Available online at: http://journal.uny.ac.id/index.php/jpe

Jurnal Prima Edukasia, 12 (1), 120-128

Identifying Risks in Educational Institutions Management: A Case in a Legal Entity Higher Education Institution

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Received: 5 December 2023; Revised: 13 December 2023; Accepted: 3 January 2024

Abstract: Higher education is a legal entity representing the government to serve society optimally. This research aims to identify, understand and manage risks that can hinder achieving organizational goals in organizing higher education. This study uses a quantitative approach with a descriptive type. Research subjects were taken from leaders and employees in the Directorate of Planning and Finance, Directorate of General Affairs, Resources and Law, and the Directorate of Research and Community Service, Directorate of Cooperation, Information Systems, Innovation and Business, Quality Assurance Directorate, Internal Supervisory Unit, Vocational Faculty. Subject selection was conducted using a purposive technique using considerations of feasibility and competency related to the themes studied in this research. Data collection was carried out using questionnaires and interviews. The data that was collected was analyzed using descriptive quantitative analysis techniques. This risk register management is a document that identifies, understands and manages risks that can hinder the achievement of organizational goals. The structured risks develop the risk mapping prepared during the previous program. Risks that have been identified are not risks that are fixed (given). The risks referred to can change, increase, or even decrease according to the conditions faced by the organization. Communication to update risk data in risk register management is still necessary to enrich the types and impacts of these risks on the organization.
Keywords: risk management, legal entity, higher education institution

How to Cite: Taman, A., Prasojo, L. D., Yuliana, L., & Purwanto, N. A. (2024). Identifying risks in management of educational institutions: A case in a legal entity higher education institution the pandemic. *Jurnal Prima Edukasia, 12*(1), 121-128. doi: http://dx.doi.org/10.21831/jpe.v12i1.68277

Introduction

Organizations will always face internal and external risks to achieve their goals. This effect of uncertainty is often referred to as risk. All organizational activities will certainly contain risks (Gephart & Topal, 2016). For this reason, an organization manages its organizational risks to manage its risks (Damayanti & Augustine, 2019; Frempong et al., 2019; Weatherly, 2022). Risk management allows an organization to achieve its goals (Khatib et al., 2023; Troisi & Castaldo, 2022). Organizations that incorporate risk management into their management systems will be able to achieve better results and be able to make more rational strategic decisions (Rasedi & Sibindi, 2023; Roslan et al., 2017).

In higher education, most leaders and supervisory boards do not prioritize risk management or crisis management as part of an integrated planning system, even though incidents may have occurred on campus that could cause financial losses or damage the organization's image and reputation. However, to achieve goals, organizations will always face internal and external risks (Bennett, 2017; Rasedi & Sibindi, 2023; Roslan et al., 2017; Saab & Botelho, 2020). This uncertainty effect is often called risk (Alkhlaifat et al., 2019).

This risk must, of course, be managed adequately not to hamper achieving the organization's goals. This process became known as the risk management process (Lee, 2023; Stradomska et al., 2019). Robert Mehr and Bob Hedges officially introduced risk management, which outlined the steps in the risk management process (D'Arcy & Brogan, 2001). At that point, risk management still had a limited scope and was only intended to ensure that an organization was adequately protected if a problem occurred (Dahmen, 2023; Toanoglou et al., 2021).

The risk assessment element begins by looking at the suitability between the objectives of the activities carried out and the targets, as well as conformity with the strategic goals set by the Government. Risk identification is carried out on risks that may arise, both internal and external risks, that can affect the success of achieving these goals. Then, the risks for possible events and impacts are analyzed from very high to very low. Based on the risk assessment results, responses to risks are carried out, and appropriate control activities are developed to respond to the risks they have and ensure that these responses are implemented effectively. Risk identification, risk analysis and risk control activities constitute a series of activities called risk management (Setiawati et al., 2022). Risk management has transformed into an empirical fact that has significantly impacted the social and political sectors compared to its initial period (Dierkes & Michaelis, 2022; Gotteiner et al., 2019). Risk management has moved beyond a silo approach and developed into an integrated approach at every level of the bureaucracy (Card, 2016; Peprah & Lufungula, 2020).

Modern organizations with good reputations tend to have superior and complete risk management practices (Krzakiewicz & Cyfert, 2015; Pikos, 2015). Mikes and Kaplan (2014) reveal that ERM characteristics consist of active and intrusive practices to: (1) capture challenges both inside and outside the organization, (2) communicate risks through different tools (such as risk maps, stress tests and scenarios), (3) collectively overcome gaps in other control functions such as internal audit and other boundary controls, and (4) complement but not replace existing control practices.

Risk management is important for everyone, from institutions or agencies to the community (Arfiansyah, 2021; Fragouli & Yankson, 2015). The following are several things that make risk management important, including mediating for effective policy-making, high standardization in customer service, increasing organizational capacity, increasing agency morale, increasing the effectiveness of program implementation and supporting transparency. Meanwhile, its importance for society includes, among other things, as a means of control against unexpected environmental changes, part of the requirements for investors and regulators and a part of society's demands to improve good governance (Al-Abrrow et al., 2019; Hishan, 2020; Klein & Eckhaus, 2017).

