and preparing for increased competition (a threat).

Strategic Management Theory further suggests that strategy formulation is not a one-time process but a dynamic, continuous cycle that requires adaptation and responsiveness to the environment. This perspective is particularly valuable in the context of risk management for MSMEs. Because these enterprises often operate in volatile or rapidly changing markets, their ability to quickly identify emerging threats and respond strategically can mean the difference between survival and failure. SWOT analysis offers a structured mechanism to conduct such evaluations, helping MSMEs to not only identify potential business risks but also to prioritize them based on their likelihood and potential impact. For instance, a change in government policy might pose a significant threat to an MSME in the food industry, but if the enterprise has a diversified supplier network and strong compliance practices, the actual risk may be mitigated effectively. Furthermore, the application of Strategic Management Theory through SWOT analysis enhances decision-making by promoting strategic thinking and long-term planning. It encourages MSME owners and managers to move beyond reactive approaches to business challenges and adopt a more proactive stance. This shift in mindset is crucial for risk management, as it fosters resilience and prepares enterprises to deal with uncertainty more effectively. In addition, SWOT analysis can also be integrated into broader risk assessment frameworks, such as Enterprise Risk Management (ERM), allowing MSMEs to develop comprehensive strategies that align with their mission, vision, and goals.

## Method

This research uses qualitative research methods. This method is basically a scientific way to collect and analyze data with specific purposes. Through research, one can use the results to understand, solve, and predict various problems. Qualitative research methods are used to understand the natural conditions of the research subject where the researcher acts as the main

instrument in data collection. Data analysis is carried out inductively, with research results that emphasize the significance of findings rather than generalizations. The qualitative approach in this study aims to explore in-depth information about risk management at Kopitiam Nusantara. This research will focus on the experiences of the research subjects, such as the owners, managers, and staff of Kopitiam Nusantara, in facing and managing business risks. The use of SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) (Lumbanraja et al., 2021; Paramarta et al., 2022) will assist in understanding the strengths, weaknesses, opportunities, and threats faced by Kopitiam Nusantara. Thus, the qualitative research method applied in this study will not only reveal the real condition of risk management in Kopitiam Nusantara but will also offer significant insights that can be used to improve risk management practices in other MSMEs.

## Result and Discussion

Kopitiam Nusantara is one of the MSMEs in the culinary sector that offers various types of typical food and beverages in a cozy and traditional atmosphere. In an effort to understand and manage the risks faced by this business, a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis was conducted which will provide a comprehensive overview of Kopitiam Nusantara's position in the market as well as the challenges that must be overcome for business sustainability.

### Strengths factor

From the research, it was found that Kopitiam Nusantara has various strengths that can be utilized for better business development. Here are some of the main strengths that Kopitiam Nusantara has:

#### 1. Variety of Menu Options

Kopitiam Nusantara offers a wide variety of food and beverages that appeal to a wide range of consumers. By providing a rich variety of menus, customers have many choices and do not get bored easily. This also allows Kopitiam Nusantara to appeal to a wider market segment, from young people to the elderly who want to enjoy traditional dishes.

#### 2. Cozy Ambience and Complete Facilities

The cozy place with traditional decorations and facilities such as clean toilets and outdoor seating areas make customers feel at home in Kopitiam Nusantara. This cozy atmosphere is the main attraction that sets Kopitiam Nusantara apart from other modern cafes. The comfortable seating and cool outdoor area are also significant plus points.

#### 3. Good Customer Service

The good quality of service from Kopitiam Nusantara's servers has been praised by customers. Friendly, prompt and professional service makes customers feel valued and satisfied with their experience at Kopitiam Nusantara. This customer satisfaction is critical to building loyalty and increasing repeat visits.

#### 4. Affordable Price

One of Kopitiam Nusantara's strengths is its affordable menu prices. By offering quality food and beverages at competitive prices, Kopitiam Nusantara is able to attract customers from all economic backgrounds. It also provides great value for money, which is an important factor in retaining and attracting new customers.

### Weaknesses factor

Like any other business, Kopitiam Nusantara also has some weaknesses that need to be addressed to improve competitiveness and operational efficiency. Here are some of the identified weaknesses:

1. Limited Seating Facilities

While Kopitiam Nusantara offers a cozy atmosphere, the limited number of seats is often a problem, especially during peak hours. Many customers have to wait outside due to insufficient seating available. This limitation can reduce customer comfort and satisfaction.

2. Use of Traditional Equipment

The use of indoor fans, instead of modern air conditioners, makes some customers feel uncomfortable, especially during hot weather. This suggests that the facilities in Kopitiam Nusantara are still relatively traditional and require updating to improve customer comfort.

3. Unintegrated Management System

Kopitiam Nusantara still uses a manual management system, which can cause inefficiencies in daily operations. The lack of an integrated management system, such as the use of software for inventory management and ordering, may hinder Kopitiam Nusantara's ability to operate more efficiently and responsively.

## Opportunities factor

In the current economic conditions, there are various opportunities that can be utilized by Kopitiam Nusantara to expand market share and increase profits. Some of the opportunities identified include:

1. Economic Growth and Urbanization

With economic growth and urbanization on the rise, there is an increasing number of consumers looking for affordable eateries with a comfortable ambience. Kopitiam Nusantara can capitalize on this trend by expanding its outlet network in growing urban areas.

2. Trend in the Millennial Generation

There is a trend among urbanites to return to enjoying traditional ambience and cuisine as a form of appreciation for local culture. Kopitiam Nusantara can strengthen its brand identity as the custodian of authentic local culinary traditions, which can attract customers who seek a different culinary experience from modern cafes.

