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How to Maximize Business Planning Using Risk Management A Case Study: Veenaturals

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Abstract - **Veenaturals is a business engaged in beauty, especially products used in the lip area. To survive as a newcomer to the beauty industry, Veenaturals must be able to adjust quickly to be much better than its competitors. However, business is not possible without obstacles.**

In its running, Veenaturals will face a lot of risks that will interfere, both internally and externally. That may happen, because the dynamic of business in the field of beauty runs very quickly. Risk management is based on the Risk Management Process Framework in accordance with the actual circumstances of Veenaturals.

Methodology used is through interviews with internal stakeholders to identify risks that come from the internal. Internal parties involved include all departments in Veenaturals. Then from an external point of life, the parties involved are both Veenaturals or similar beauty products. Based on the results of the risk analysis, identified from this study consists of 43 internal and 31 external risks. Based on this risk analysis, Veenaturals will assess its strategy and plan for risk mitigation for the future benefit of the company.

Keywords - Risk; Risk Management Process, External Risk; Internal Risk.

I. INTRODUCTION

In running a business, capital is an important element to ensure that the business can continue to run. For businesses that have just been built, common ways to get an injection of funds include participating in competitions, investor funds and business incubators. But it will not necessarily cover all the necessary needs.

As a business that operates in an industry with very fast changes, this industry is filled with great uncertainty. All risks follow this issue.

Starting from external risks -such as the presence of competitors, rapidly changing market conditions, similar products with superior quality - to internal risks - engagement, motivation, and loyalty to the company- therefore it is necessary to have proper handling of these problems. So that limited funds can be used optimally for business growth and sustainability in the future.

II. METHODOLOGY

This research uses a problem-solving format that is useful to understand deeply the problem that becomes research and provide strategic solutions to the problem. Several steps are ranging from the introduction (problem identification), literature review, offer solutions to problem implementation. The diagram below is a methodology diagram.

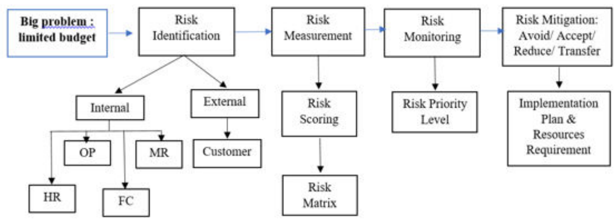

Fig 1. Research Design
Source: Author's Analysis

In this study, the problem is due to limited funds owned, so to solve the problem, researchers using the risk management process method will find a solution. Starting from identifying risks based on internal and external factors. Then after that risk measurement to know which risk is most at risk and needs action and given a solution. The next stage is risk monitoring to place the risk based on priority level as a result of scoring risk. Then the last stage is risk mitigation, the risk at an extreme level and needs action to reduce the risk.

III. RESULTS

A. *Risk Identification and Scoring*

TABLE I RISK SCORING (SOURCE: INTERVIEW RESULT)

Internal Risk				
Type of Risk	**NO.**	**Risk Explanation**	**Code**	**Scoring**
Operation	1	Constraint in self-production because production equipment is damaged	A1	6
	2	Difficulty getting BPOM legalities because it requires place of production, and documents took a long time to prepare	A2	6
	3	Hampered coordination because there was a miscommunication between stakeholders	A3	6
	4	Time delays in the production process because availability of raw material	A4	6
	5	The depletion of the stock of main raw materials due to constraints from vendors	A5	4
	6	Damage to equipment or supplies for production because of human error	A6	4
	7	Formula error in production because does not follow the SOP or employees are not thorough	A7	4

