Proposed Roadmap Model for Developing a Corporate Risk Awareness Culture (Case Study at PT. PNM)

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Abstract:- **Risk Management according to the ISO 31000:2018 standard makes the company's strategic goal in implementing risk management to create and protect value, one of which can be done through the implementation of a risk-aware culture. The IRM Risk Culture Model offers a risk-aware culture model that is reduced to 4 main themes, namely Tone of the Top, Governance, Competency and Decision Making. This study aims to make the IRM Risk Culture Model a model that can be used for the preparation of program proposals and roadmaps for developing a risk-aware culture and its relationship with the ISO 31000:2018 standard used by companies as guidelines for implementing enterprise risk management (Enterprise Risk Management). The results show that the company already has a risk-aware culture policy as outlined in the guidelines for implementing risk management, but it has not been supported by a risk-aware culture development program, so the researcher proposes a risk-aware culture development program based on the results of mapping between policies and documents that are already owned by the company. companies with aspects of the IRM Risk Culture Model so that the results of the proposed risk-aware culture development program can be compiled into a proposed development roadmap with the ISO 31000:2018 approach, namely cultural development, cultural deployment, cultural improvement with risk culture influencers grouped according to 4 themes from the IRM Risk Culture Model above, besides that this development roadmap also requires enablers that are prepared based on commitment, communication, measurement and reporting as well as a reward program.**

Keywords:- Risk Awareness Culture, Risk Management, Enterprise Risk Management (ERM), ISO 31000:2018, IRM Risk Culture Model.

I. INTRODUCTION

Every establishment of a company must have a strategic goal that is reflected in the company's vision and mission, even the ISO 31000:2018 standard makes the goal in implementing risk management to create and protect value, this is in line with the opinion of M.Sholeh (2020) which offers a framework Risk Management work (see Figure 1.1) which makes its strategic goal of creating and protecting value, the achievement of that strategic goal can only be done through the implementation of two pillars, namely: Integrated Risk Management and Risk Culture. In the first Pillar, Integrated Risk Management, companies are expected to be able to carry out integrated risk management and continuously measure strategic risks intensively and sustainably. The risk management must also be accompanied by the application of a Risk Culture or risk awareness culture. The establishment of a risk-aware culture can be carried out more effectively through the application of quality risk competency standards. Based on ISO 31000:2008 on Risk Management System, it is known that risk is the effect of uncertainty on objectives. The impact can be positive, negative, or both. This influence arises as a result of an action or failure of handling an opportunity or threat. Therefore, to avoid or at least suppress the emergence of negative risks, the company/organization must empower risk management properly. In addition, to carry out risk management, one must also be introduced to a risk-aware culture so that risk-aware behavior is formed from the parties involved in managing the company/organization. Risk Culture is also related to the seventh principle of ISO 31000: 2018 which states that human behavior and culture significantly affect all aspects of risk management at every level of the organization. Based on the above understanding, "risk aware culture" is used to further sharpen the understanding of corporate culture in particular on how it is able to collectively manage risk.

To support the achievement of the company's strategic objectives and the implementation of integrated Risk Management in accordance with ISO 31000:2018, PT Permodalan Nasional Madani (Persero) or abbreviated as PNM, is a state-owned company that provides financing services for Small, Micro and Medium Enterprises (MSMEs) and Ultra Micro since 1999. In 2020 the Consultant has also assessed the maturity level of risk management according to the ISO 31000:2018 Standard with an index value of 3.03 (Mature Defined) with index categories as follows:

Maturity Category	Indeks Maturitas
Basic – Non Existent	1,0 – 1,5
Basic – Initial	1,6 – 2,0
Mature – Repeatable	2,1 – 2,5
Mature – Defined	**2,6 – 3,0**
Advance – Managed	3,1 – 3,5
Advance – Optimized	3,6 – 4,0