Risk management is a process carried out by key personnel at every level of the organization to manage risks to ensure organizational goals (Bek Yağmur & Aydıntuğ Myrvang, 2023; Healy, 2006). Current and future risk management is needed in organizations operating in the manufacturing and service sectors (Boholm, 2010; McKenna, 2001). Higher education is an organization that provides educational services to the community in its future journey, always facing uncertainty related to various threats in achieving organizational goals. It is this uncertainty that can give rise to multiple risks. Risk management is one of the key answers to securing higher education's existence and sustainable development. Risk management implemented in a university can help predict, anticipate and reduce various risks that may occur and are related to the goals the university wants to achieve. This research aims to identify risk management that occurs in higher education institutions.

Methods

This study used a quantitative approach with a descriptive type. This research described, examined and explained what is being studied as it is and draws conclusions from phenomena that can be observed using figures from data analysis in the field. This research was carried out at Yogyakarta State University. Research subjects were taken from leaders and employees in the Directorate of Planning and Finance, Directorate of General Affairs, Resources and Law. Directorate of Research and Community Service, Directorate of Cooperation, Information Systems, Innovation and Business, Quality Assurance Directorate, Internal Supervisory Unit, Vocational Faculty. Subject selection was conducted using a purposive technique using considerations of feasibility and competency related to the themes studied in this research. Data collection was carried out using questionnaires and interviews. The data that was collected was analyzed using descriptive quantitative analysis techniques. The validity of this research data is proven by data triangulation in the form of source, method, and time triangulation.

Results and Discussion

This research aims to identify, understand and manage risks that can hinder achieving organizational goals in organizing higher education. As an academic institution, Yogyakarta State University has various risks, both from internal and external sources. In general, in the risk mapping prepared for 2022, the risks that arise at Yogyakarta State University are divided into academic and non-academic risks. In this activity, risk identification and scoring of risks directly identified by the relevant work units will be presented, so it is hoped that they will touch on the basic aspects of the problems faced by risk owners and will be shown in the 2023 risk mapping.

In stages one and two of the risk identification process, risks were obtained from seven Work Units with 48 risk points. The five units include: Directorate of Planning and Finance, Directorate of General Affairs, Resources and Law, Directorate of Research and Community Service, Directorate of Cooperation, Information Systems, Innovation and Business, Directorate of Quality Assurance, Internal Supervisory Unit, Faculty of Vocational Studies. The number of risks in each unit is shown in Table 1 below.

Table 1. Number of Risks by Work Unit

Work Unit	Identified Number
Directorate of Planning and Finance	12
Directorate of General Affairs, Resources and Law	9
Directorate of Research and Community Service	3
Directorate of Cooperation, Information Systems, Innovation and Business	11
Directorate of Quality Assurance	2
Internal Supervisory Unit	12
Faculty of Vocational	6

There are five risk categories used in the field, including Strategic risk, an unpleasant consequence that arises from inappropriate strategy determination and implementation, inaccuracy in making strategic decisions and failure to deal with changes in the internal/external environment, including unit development new businesses can be seen in times of poor decision making, inadequate resource allocation or the organization experiencing a sharp decline in a short period.

Operational Risk is the risk the company faces when carrying out daily activities. Operational risk is caused by actual losses due to internal processes. Operational risks can affect stakeholder satisfaction and organizational reputation. Financial risks will be closely related to finance, such as the impact of transactions on the financial balance sheet, employment contract obligations, debt payment due dates, liquidity risks, and other things that can reduce organizational flexibility.

Compliance Risk is the failure of the organization to fulfil regulatory and statutory demands that must be met, so the main risk faced is Regulatory Risk. It is also important to understand that Regulatory Risk can also end in a litigation process, so in cases like this, Legal Risk is also included in Regulatory Risk. Fraud Risk is risk related to events or errors in processing company operations. Fraud risk looks in more detail at whether the incident or mistake results from deliberate action by the perpetrator. The number of risk profiles in the field based on stage two risk identification according to category is shown in Table 2 below.

Table 2. Risk Identification is Based On Risk Categories

Risk Category	Number of Cases
Strategic Risk	8
Operational risk	33
Financial risk	8
Compliance risk	6
Risk of fraud	0

The number of risks based on risk event status is categorized into 5 (five) event statuses, including Extreme high, a risk condition where the risks in various categories that occur are greater than 75% in probability and impact. High risk is a risk condition where the risk in multiple categories occurs between 50% and less than 75%, both in probability and impact. Medium risk is a risk condition where the risks in various categories are equal to 50%, both in terms of likelihood and impact. Low risk is a risk condition where the risk in multiple categories occurs between 25% and less than 50%, both in probability and impact. Retrieved is a risk condition where the risks in various categories are less than 25%, both in probability and impact. The results of risk identification based on risk event status are shown in Table 3 below.