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	8	Inadequate expertise or skills or workers because not serious in conducting the trinning process for employees	A8	3
	9	Changes in customer habits due to certain events because new competitors	A9	3
	10	Damage to the product while in transit	A10	3
	11	Increase raw material proces due to scarcity	A11	3
	12	There was an accident when disturbing goods	A12	3
	13	There is a delay in purchasing raw materials	A13	2
	14	Product quality has decreased due to massive distribution channels	A14	2
	15	There is a customer trust issue because of a production error due to product quality	A15	2
Marketing	1	The percentage of promotional costs that exceed profit due to wrong cost planning	B1	12
	2	The message of brand image doesn't reach the customers because the process of delivering information or promotion is not maximal	B2	16
	3	High competition in the beauty industry make it hard to enter the market compared to similar companies that have been sustained	B3	15
	4	Not effective promotion methods that make the consumers refused to choose our product	B4	12
	5	The existence of similar products from the same raw material that is cheaper and more durable	B5	15
	6	The existence of similar products with the same raw materials from other countries	B6	9
	7	Difficult to export products to another country because of the regulations procedures such as customs, taxes, and licenses	B7	8
	8	The challenge is educating the public because the brand cosmetics made from the first bougainvillea flower in Indonesia is a new thing	B8	20
	9	Launching the product at the wrong time due to lack of preparation	B9	12
	10	Market demand that is not met because taking customer orders is more than production capability	B10	8
Human Resources	1	Coordination of internal members that are running poorly	C1	12
	2	Lack of motivation and responsibility of each member	C2	16
	3	Fraud by employees or internal teams in the case of a discrepancy between what must be done with the reality that causes work unfinished	C3	6
	4	The company culture is not going well so that the company's performance does not increase	C4	2
	5	Less comfortable working environment so that employees are not the totality of the work	C5	2
	6	The effectiveness and efficiency of the employee's performance dropped dramatically	C6	3
	7	There is a miscommunication that obstructs the command line in giving orders to subordinates and at the end activities are hampered	C7	8
	8	The recruitment process does not select employees so that there are employees who are not competent in their fields	C8	6
	9	There was an error in determining the initial target which was beyond the team's ability	C9	16
Finance	1	Tax increases that occur when the period is completed per 3 months	D1	1
	2	Decrease in the number of profits due to certain factors	D2	12
	3	The existence of unexpected costs	D3	20
	4	Poor financial planning and cause loss of company profits as a result of the swelling costs of purchasing raw materials	D4	8
	5	There is an additional cost of paying overtime for workers	D5	6
	6	There is fraud such as smuggling funds from employees and cause company loss	D6	5
	7	An error in inputting in the form of typing a number wrong	D7	16
	8	There is an error in the calculation or entering an incorrect formula	D8	15

External Stakeholder				
Type of Risk	**NO.**	**Risk Explanation**	**Code**	**Scoring**
CUSTOMER [1]	1	Feels not suitable with the brand	1A	2
	2	When want to check out with an online purchase, the item is out of stock	2A	6
	3	When purchasing online, the item was damaged when it was received	3A	16
	4	In real life, the product is not used much	4A	20
	5	Texture that causes lips to become sticky, dry and too oily	5A	9
	6	No desire to buy the same product again because it doesn't match	6A	6
	7	There is a trust issue for a brand	7A	6
CUSTOMER [2]	1	Buy offline, when get home it doesn't match	1B	8
	2	Buy offline, the product has damage even though it's still in the box	2B	6
	3	When I got home, the color of the product was a little different from when I was in the store	3B	12
	4	The error of buying offline products is finally discarded	4B	8
CUSTOMER [3]	1	There is a waste due to an error when buying offline or online in the form of the wrong shade	1C	16
	2	In real life there are products that are not used too much	2C	12
	3	Skipping to use lipbalm and causing dry lips	3C	12
	4	Protests that are not well received by the seller	4C	4

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	5	There is a sense of discomfort because of the shop clerk	5C	20
	6	There is a trust issue with the brand, influencer and online shop	6C	16
CUSTOMER [4]	1	Accidentally bought the same product with a different brand	1D	20
	2	Prefer to buy products with BPOM	2D	8
	3	When buying online, when the item arrived there was damage	3D	12
	4	The goods purchased do not meet expectations and desires	4D	10
	5	Cause allergies	5D	25
	6	Buy products with the same variant varian	6D	10
	7	In real life it's not really used	7D	8
	8	When buying offline, feel uncomfortable with the SPG	8D	2
CUSTOMER [5]	1	Did some research online, but still got the wrong color when I bought it	1E	12
	2	In real life it's not really used	2E	6
	3	Products that are not used for various reasons, are eventually thrown away or given to other people	3E	4
	4	Buy the same product several times because don't realize it	4E	4
	5	The goods purchased do not meet expectations and desires	5E	12

B. *Risk Measurement*

The risk matrix is divided into 2 parts, namely the internal stakeholder risk matrix and the external stakeholder risk matrix.