TABLE 1. RISK MANAGEMENT MATURITY CATEGORY PT. PNM

Basically, building a risk-aware culture takes a long time and requires continuous planning, especially if the target for achieving the maturity level of risk management implementation in the company becomes level 5 (five) or cultural level. In order for the implementation of the prepared risk-aware culture program to be fulfilled for the achievement of maturity expected by the Ministry of SOEs, the company needs to compile a roadmap for the development of a risk-aware culture. The company does not yet have a risk-aware culture development program so that researchers see this as an opportunity for researchers to propose a roadmap model for developing a risk-aware culture based on a model that has a framework for a risk-aware culture. The researcher proposes a model for the preparation of the roadmap using the Risk Culture Model based on the IRM Risk Culture Model because IRM already has a risk-aware culture model based on 4 (four) themes, namely: tone of the top, governance, decision and competency. It is hoped that the proposed roadmap model can be used to build a corporate risk-aware culture in improving the quality of PNM's integrated risk management (ERM). From the above background, it can be identified the relationships that underlie the development of a risk-aware culture in the company, namely what aspects are proposed by the IRM Risk Culture Model in building a risk-aware culture? How to build a Roadmap model for the development of a corporate risk awareness culture based on the IRM Risk Aware Culture Aspects?

II. LITERATURE REVIEW

A. Definition of Risk Culture

Before understanding risk culture, we need to understand what is culture? Hillson, David, 2013 explains the term "culture" is very widely used in various senses. In common parlance it has two main application areas. The first relates to the expression of civilization, for example in art, music, film, poetry, drama, dance, fashion, architecture, etc. The second group of uses relates to growth in nature, derived from the Latin root cultura meaning to reach the ground. This is seen in "-culture" compounds such as agriculture, horticulture, viniculture, silviculture, etc., as well as the notion of bacterial culture. When applied more generally to how humans relate together in social systems, the definition of culture becomes more technical, detailed, and specific.

Culture is…
"…the collective programming of the mind that distinguishes the members of one group or category of people from another." (Hofstede, 1980)

"…a pattern of shared basic assumptions that a group learns when solving problems of external adaptation and internal integration, that have worked well enough to be considered valid and passed on to new members as the correct way to perceive, think and feel in relation to those problems. " (Schein, 1985)

"…a set of important (often unstated) understandings that community members share." (Sathe, 1985)

"…patterns of beliefs, values, and learned ways of coping with experiences that have developed over the course of an organization's history, and which tend to be manifested in its material settings and in the behavior of its members ." (Brown, 1995)

All of these definitions emphasize the internal nature of culture, using words like thoughts, assumptions, understandings, beliefs, values. They also describe culture as something that is shared among a group of people.

B. The Importance of Risk Culture

IRM describes an effective risk culture as one that enables and rewards individuals and groups for taking appropriate risks in an informed manner.

An effective risk culture is critical to the overall success of the risk management process. When an organization has not created a risk culture, decisions are often made that are not in line with company policies and procedures. According to The Institute of Risk Management (IRM) paper, Under The Microscope: Guidance for Boards, "organizations with an inappropriate risk culture will inadvertently allow activities that are in complete contravention of established policies and procedures or operate entirely outside of these policies. An inappropriate risk culture means that not only certain individuals or teams (groups) will engage in these activities but the entire organization ignores, condones, or doesn't see what's going on. Even thinking that it will only hinder the achievement of strategic, tactical and operational goals, when at worst it will cause reputational damage and more serious financial repercussions." Additionally developing and maintaining a strong and positive risk culture is important for several reasons, including its effect on compliance, organizational performance, and risk management effectiveness.

C. Good Risk Culture

Within the risk management profession there is some debate about whether risk culture should be defined intentionally and intensively (routinely), or whether it emerges naturally within an organization. In fact, risk culture can be managed in two ways, namely:

Establishing a risk culture straight from the top requires a clear statement of intent from leaders in the organization, outlining their vision and policies for risk management, explaining their values and beliefs about risk, and explaining the approach they intend to take to capitalize on it. risks and create benefits. The desired risk culture should be actively communicated to all staff, so that there is no doubt about how risk will be handled within the organization, and appropriate risk-related behavior is actively promoted and encouraged.

