

# The Influence of Risk Management in Decision Making on Entrepreneurial Success with Product Promotion as a Moderating Variable

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## Abstract

The purpose of this study was to determine the effect of risk management in decision making on entrepreneurial success with promotions as a moderating variable. The problem in this study is focused on entrepreneurs who often experience failure in entrepreneurship due to inability to apply risk management in entrepreneurship and lack of promotion to the community so that to understand these problems several supporting theories are used, namely risk management, promotion and entrepreneurial success which are also supported by several studies. from existing journals. This type of research is a quantitative associative research with the population being all entrepreneurs with a minimum asset of Rp. 100 million in the area of Central Helvetia Village, Medan Helvetia District, Medan City, There are 153 entrepreneurs in North Sumatra Province and the determination of the number of samples is based on the Slovin formula so that there are 60 respondents with a simple random sampling technique. The data were obtained using a research instrument in the form of a questionnaire and the data analysis used was simple regression and MRA. The results showed that: 1) there is an effect of risk management on entrepreneurial success, 2) Risk management has an effect on entrepreneurial success which is strengthened through product promotion. The data were obtained using a research instrument in the form of a questionnaire and the data analysis used was simple regression and MRA. The results showed that: 1) there is an effect of risk management on entrepreneurial success, 2) Risk management has an effect on entrepreneurial success which is strengthened through product promotion. The data were obtained using a research instrument in the form of a questionnaire and the data analysis used was simple regression and MRA. The results showed that: 1) there is an effect of risk management on entrepreneurial success, 2) Risk management has an effect on entrepreneurial success which is strengthened through product promotion.

**Keywords:** Risk Management; Promotion; Entrepreneurial Success

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## INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) in the era of sophisticated technology are one of the backbones of the world's economy, including Indonesia, which contributes 60 percent of Gross Domestic Product (GDP) and specifically for Indonesia, that recovery and economic performance are contributed by MSME recovery (RI Ministry of Finance, 2022).

From data from the Ministry of Small and Medium Enterprises Cooperatives (KUKM) in 2018 it is known that MSME actors account for 64.2 million (99.99%) of the number of business actors in Indonesia. These MSMEs are dominated by micro entrepreneurs of 98.68% with a workforce absorption of around 89%.(Sahda, 2022). Despite being the highest contributor to Indonesia's GDP, MSMEs experience various obstacles to development and the constraints experienced include lack of market access, less skilled human resources, and low use of more advanced technology and low financing (RI Ministry of Finance, 2022).

Therefore the world of entrepreneurship will be more successful if it is supported by good entrepreneurs to face the era of free trade so that everyone who is an entrepreneur is designed not only to provide human resources who are ready to work hard and enterprisingly but entrepreneurs must be able to prepare and open a job market. just like entrepreneurship. Someone is called an entrepreneur, when that person has good and unique ideas and ideas and can also make a product that is able to compete in the market or in the midst of society. Not only that, they also have the expertise to be able to provide products according to market interests or demands.

Therefore, in order for the entrepreneur to be successful, an entrepreneur must be a person who works hard, has an independent attitude, is creative and innovative, is able to manage the business he is running and has the courage to take risks from the business he is running.(Tambunan, F. & Hasibuan, 2018). From this opinion it is illustrated that an entrepreneur must have the ability to make a risk management.

Risk management when carrying out business or business activities is very important to implement to protect entities from risks that become obstacles to achieving goals and also various things that allow losses for that business or the company. Therefore security risk management is very important to pay attention to when running a business or business. When making decisions, a leader or an entrepreneur must be able to make the right and correct decision. This decision was made based on experience and also based on facts on the ground (Ika, 2018). The importance of implementing risk management in a business or business that is run can be proven through research Muhaimin et al (2022) which states that implementation in terms of managing existing risk management includes using effective risk management at the beginning. Evaluation and measurement can be described by measuring risks, including through a clearer way of carrying out the steps taken in a decision-making process so that when a decision is made it can be carried out by means of measurement, analysis and evaluation. Measurement of risk management must be based on a process of measuring or assessing risks and developing strategies.