TABLE II RISK MATRIX (SOURCE: WIRYONO, 2008)

Probability							
Probability	Very Often	5	MEDIUM	HIGH	HIGH	EXTREME	EXTREME
	Often	4	LOW	MEDIUM	HIGH	HIGH	EXTREME
	Moderate	3	LOW	MEDIUM	MEDIUM	HIGH	HIGH
	Rarely	2	LOW	LOW	MEDIUM	MEDIUM	HIGH
	Very Rarely	1	VERY LOW	LOW	LOW	LOW	MEDIUM
SIGNIFICANCE			1	2	3	4	5
			Very Low	Low	Moderate	High	Very High
			Severity				

Where for internal stakeholders, of the 43 risks identified after being included in the matrix, there is 1 risk in the very low category, 13 risks in the low category, 14 risks in the medium category, 13 risks in the high category, and 2 risks. in the extreme category. As for external stakeholders, of the 31 risks that have been identified, there are 5 risks in the low category, 11 risks in the medium category, 11 risks in the high category, and 4 risks in the extreme category.

TABLE III INTERNAL RISK MATRIX (SOURCE: AUTHOR ANALYSIS)

INTERNAL STAKEHOLDER RISK MATRIX

PROBABILITY	**Very Often**	**5**			**B3**	**B8**	
	Often	**4**		**B7, C7**	**C1**	**B2, C2, C9, D7**	**D3**
	Moderate	**3**		**A4, A10, A13, D5**	**B6**	**B1, B4, B9, B11, D2**	**B5, D8,**
	Rarely	**2**		**A1, A5, 19**	**A6, A12, C3, C8,**	**B10, D4**	
	Very Rarely	**1**	**D1**	**A3, A7, A14, C4, C5**	**A2, A8, A11, A15, C6**		**D6**
SIGNIFICANCE			**1**	**2**	**3**	**4**	**5**
			Very Low	**Low**	**Moderate**	**High**	**Very High**
			Severity				

TABLE IV INTERNAL RISK MATRIX RESULT (SOURCE: AUTHOR ANALYSIS)

Risk Rating Scoring	**Risk priority**	**Description**	**Amount**
1	Very Low	Very Low Risk: May require attention in the future	1
2 - 4	Low	Low risk: May require consideration in any future changes to the work area or processes, or can be fixed immediately.	13
4 – 9	Medium	Moderate: May require corrective action through the planning and budgeting process.	14
10 - 20	High	High: Requires immediate corrective action.	13
20 – 25	Extreme	Extreme: Requires immediate prohibition of the work process and immediate corrective action.	2
TOTAL			43

TABLE V EXTERNAL RISK MATRIX (SOURCE: AUTHOR ANALYSIS)

EXTERNAL STAKEHOLDER RISK MATRIX

PROBABILITY	**Very Often**	**5**		**6D**		**4A, 5C, 1D**	**5D**
	Often	**4**		**7D**	**3B, 3C, 1E, 5E**	**3A, 1C, 6C**	
	Moderate	**3**		**6A, 7A, 2E, 6E**	**5A**	**2C, 3D**	
	Rarely	**2**	**8D**	**4C, 3E**	**2A, 2B**	**1B, 4B, 2D**	**4D**
	Very Rarely	**1**		**1A**		**4E**	
SIGNIFICANCE			**1**	**2**	**3**	**4**	**5**
			Very Low	**Low**	**Moderate**	**High**	**Very High**
			Severity				

