

## Risk Management Analysis in Corporate Strategic Decision Making

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### ARTICLE INFO

#### Keywords:

risk management, strategic decisions, corporate performance, regression analysis, business uncertainty.

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### ABSTRACT

This study aims to analyze the role of risk management in corporate strategic decision-making. In an uncertain business environment, the implementation of risk management is a crucial factor in improving the quality of management decisions. This study employed a quantitative approach with a descriptive and associative design. Data were collected through questionnaires distributed to 80 respondents, consisting of managers and staff involved in the strategic decision-making process. Data analysis techniques included validity and reliability tests, descriptive analysis, and linear regression using SPSS software. The results showed that risk management had a positive and significant effect on strategic decision-making, with a regression coefficient of 0.735 and a significance level of  $0.000 < 0.05$ . The coefficient of determination ( $R^2$ ) of 0.642 indicates that 64.2% of the variation in strategic decision-making can be explained by risk management, while the remainder is influenced by factors outside the study. This indicates that the better the implementation of risk management, the more effective and appropriate the resulting strategic decisions. Thus, this study emphasizes the importance of integrating risk management into the strategic decision-making process to improve company performance and sustainability amidst the dynamics of the business environment.



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## INTRODUCTION

In an era of globalization and increasingly dynamic business competition, companies are required to make strategic decisions accurately, quickly, and based on accurate information. Strategic decisions are not only related to growth opportunities but also involve various uncertainties.

that have the potential to pose risks. Therefore, risk management is an important aspect that must be integrated into a company's strategic decision-making process.

Risk management is a systematic approach used to identify, analyze, and control risks that can impact the achievement of organizational goals. In the context of strategic decision-making, risk management serves as a tool to minimize potential losses while maximizing existing opportunities. Without adequate risk analysis, strategic decisions can lead to failure, financial losses, or a decline in stakeholder trust.

With technological advancements and the complexity of the business environment, the types of risks companies face are also increasingly diverse, ranging from operational and financial risks to reputational and technological risks. This situation requires companies to be not only reactive to risks but also proactive in managing and anticipating them through thorough strategic planning.

However, in practice, many companies still haven't optimally integrated risk management into their strategic decision-making processes. This is due to limited understanding, a lack of relevant data, and the absence of a structured system for managing risk. As a result, decisions tend to be intuitive and lack comprehensive consideration of potential risks.

Based on this background, this study aims to analyze the role of risk management in corporate strategic decision-making. Furthermore, it is hoped that this research will provide insight into the importance of implementing effective risk management to improve the quality of strategic decisions and corporate sustainability amidst uncertain business environments.

## METHOD

This research uses a quantitative approach with a descriptive and associative research design. The descriptive approach is used to describe the implementation of risk management within the company, while the associative approach aims to analyze the relationship between risk management and the quality of strategic decision-making.

The population in this study comprised companies operating in the modern business sector, both small, medium, and large. The sample was determined using purposive sampling, selecting respondents based on specific criteria, such as managers, supervisors, or those directly involved in strategic decision-making. The sample size for this study was 50-100 respondents, adjusted to meet the analysis needs.

The types of data used in this study are primary and secondary data. Primary data were obtained by distributing questionnaires to respondents containing statements related to risk management variables and strategic decision-making. The measurement scale used was a Likert scale with a value range of 1-5. Meanwhile, secondary data were obtained from literature, scientific journals, and company reports relevant to the research topic.

Data collection techniques used were observation, questionnaires, and documentation studies. The questionnaires were compiled based on research variable indicators: risk identification, risk analysis, risk evaluation, and risk control for the risk management variable, and decision accuracy, decision effectiveness, and implementation success for the strategic decision-making variable.

The data analysis techniques used include validity and reliability tests to ensure the quality of the research instruments, descriptive statistical analysis to describe the data, and simple or multiple linear regression analysis to examine the influence of risk management on strategic decision-making. Data processing was performed using statistical software such as SPSS or similar applications.

With this method, it is hoped that research can provide objective and accurate results regarding the role of risk management in improving the quality of a company's strategic decision-making.

## RESULTS AND DISCUSSION

### 1. Descriptive Analysis Results

Based on the results of distributing questionnaires to 80 respondents consisting of managers and decision-making staff, an overview was obtained regarding the level of risk management implementation and the quality of strategic decision-making.

**Table 1.** Descriptive Statistics of Research Variables

Variables	Mean	Standard Deviation	Category
Risk Identification	4.12	0.52	Good
Risk Analysis	4.05	0.56	Good
Risk Evaluation	3.98	0.6	Good
Risk Control	4.1	0.54	Good
Strategic Decision Making	4.15	0.5	Very good

The results in Table 1 show that all risk management indicators are in the good category, with the highest average score for risk identification (4.12). This indicates that the company is sufficiently capable of identifying potential risks. Meanwhile, the strategic decision-making variable obtained an average score of 4.15, which is in the very good category.

### 2. Validity and Reliability Test Results

All statement items were declared valid because they had a correlation value ( $r$  count)  $> r$  table (0.30). The reliability test showed a Cronbach's Alpha value  $> 0.70$  for all variables, so the research instrument was declared reliable.

### 3. Results of Regression Analysis

Regression analysis is used to determine the influence of risk management on strategic decision making.

**Table 2.** Linear Regression Analysis Results

Variables	Coefficient ( $\beta$ )	t count	Sig. (p-value)
Constant	1,215	3,210	0.002

Risk Management	0.735	8,450	0.000
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Based on Table 2, the following regression equation is obtained:

$$Y = 1.215 + 0.735X$$

These results indicate that risk management has a positive and significant influence on strategic decision-making. A significance value (0.000) < 0.05 indicates that the hypothesis is accepted.

#### 4. Coefficient of Determination (R<sup>2</sup>)

**Table 3.** Coefficient of Determination Conclusion

R Square	Adjusted R Square
0.642	0.635

The R Square value of 0.642 indicates that 64.2% of the variation in strategic decision making can be explained by risk management variables, while the remaining 35.8% is influenced by other factors outside the research.

The research results show that risk management plays a crucial role in improving the quality of a company's strategic decision-making. High scores on the risk identification and control indicators indicate that the company has demonstrated a strong awareness of managing potential risks from an early stage.

The significant positive relationship between risk management and strategic decision-making indicates that the better a company is at identifying, analyzing, evaluating, and controlling risks, the more appropriate its strategic decisions will be. This aligns with the concept that decisions based on thorough risk analysis are more rational and less error-prone.

Furthermore, the relatively high coefficient of determination (64.2%) indicates that risk management is a dominant factor in determining the success of strategic decision-making. However, other factors, such as managerial experience, organizational culture, and technological support, also influence decision quality.

Overall, the results of this study confirm that the implementation of effective risk management serves not only as a mitigation tool but also as a foundation for formulating more adaptive and competitive business strategies amidst uncertain business environments. Therefore, companies are advised to continuously improve their risk management systems, which are integrated into every strategic decision-making process.

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