The application of risk management has the goal of managing risk in order to obtain the maximum or optimal results where in the context of a company or organization, the company or organization will also encounter a lot of risks. If a company or organization is unable to manage risk properly and correctly, then an organization may face obstacles and may even suffer losses. Therefore the risks faced by a company or organization must be managed properly so that the organization can survive or can optimize risks (Febriyanta, 2021). The application of risk management is according to research Adityawarman (2019) are risk identification, risk measurement, risk monitoring and risk control. This application is important because the application of risk management properly will be able to produce a relatively stable business and of course it can be profitable for the business.

From the research results Bac (2010) stated that the implementation of risk management supports more effective organizational management because management is able to help understand and assess existing risks so that it can increase the probability of success and vice



versa is able to minimize the possibility of failure. Meanwhile in research Rochiyatun and Diyanty (2023) it is stated that the management of risk management as a performance appraisal tool is carried out based on the implementation of integration between performance management and risk management which includes risk assessment, internal context analysis as well as external analysis.

In addition, so that the business being run can run according to the plan that has been made which includes product marketing, entrepreneurs or entrepreneurs must be able to make a marketing strategy by promoting the products sold so that the products sold can increase in sales as time goes on (Abdullah, 2014). Through product promotion it can be a very effective means of offering a variety of products that are marketed or sold to consumers or the public and this can minimize the level of risk of loss from the business activities being carried out. The function of this promotion is to attract the attention of consumers or the public when introducing products that are marketed or sold (Fitri, 2016).

This is reinforced through research Yolanda and Wijanarko (2018) which states that the better a promotion will increase decision making for purchasing a product. Therefore a product that is marketed without product promotion, the product will not be successfully marketed or sold so that in this way a product promotion can strengthen the risk management carried out in order to achieve success in entrepreneurship. Promotion according to Setyandi (2018) interpreted as an activity carried out by informing the advantages of the product being marketed and making consumers or the public buy the product. Indicators of product promotion according to Kotler and Keller (2016) are: promotional messages, promotional media, promotional time.

Based on the description above, it is generally known that the application of risk management is very important for the continuity of a business being carried out and the importance of promoting products that will be marketed by an entrepreneur as a basis for strengthening so that the business can be carried out successfully so based on this, the purpose of this research is to determine the effect of risk management on the success of product promotion entrepreneurs as a moderating variable.

## RESEARCH METHODS

This research is a quantitative research because the data obtained and analyzed are in the form of numbers (Sugiyono, 2017). The population is all entrepreneurs with a minimum asset of Rp. 100 million in the Central Helvetia Village area, Medan Helvetia District, Medan City, North Sumatra Province as many as 153 entrepreneurs. Determination of the number of samples in this study is based on the Slovin formula (Sugiyono, 2017) which is shown in equation [1]. From the Slovin formula, the number of samples used is 60 respondents with the sampling technique is simple random sampling, where the simple random sampling technique is a way of taking sample members from the population which is taken randomly without regard to the strata in the population (Sugiyono, 2017).

$$n = \frac{N}{1 + Ne^2} \dots \dots \dots [1]$$

Information :

- N = Total Population
- n = Sample study
- e = 0.1

The data collection technique used in this study was a questionnaire instrument with a Likert scale. The questionnaire instruments are arranged according to operational definitions, indicators and measurement of the variables which are described as follows:



Table 1. Operational Definition, Indicators and Measurement Scale

No	Variable	Operational definition	Indicator	Measure Scale
1.	Risk management	Activities carried out by entrepreneurs to minimize and prevent risks from being run by entrepreneurs	a. Identification b. Planning c. Strategy d. Action e. Supervision	Likert scale
2.	Promotion product	activities carried out to convey messages about products to the public or consumers	a. Brochure b. Online media a. Through friend to friend	Likert scale
3.	Entrepreneurial success	There is an increase in business carried out from the previous results	a. Sales increase b. Profits add up c. Business development	Likert scale

Before the research instrument was used, it was first tested the validity and reliability of each variable. From the results of the validity and reliability tests that have been carried out, it is known that all item items from each variable are declared valid so that they can be used as research instruments.