TABLE VI EXTERNAL RISK MATRIX RESULT (SOURCE: AUTHOR ANALYSIS)

Risk Rating Scoring	**Risk priority**	**Description**	**Amount**
1	Very Low	Very Low Risk: May require attention in the future	0
2 - 4	Low	Low risk: May require consideration in any future changes to the work area or processes, or can be fixed immediately.	5
4 – 9	Medium	Moderate: May require corrective action through the planning and budgeting process.	11
10 - 20	High	High: Requires immediate corrective action.	11
20 – 25	Extreme	Extreme: Requires immediate prohibition of the work process and immediate corrective action.	4
TOTAL			31

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C. Risk Monitoring

After internal and external risks are identified and categorized into certain risk levels according to their severity and probability, the next step is risk management with extreme categories. There are 6 risks in the extreme category, 2 from internal and 4 from external.

In choosing alternative risk management, keep thinking about the main problem that is the limitation of funds in the company, and still pays attention to the benefits, impacts, and influence on other risks.

There are four alternative treatments (Wiryono, 2008) that Veenaturals can do, there are:

a. Accepting Risk is the company's action to accept risk by not taking meaningful action that requires a large number of resources. This action is usually applied to risks whose overall risk level is low (insignificant) for the company, so that if done residual risk handling raises costs that are not worth the benefit.
b. Avoiding Risk is the company's action not to conduct certain businesses or activities that contain unwanted risks. This is usually applied to risks where the overall risk level is unacceptable to the company or has a very high impact on the company, where the handling will incur very high and inefficient costs.
c. Reducing Risk is the action of a company with all its resources to try to minimize the risk as much as possible without eliminating the company's opportunity to profit (return). This action can be taken against at least one of the two factors, namely:
    - Reduce the possibility of risk, usually by doing a process of design and engineering changes, quality assurance procedures, or periodic audits.
    - Reducing the impact of a risk is usually applied to high-impact and low-probability risks, among others by making contingency plans or evacuation plans.
d. Transfer Risk is the company's action to transfer risk from the company to a third party that can manage such risks, among others through insurance or contract creation.

TABLE VII TYPE OF RISK MANAGEMENT (SOURCE: AUTHOR ANALYSIS)

PRIORITY LEVEL	CODE	RISK EXPLANATION	TYPE OF RISK MANAGEMENT
EXTREME	**5D**	**Cause Allergies**	**Reduce**
	B8	**There is a challenge in educating the public about cosmetic brands with natural core values**	**Reduce**
	D3	**The existence of unexpected costs**	**Reduce**
	4A	**In real life, the product is not used much**	**Dividing**
	5C	**There is a sense of discomfort because of the shop clerk**	**Reduce**
	1D	**Accidentally bought the same product with a different brand**	**Dividing**
HIGH	**3A**	**When purchasing online, the item was damaged when it was received**	**Reduce**
	1C	**There is a waste due to an error when buying offline or online in the form of the wrong shade**	**Dividing**
	6C	**There is a trust issue with the brand, influencer and online shop**	**Reduce**
	B2	**Message of brand image don't reach the customers because the process of delivering information or promotion is not maximal**	**Reduce**
	C2	**Lack of motivation and responsibility of each member**	**Reduce**
	C9	**There was an error in determining the initial target which was beyond the team's ability**	**Reduce**
	D7	**An error in inputting in the form of typing a number wrong**	**Reduce**
	B3	**High competition of beauty industry make it hard to enter the market compared to similar companies that have been sustain**	**Reduce**
	B5	**The existence of similar products from the same raw material that is cheaper and more durable**	**Reduce**
	D8	**There is an error in the calculation or entering an incorrect formula**	**Reduce**
	3B	**When I got home, the color of the product was a little different from when I was in the store**	**Dividing**
	2C	**In real life there are products that are not used too much**	**Dividing**
	3C	**Skipping to use lipbalm and causing dry lips**	**Accept**
	3D	**When buying online, when the item arrived there was damage**	**Dividing**
	1E	**Did some research online, but still got the wrong color when I bought it**	**Dividing**
	5E	**The goods purchased do not meet expectations and desires**	**Reduce**
	B1	**Promotional costs that are not calculated properly**	**Reduce**
	B4	**Not effective promotion methods that make the consumers refused to choose our product**	**Reduce**
	B9	**Launching the product in the wrong time due to lack of preparation**	**Reduce**
	B11	**There is planning that has not been implemented properly and there is a timing error**	**Reduce**
	C1	**Coordination of internal members that are running poorly**	**Reduce**
	D2	**Decrease in the amount of profits due to certain factors**	**Reduce**
	4D	**The goods purchased do not meet expectations and desires**	**Reduce**
	6D	**Buy products with the same variant varian**	**Dividing**
MODERATE	**5A**	**Texture that causes lips to become sticky, dry and too oily**	**Reduce**
	B6	**The existence of similar products with the same raw materials from other countries**	**Reduce**
	1B	**Buy offline, when get home it doesn't match**	**Dividing**
	4B	**The error of buying offline products is finally discarded**	**Reduce**
	2D	**Prefer to buy products with BPOM**	**Reduce**
	7D	**In real life it's not really used**	**Dividing**