The second option is to let the risk culture emerge naturally. This approach concentrates on placing all practical elements within the organization so that risk can be managed properly, with good people, processes and infrastructure (Hillson 2002). When people throughout the organization practice risk management in their routine work, they will begin

to experience fewer problems and increase benefits. When they see risk management working for them, people will realize the importance of managing risk. Their belief in the value of risk management will reinforce the right behavior. A positive cycle is created where acting properly on risk creates a strong risk culture, and in turn encourages appropriate risk-related behavior.

D. Roadmap

The initial focus of the organization/company should be on building cultural awareness, especially through communication and education. Cultural enhancement is likely to require significant changes to established ways of operating. Once the desired risk culture has been established, the organization must continue to refine it to reflect ongoing changes in business strategy. Finally, it is important to note that this roadmap focuses on the cultural aspects of risk management. The assumption is that all components of the formal risk management structure have been adopted, or are being implemented, by the organization. A strong and intelligent risk culture requires that this risk infrastructure be in place and effective. In accordance with SNI ISO 31000:2018 clause 4, the principle of human and cultural factors, human behavior and culture significantly affects all aspects of risk management at all levels and stages. In order for risk management to always take into account human and cultural factors, the company's top management must at least ensure the following, namely: The existence of a development map, deployment and maturation of the company's risk-aware culture, and Development of human resource infrastructure in good numbers. as well as adequate competence for the implementation of corporate risk management.

E. Theoritical Framework

Support the development of Enterprise Risk Management (ERM) according to the ISO 31000:2018 standard in order to achieve the company's strategic objectives, namely "creation and protection of value" through one of the principles of ISO 31000:2018 namely Cultural and Human Factors, as well as the results of the company's risk maturity assessment so that it is obtained recommendations for improvement (opportunity for improvement / OFI) on these principles and to support the research process a theoretical review is needed based on the concept of the IRM Risk Culture Model so that the fulfillment of the OFI recommendations can be fulfilled and supported by relevant theories. The results of this study are expected to provide a proposed Road Map in developing a corporate risk awareness culture based on 4 (four) themes from the IRM Risk Culture Model, namely: Tone at the top, Governance, Decision Making and Competency.
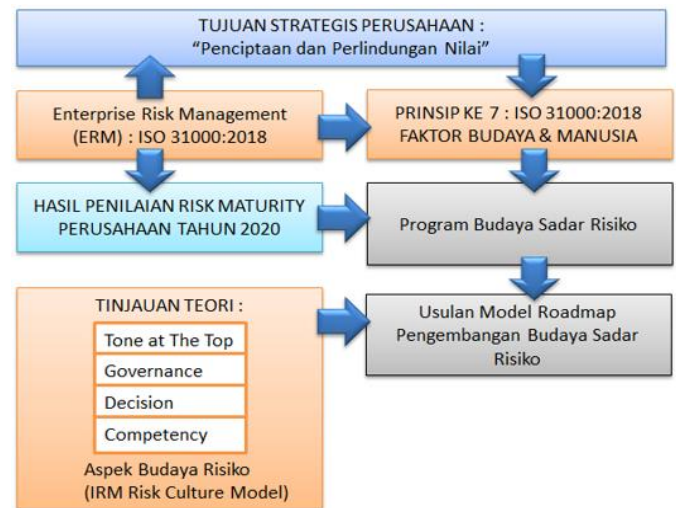

Fig 1: -Theoritical Framework

III. METHODOLOGY

This research will be conducted at PT Permodalan Nasional Madani (Persero) which is abbreviated as PNM in the head office area which consists of 22 Divisions (Work Units). Organizationally, PNM has a Risk Management Division under the Compliance and Risk Management Board of Directors, and the work process also involves risk owners attached to the company's work units and there is a Risk Officer as the implementer of the risk management function in the related Work Units in coordination. with the company's Risk Management Division. The type of data used in this study is qualitative data which is processed based on the conditions of the data source. The data used in this research is derived from company documents, interview respondents (if needed), other supporting theories and other secondary data relevant to the objectives of the study.