Data analysis used to answer the objectives of this research uses simple linear equation analysis and Moderated Regression Analysis (MRA), t test and coefficient of determination. The simple linear regression equation can be seen in equation [2] and MRA in equation [3] below:

$$Y = \alpha + \beta X \dots\dots\dots [2]$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_1 X_1 * \beta_2 X_2 \dots\dots [3]$$

Description of Equation [2] and [3]:

- $\alpha$  = Constant
- $\beta_1$  = Risk management regression coefficient in decision making
- $\beta_2$  = Product promotion regression coefficient
- $X_1$  = Risk management variables in decision making
- $X_2$  = Product promotion variable
- $Y$  = Entrepreneurial Success Variables.

## RESULTS AND DISCUSSION

### Classic Assumption test

In this study, MRA analysis was used so that the classical assumption test was carried out which included the normality test, multicollinearity test and heteroscedasticity test with the following results:

- a. In the normality test for risk management variables with Asymp values. Sig. (2-tailed) = 0.456, for product promotion variable with Asymp value. Sig. (2-tailed) = 0.291 and for the entrepreneurial success variable with the Asymp value. Sig. (2-tailed) = 0.272 so that the three variables can. The data that has been normally distributed in this study is a data distribution or continuous random data distribution with the greatest or average frequency of the data obtained at the midpoint which is symmetrical in shape otherwise the data is normally distributed.
- b. In the multicollinearity test for the risk management and product promotion variables each obtained a tolerance value = 0.867 so that it can be stated that there are no symptoms of multicollinearity in the regression model. The purpose of the multicollinearity test in this study was to find out whether the regression model used found a correlation between the independent variables studied.
- c. In the heteroscedasticity test for the risk management variable, a p value = 0.120 was obtained and for the product promotion variable, it was p = 0.140 so that it could be stated that there were no symptoms of heteroscedasticity in the regression model. This shows that



the variance of the residuals from one observation to another is different where a good regression model is a regression model that does not show symptoms of heteroscedasticity.

### **Simple Linear Regression Analysis and Moderating Regression Analysis (MRA)**

Simple linear regression analysis to analyze the effect of risk management in decision making (X1) on entrepreneurial success (Y) and continued with an analysis of the influence of risk management in decision making on entrepreneurial success moderated by product promotion (X2).

In simple linear regression analysis, a constant value = 13.652 is obtained. This shows that entrepreneurial success reaches 13.652 if it is not influenced by risk management in decision making (X1). Furthermore, the regression coefficient = 0.560 is obtained which indicates that every increase in risk management, entrepreneurial success will increase by 0.560. Based on these results, the simple regression equation is:  $Y = 13.652 + 0.560 X1$

Then from the results of the t test, the value of t count = 4.697 is greater than the value of t table = 2.001 with a significant value of 0.000 less than the value of  $\alpha = 0.05$  so it is stated that risk management in decision making influences entrepreneurial success. While the value of the coefficient of determination was obtained at 0.279 or 27.9% which stated that the risk management variable in decision making (X1) was able to explain variations in the entrepreneurial success variable (Y) of 27.9% and the remaining 72.1% was explained by the variables other variables not examined in this research model before using the product promotion moderation variable (X2). After entering the moderating variable, namely product promotion (X2), the results stated that there was an increase in the R-square value from 0.276 to 0.

From the data obtained then analyzed shows that it turns out that risk management in decision making influences the success of entrepreneurship. This indicates that every entrepreneur must have risk management in running his business if he wants his entrepreneurship to be successful. Every business (business) in this case the MSMEs that are run must have the possibility of two risks occurring, namely the risk of success and failure. Many MSMEs that carry out their business activities do not apply risk management so that it often happens that the business they run fails or at least the business they run does not develop.