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	B7	**Difficult to export products to another countries because of the regulations procedures such as customs, taxes, and licenses**	**Reduce**
	B10	**Lack of coordination about publication in related of avaibility product**	**Reduce**
	C7	**There is a miscommunication that causes obstruction of the command line in giving orders to subordinates and in the end activities are hampered**	**Reduce**
	D4	**Poor financial planning and cause loss of company profits as a result of the swelling costs of purchasing raw materials**	**Reduce**
	2A	**When want to checkout with an online purchase, the item is out of stock**	**Reduce**
	6A	**No desire to buy the same product again because it doesn't match**	**Reduce**
	7A	**There is a trust issue for a brand**	**Reduce**
	2B	**Buy offline, the product has damage even though it's still in the box**	**Reduce**
	2E	**In real life it's not really used**	**Dividing**
	6E	**Doesn't match the product content and didn't realize it when buying**	**Reduce**
	A4	**Time delays in the production proces because availitibility of raw material**	**Reduce**
	A6	**Damage to equipment or supplies for production because of human error**	**Reduce**
	A10	**Damage to the product while in transit**	**Reduce**
	A13	**There is a delay in purchasing raw materials**	**Reduce**
	C3	**Fraud by employees or internal teams in the case of a discrepancy between what must be done with reality that causes work unfinished**	**Reduce**
	C8	**The recruitment process does not select employees so that there are employees who are not competent in their fields**	**Reduce**
	D5	**There is additional cost of paying overtime for workers**	**Reduce**
	A12	**There was an accident when disturbing goods**	**Reduce**
	D6	**There is fraud such as smuggling funds from employees and cause company loss**	**Reduce**
LOW	**4C**	**Protests that are not well received by the seller**	**Reduce**
	3E	**Products that are not used for various reasons, are eventually thrown away or given to other people**	**Reduce**
	4E	**Buy the same product several times because don't realize it**	**Accept**
	A1	**Constraint in self-production because production equipment is damaged**	**Reduce**
	A5	**The depletion of the stock of main raw materials due to constraints from vendors**	**Reduce**
	A9	**Changes in customer habits due to certain events because new competitors**	**Reduce**
	A2	**Difficulty getting BPOM legalities because it requires place of production, and documents took a long time to prepare**	**Reduce**
	A8	**Inadequate expertise or skills or workers because not serious in conducting the trining process for employees**	**Reduce**
	A11	**Increase raw material proces due to scarcity**	**Reduce**
	A15	**There is a customer trust issue because of a production error due to product quality**	**Reduce**
	C6	**The effectiveness and efficiency of the employee's performance dropped dramatically**	**Reduce**
	1A	**Feels not suitable with the brand**	**Reduce**
	8D	**When buying offline, feel uncomfortable with the SPG**	**Reduce**
	A3	**Hampered coordination because there was a miscommunication between stakeholders**	**Reduce**
	A7	**Formula error in production because does not follow the SOP or employees are not thorough**	**Reduce**
	A14	**Product quality has decreased due to massive distribution channels**	**Reduce**
	C4	**The company culture is not going well so that the company's performance does not increase**	**Reduce**
	C5	**Less comfortable working environment so that employees are not the totality of the work**	**Reduce**
VERY LOW	**D1**	**Tax increases that occur when the period is completed per 3 months**	**Reduce**