IV. RESULTS AND DISCUSSIONS

The strategic objective of establishing a company is to create and protect value, this is in line with the objectives of implementing enterprise risk management (ERM), especially its compliance with the ISO 31000:2018 standard adopted by the company. The implementation of ERM has now become a necessity, this is in accordance with the results of the 2019 CRMS survey and the 2020 RIMS research. In line with M.Sholeh's opinion (2020) to achieve the company's strategic goals, it must be supported by 2 major pillars, namely Integrated Risk Management and Risk Management. Culture. This integrated risk management management can only be carried out effectively if it is accompanied by awareness of risk culture, so the ISO 31000:2018 Standard emphasizes human and cultural factors as one of the principles in effective ERM implementation.

The IRM Risk Culture Model is a risk-aware culture model that emphasizes 4 main aspects, namely Tone at the top, Governance, Decision Making and Competency. This IRM model is also used as a parameter by Sally Salamah (2020) to measure the level of risk awareness culture at one of the representative offices of the Financial and Development Supervisory Agency (BPKP). The results of the analysis on the first aspect of the Tone of the Top show that the tone of top management is an important indicator to encourage a risk-aware culture (IRM, 2012), this is because a leader holds the power to direct the organization through policies and resource allocation. Leaders trained in risk management will ensure that adequate policies and funds are in place to support a strong risk management system. Based on this aspect, PNM Management already has an organizational structure in which there is a Risk Management Unit under the Director of Compliance and Risk Management and the establishment of a Risk Management Committee to ratify and enforce policies related to the implementation of risk management including Guidelines for the Implementation of Anti-Fraud Strategies, Guidelines for Management Systems Anti-Bribery and Risk Management Implementation Guidelines and other approvals related to corporate risks (including response mechanisms for high-risk matters). Other commitments Management also participates in risk management training and certification according to the BNSP scheme with intermediate risk management certification schemes and professional risk management. To determine the quality of risk management implementation, the company has also measured the maturity level of risk management implementation with a "defined" result, so that achieving maturity to become better in the following year is the company's target. Notes that have not been fulfilled as a form of Management's commitment are the Risk Appetite Statement which has not been made formally and the regular Risk Management Committee meeting activities have not been fully carried out, although the policy approval mechanism and disposition memo regarding risk are always submitted to the Risk Management Committee on a regular basis. circularly, this is a suggestion by researchers to be used as risk culture influencers and enablers on the roadmap for developing a risk-aware culture.

The results of the analysis for the second Aspect concerning Governance indicate that the organization must ensure that risk information is obtained and produced at a high quality level. The risk information and its analysis need to be formally validated and challenged to ensure the quality of the results (IRM, 2012). PNM in the risk assessment process is carried out periodically (quarterly) using a standard format that must be filled out by the risk officer and approved by the risk owner which is then submitted to the Risk Management Work Unit for analysis and evaluation into a corporate risk profile. The fulfillment of risk criteria (opportunities and impacts) has been prepared and approved by management as an indicator of the quality assessment of each risk. The results of the corporate risk profile that have been compiled are explained back to the risk owner in order to get a full picture of corporate risk through the Division Heads Forum (FKD). The researcher's proposal on the roadmap for this aspect on the risk culture influencer side is the availability of risk management policies, this has been

fulfilled by the company but has not been fully socialized to the branch level including risk profile reporting standards which are also set out in the risk management policy, Key Risk Indicators (Key Risk Indicators). KRI) has not been fully agreed upon for all major risks, however, with the Risk Appetite Statement as a reference in determining the KRI for each risk. Other influencers who also need to be prepared for the development of a more effective risk-aware culture are the implementation of Risk Based Audit, Risk Budgeting and Risk Management Audit.