Table 3. Risk Identification Based on Event Status

Risk Category	Extreme High	High Risk	Medium Risk	Low Risk	Retrieved
Strategic Risk	-	7	1	-	-
Operational risk	7	25	1	-	-
Financial risk	1	7	-	-	-
Compliance risk	1	4	1	-	-
Risk of fraud	-	-	-	-	-

The unit leader or risk owner can see the risk register as a management tool to monitor the risk management process in its programs and activities. Risk registers are used to identify, assess and manage risks to an acceptable level through a review and update process. The purpose of creating a Risk Register is to record details of all risks that have been identified, along with their analysis and plans for how the risks will be treated. The unit manager or risk owner is responsible for updating the risk register whenever necessary. Updating the risk register is usually delegated to the program/activity control function. In this case, risks managed, avoided or no longer relevant can be removed from the risk register.

Risk is the effect of uncertainty on objectives (Martinez-Onstott et al., 2016). Because there is an element of uncertainty, these uncertainty factors must be managed. In managing organizations in various fields, risk management, hereinafter referred to as risk management, must be carried out within the organization to anticipate and overcome identified risk events (Piccirilli & Tzabbar, 2022).

Risk management in higher education is different from other management sciences because it is specifically used to overcome the impact of uncertainty on objectives (Gephart & Topal, 2016). Risk can only be assessed or successfully managed if the nature and sources of the uncertainty are understood. Uncertainty in an organization's internal and external operating environment creates many opportunities and threats that must be prioritized for further consideration by management (Krzakiewicz & Cyfert, 2015). The risk assessment process can be used to plan risk management and determine opportunities and threats that need to be identified. Risk in an organization is associated with the prospects of meeting strategic objectives (Parsola, 2023). By managing the impact of uncertainty, organizational goals can be achieved.

Risk management prioritizes creating and protecting value, a framework that requires strong and committed leadership and a systematic and documented governance process (Riad, 1999). For this reason, control instruments that have a very important role are needed, both to control the possibility of risks occurring (prevention) and to reduce the impact of these risks (countermeasures) (Deverell & Olsson, 2010).

For this reason, risk management must be implemented in the university environment to prevent or overcome various risks. Nowadays, there are more and more risks emerging in the higher education environment, which are caused by the increase in relevant stakeholders, openness of public information, transparency and public accountability, higher education competition, dynamics of changes in education policy, demands of the three dharma of higher education, and the digitalization of education.

Risk management is considered effective when the opportunities obtained can offset threats, significant opportunities can be exploited, and significant threats can be controlled or otherwise mitigated. The risk assessment process aims to provide evidence-based information and analysis that assists in making informed decisions (Alkhyyoon et al., 2023).

Risk affects every aspect of operational activities in higher education. Therefore, understanding the risks faced and managing these risks appropriately will increase the university's ability to make better decisions, safeguard university assets, increase the university's ability to provide services to stakeholders, help carry out the vision and mission and achieve the university's goals. The University views managing risks to human resources, assets and all aspects of its operations as an important responsibility. Therefore, the university is committed to carrying out this responsibility as well as possible.

Risk management helps organizations understand and meet applicable legal, regulatory and standard requirements (Soane et al., 2016). Organizations can avoid sanctions, litigation, or negative reputations resulting from violations by managing risks following applicable regulations. Risk management pays attention to safety and health factors that have the potential to endanger employees, customers or other stakeholders. Organizations can create a safer and healthier work environment by identifying and controlling related risks.

Organizations can reduce the likelihood of significant financial, operational or reputational losses by identifying, analysing and managing risks. This can help protect organizational assets and increase financial stability. Good risk management provides relevant and accurate information about risks to decision-makers. This helps them make better decisions based on a better understanding the consequences and possible risks associated with a particular strategy or project. Apart from identifying negative risks, risk management also helps identify opportunities that can provide benefits or improve organisational performance. Organizations can optimize results and gain a competitive advantage by taking advantage of these opportunities. By managing risk effectively, organizations can reduce operational disruptions or obstacles. This can increase efficiency, productivity and quality of services or products (Ubert, 2020).

By managing risk effectively, organizations can maintain and enhance their reputation in the eyes of customers, business partners and the general public. This can strengthen customer trust and loyalty and open up opportunities for better collaboration. Risk management helps organizations prepare for environmental, market, or regulatory changes affecting their operations. By planning and managing long-term risks, organizations can improve the sustainability of their business.

Conclusion

This risk register management is a document that identifies, understands and manages risks that can hinder the achievement of organizational goals. The structured risks develop the risk mapping prepared during the previous program. Risks that have been identified are not risks that are fixed (given). The risks referred to can change, increase, or even decrease according to the conditions faced by the organization. Communication to update risk data in risk register management is still very necessary to enrich the types and impacts of these risks on the organization. It is recommended that the findings regarding risk register management be used as an effort to achieve organizational goals and as reference material in decision-making in higher education institutions. Furthermore, to support the implementation of risk management in higher education institutions, these institutions, as education providers representing the government, must be proactive and trustworthy in transforming implementation management towards good and clean educational institutions, with the support of professional staff who have responded actively to encourage the implementation of risk management in universities by creating superior services in the education sector through effective, efficient and maximum risk management.

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