IV. DISCUSSION

Risk Monitoring- implementation plan

The implementation plan of the risks categorized as extreme levels of risk. The results obtained will be in the form of risk mitigation from each of these risks. Where in the previous chapter it was known that there were 6 risks in the extreme category, there are 4 from external stakeholders and 2 from internal stakeholders. However, there are 2 risks whose type of management risk is transfer, so that risk is an external factor, namely risk with codes 4A and 1D.

TABLE VIII IMPLEMENTATION PLAN

IMPLEMENTATION PLAN

PRIORITY LEVEL	CODE	RISK EXPLANATION	STRATEGY IMPLEMENTATION PLAN	EXPENSE	DURATION
EXTREME	5D	Cause Allergies	Pay attention to the content of the products used for production and ensure that all ingredients are safe to use	RnD Expense	Particular Period
	B8	There is a challenge in educating the market about cosmetic brands with natural core values	Creating transparency regarding the manufacturing process, branding, and ingredients that highlight natural values, both through social media and something attached to the product directly; packaging	Marketing Expense and Operation Expense	Everyday
	D3	The existence of unexpected costs	Make a detailed and clear financial plan including providing costs for unexpected things	-	Triannual
	4A	In real life, the product is not used much	Transfer Risk		
	5C	There is a sense of discomfort because of the shop clerk	Apply the self-service principle for offline stores where customers can pick up products independently and make direct payments	Operation Expense	Everyday
	1D	Accidentally bought the same product with a different brand	Transfer Risk		

After knowing the type of risk management for each identified risk and the mitigation plan that will be the solution, the next step is to prepare resource requirements to help realize the existing solutions. In this section, the risks and the resource requirements will be presented one by one.

TABLE IX RESOURCE REQUIREMENTS

PRIORITY LEVEL	CODE	RISK EXPLANATION	STRATEGY IMPLEMENTATION PLAN	RESOURCES REQUIREMENTS
EXTREME	5D	Cause Allergies	Pay attention to the content of the products used for production and ensure that all ingredients are safe to use	pharmacist, raw material, test laboratory
	B8	There is a challenge in educating the public about cosmetic brands with natural core values	Creating transparency regarding the manufacturing process, branding, and ingredients that highlight natural values, both through social media and something attached to the product directly; packaging	marketing creative team, endorser
	D3	The existence of unexpected costs	Make a detailed and clear financial plan including providing costs for unexpected things	professional finance application, finance team, finance consultant
	4A	In real life, the product is not used much	Transfer Risk	
	5C	There is a sense of discomfort because of the shop clerk	Apply the self-service principle for offline stores where customers can pick up products independently and make direct payments	supporting equipment and written rules
	1D	Accidentally bought the same product with a different brand	Transfer Risk	

V. CONCLUSION

From the results of the analysis using the risk management method, it is known that several risks come from internal stakeholders and also external stakeholders. With the total number of identified risks, there are 74 risks, of which 43 are internal and 31 are external. All of these risks are categorized into 5 categories, namely extreme, high, moderate, low, and very low. And the risks that will continue into the mitigation process are risks with the extreme category.

The risks in the extreme category include 2 from internal and 4 from outside. With different implementation plans. From there, it can be seen the types of needs that should also be considered in the use of funds to improve the company's sales performance.

So far, Veenaturals only uses funds for operational needs such as purchasing raw materials, product delivery services from the place of manufacture to the warehouse and purchasing product packaging. While marketing costs are usually incurred such as endorsements and advertising.

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