To fulfill the third aspect, namely Competency, IRM recommends that organizations must establish a risk management function that is respected and trusted, the risk management function must also ensure that risk management is integrated into every decision and company operation (IRM, 2012), this is also required in the ISO 31000:2018 standard especially on integrated, structured and comprehensive principle clauses and framework clauses. PNM has established a risk management function through 3 main functions, namely the Risk Management Unit, Risk Owner and Risk Officer and is supported by the Risk Management Committee at the Board of Directors level. The researcher's proposal in the roadmap for this aspect is that the company establishes the competency standards that must be possessed in each function which then sets a schedule for training and risk management certification on a regular basis including the maintenance of the certification as an opportunity to increase the competence. In addition, management needs to also evaluate the capabilities of each function so that the competency gap in each function can be minimized.

Analysis on the fourth aspect, Decision Making, risk information must be presented adequately and delivered in a timely manner throughout the organization because of its importance in the decision-making process. Leaders must ensure that the risk information they receive is in every important document, of high quality and available when they need it or when taking action to reduce the risk that will occur (IRM, 2012). The researcher's proposal to make this decision effective is the availability of risk information in a standard format that has been determined in company policy and the availability of a risk management information system as an early warning system that can be accessed by management, the Risk Management Unit and the Risk Owner. PNM already has a standard document for corporate risk assessment which is usually called the Risk Register which is always updated every 3 months, and management has a monitoring tool in the form of a business dashboard that can be used at any time, but the company does not yet have a specific risk management information system, especially for main indicator (KRI) of each risk. The initiation of the development of a risk management information system from the existing management information system was only carried out in mid-2021 and has become the fulfillment target for 2022. Another thing is also related to decision making, so top management (leadership) is expected to support and stimulate the organization to understand and manage risk positively (IRM, 2012). The application of rewards has basically been carried out by PNM but is only limited to awards for business

achievements and improving business quality, while for awards for risk management through the best risk mitigation it has not been fully implemented, this has not been done because there is no Key Performance Indicator (KPI).) for these parameters, so the researcher proposes this to be an influencer and enabler on the roadmap of developing a risk-aware culture. This proposal is reinforced by the results of Sally Salamah's research (2020) where the risk-reward mechanism has also not been applied to the trial office studied, it was found that there was no reward mechanism that specifically rewarded them (i.e. employees and/or work units) who had managed risk properly. good and otherwise there is no sign of legal action to correct the failure to manage risk. Leaders are expected to support those who understand and manage risk positively (IRM, 2012), thus employees will feel that they are encouraged and supported when investing their time in risk management so that it will foster awareness and risk management capabilities within the organization (Sally Salamah, 2020).

V. CONCLUSSION AND SUGGESTIONS

Conclusion

The results show that the company's risk-aware culture policies can be implemented using the IRM Risk Culture Model which consists of 4 aspects, namely Tone at the top, Governance, Competency and Decision Making which are translated into 8 implementation aspects that can be adapted to risk-aware culture policies and programs. company, so that a proposed risk-aware culture program can be prepared and a roadmap for developing a risk-aware culture can be drawn up.

The proposed roadmap for the development of a corporate risk-aware culture is prepared using a 3-pillar approach according to the ISO 31000:2018 standard, namely Cultural Development, Cultural Deployment and Cultural Improvement, where to support these 3 pillars there are 4 groups of Risk Culture Influencers which are arranged based on the grouping of 4 aspects of IRM. Risk Culture which greatly influences the development of a risk-aware culture. In addition, an enablers component was added under the 3 pillars of the roadmap as a reinforcement in the implementation of a risk awareness culture program.

Suggestions

This research is based on company documents, not all of which can be submitted to the study considering the confidentiality of the company and the limitations of the researcher's time. The preparation of this risk-aware culture program is a follow-up to the recommendation for opportunity for improvement (OFI), especially human and cultural principles

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