3. Digital Expansion and Online Services

The increasing use of digital technology opens up opportunities for Kopitiam Nusantara to develop online ordering and food delivery services. By providing an easily accessible digital platform, Kopitiam Nusantara can reach more customers, including those who prefer the convenience of ordering from home.

## Threats factor

In addition to strengths and opportunities, Kopitiam Nusantara also faces various threats that may affect its business continuity. Some of the threats identified are:

1. Intense Competition

The culinary industry, especially in urban areas, is highly competitive with many new cafes and restaurants popping up. This intense competition requires Kopitiam Nusantara to continue to innovate and improve service quality in order to retain and attract customers.

2. Changes in Consumer Preferences

Consumer tastes and preferences change over time. Today, many consumers are turning to cafes and restaurants with modern concepts. If Kopitiam Nusantara is unable to adjust to these changes, it could lose market share.

### 3. Raw Material Price Fluctuation

Unstable prices of raw materials, such as coffee, sugar, and other food ingredients, can affect Kopitiam Nusantara's operational costs and profits. These price fluctuations are a threat that needs to be anticipated with effective purchasing and stock management strategies.

## Discussion

In this SWOT analysis, it can be seen that Kopitiam Nusantara has significant strengths such as rich menu variety, cozy atmosphere, good customer service, and affordable prices. These strengths can be leveraged to build a loyal customer base and attract a wider market segment. However, weaknesses such as limited seating facilities, use of traditional equipment, and unintegrated management systems need to be addressed to improve operational efficiency and customer convenience.

Existing opportunities, such as economic growth and urbanization, back-to-tradition trends, digital expansion, and local partnerships, can be leveraged to expand market reach and improve Kopitiam Nusantara's competitiveness. However, threats from intense competition, changing consumer preferences, fluctuating raw material prices, and government regulations need to be well managed through effective risk management strategies.

Good risk management involves identifying possible risks, analyzing their impact, and developing appropriate mitigation strategies. For example, to address limited seating facilities, Kopitiam Nusantara may consider expanding the seating area or opening new branches in strategic locations. The use of modern technology such as air conditioning and digital management systems can improve customer comfort and operational efficiency.

In addition, in the face of fluctuating raw material prices, Kopitiam Nusantara can enter into long-term contracts with suppliers to obtain more stable prices and reduce the risk of rising costs. To adapt to changing consumer preferences, Kopitiam Nusantara can innovate by developing new menus that retain traditional flavors but with a modern twist.

Continuous monitoring and evaluation of the risk management strategy is also important to ensure its effectiveness. Through a systematic and structured approach, Kopitiam Nusantara can increase its business resilience to various challenges and uncertainties. This will not only help in maintaining operational stability but also in building the trust of customers and other stakeholders.

## Conclusion

The conclusion of the study shows that the importance of effective risk management for the continuity of MSME businesses, especially in the culinary sector such as Kopitiam Nusantara. The SWOT analysis conducted shows that Kopitiam Nusantara has a number of significant strengths, such as rich menu variations, cozy atmosphere, good customer service, and affordable prices. These strengths can be used to build customer loyalty and attract a wider market segment. However, some weaknesses were identified, such as limited seating facilities and the use of traditional equipment, which could reduce customer comfort and satisfaction. In addition, the unintegrated management system also adds to operational inefficiencies. Opportunities, such as economic growth and the trend of returning to tradition, provide opportunities for Kopitiam Nusantara to expand its market reach and improve competitiveness. However, threats from intense competition, changing consumer preferences,



fluctuating raw material prices, and government regulations require serious attention and appropriate mitigation strategies. Good risk management involves identifying potential risks, analyzing their impact, and developing appropriate mitigation strategies. Kopitiam Nusantara needs to consider measures such as expanding the seating area, upgrading facilities with modern technology, establishing long-term contracts with suppliers, and innovating the menu to adapt to changing consumer preferences. Suggestions for future research are to examine the impact of the application of digital technology in risk management in MSMEs. This research can explore how the use of inventory management software, online ordering systems, and data analytics can improve operational efficiency and risk mitigation capabilities.

Theoretically, this research contributes to the existing body of knowledge by integrating SWOT analysis within the framework of strategic risk management, specifically tailored to the context of Micro, Small, and Medium Enterprises (MSMEs). While SWOT analysis has been widely used as a strategic planning tool, its application in risk management—particularly for small-scale enterprises—has not been extensively explored in academic literature. This study bridges that gap by positioning SWOT analysis not only as a tool for identifying business strengths and opportunities but also as a proactive method for recognizing and managing internal weaknesses and external threats. By linking SWOT analysis with Strategic Management Theory, the research provides a theoretical model that explains how MSMEs can develop adaptive strategies to mitigate business risks while leveraging their core competencies. Furthermore, it enriches the discourse on risk management for MSMEs by highlighting the role of contextual factors, such as limited resources, agility, and market exposure, in shaping risk perceptions and responses.

Practically, the research offers actionable insights for MSME owners, managers, and policymakers. For business practitioners, it introduces a structured and accessible method for assessing risk using a familiar and easy-to-implement framework—SWOT analysis. This is particularly valuable for MSMEs that may lack the capacity or expertise to adopt more complex risk management systems. By applying SWOT analysis as a risk management tool, MSMEs can identify vulnerabilities, anticipate market threats, and make informed strategic decisions that enhance business resilience and continuity. For policymakers and support organizations, the findings can guide the development of training programs and advisory services that promote strategic thinking and risk awareness among MSME operators. Additionally, the research highlights the importance of external support—such as market intelligence, digital infrastructure, and policy stability—in helping MSMEs navigate risks more effectively. Overall, this study contributes to the development of practical, scalable, and context-sensitive approaches to strengthen the risk management capacity of MSMEs in dynamic and uncertain environments.

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