The risk can be interpreted as the existence of a possibility of a situation that has a negative impact on the objectives to be achieved. For this reason, it is necessary to have a management or risk management of every business activity (MSMEs) that is carried out in order to be able to see and know the possibilities of failure in entrepreneurship. Risk management according Fauzi etl (2022) based on the ISO 31000 Standard is an organized activity in managing and directing a company or organization to overcome risks that may occur.

In this risk management contains information to be able to identify, analyze and evaluate and control the risks that may occur. Risk identification is the first step in implementing risk management in business which aims to identify the voice of consumers. Entrepreneurs must be able to gather information from the wishes of consumers or the public which can be done through marketing, controlling the quality of the products being marketed or sold. In addition, the identification of risks in the business being run is by recognizing and describing the risks that could be an obstacle to achieving the target desired by the entrepreneur. Besides that, While risk analysis is conducting an investigation of an event from the risks that may occur based on the data or information obtained to find out the actual situation. From the risk analysis, an evaluation is then carried out in order to be able to find a solution that is able to overcome the risks that may occur from the business activities being carried out.

The application of risk management in entrepreneurial activity is very important to implement in order to minimize and also eliminate possibilities that are not expected by entrepreneurs. Some of the benefits of managing risk management include helping entrepreneurs understand by evaluating and then making decisions in the form of action against all risks from entrepreneurial activities that they carry out with the aim of course to increase



entrepreneurial success or vice versa to minimize the possibility of failure in entrepreneurship. Based on this, it can be seen that an entrepreneur must have the knowledge and ability to manage the business he runs in order to achieve entrepreneurial success. According to Asnawati (2021) that a successful or successful entrepreneur basically has an advanced mindset from people who are not entrepreneurs. The advanced mindset of these entrepreneurs can be expressed in the form of new ideas so that they are able to bring up competitive products in the midst of society so as to open up jobs. The entrepreneur's mindset must be productive and not consumptive but always looking for new ideas to increase existing resources and be able to find alternatives if problems arise in their business activities.

Various researchers have conducted research on risk management, including those carried out by Mandiri et al (2022) which states that the highest risk that occurs in UMKM Burgerchill lies in its human resources. In addition, the importance of implementing risk management in entrepreneurship can be proven through his research Jesslyn et al (2022) conducted at Moifoods.btm MSMEs show that these MSMEs have implemented risk management effectively. UMKM Moifoods.btm is able to overcome obstacles to the high cost of production raw materials and is able to overcome obstacles in the sales system.

Another risk that may occur in entrepreneurship and even the highest risk in entrepreneurial activity is a decrease in sales turnover. Sales turnover is an illustration of the performance of the business being run where the higher the sales turnover, it can be stated that the business being run is getting better and can develop. Therefore, to overcome this, entrepreneurs can identify these risks. By identifying the risks of decreasing sales turnover, entrepreneurs are able to find solutions to prevent this from happening. To overcome this can be known through research Hariwibowo (2022) that by identifying risks so that what is done by carrying out the mitigation stages through a plan is able to reduce the negative impact of these risks. The risk identification that needs to be implemented is to determine the identified risk units such as sales, then understand the business processes of the identified risk units to find out activities, then determine the crucial activities when the risk unit is unable to produce due to disruptions and after that determine forms of losses that may occur in the business being run and continued by knowing the causes of the losses that occur so that you can know how to handle them so that the business being run does not go bankrupt. In identifying this risk,

Another risk that may occur is the emergence of competitors in similar businesses so that by doing so, entrepreneurs must be able to see the emergence of these new businesses by taking innovative steps from the business model that has been run so far so that new characteristics are formed in entrepreneurship.

Then the results of the study stated that promotion was able to strengthen the influence of risk management on entrepreneurial success. Promotion is interpreted as an activity carried out to convey messages about products to the public or consumers so that they can assist marketing in increasing sales. Promotion is a strategy in business activities so that people are interested in the product being promoted. Entrepreneurs must know several sales promotion strategies to increase sales turnover. Promotion of entrepreneurship can be done in various ways, including through brochures, online media or through friends to friends. The function of this promotion is to attract the attention of consumers or the public when introducing products that are marketed or sold. In addition, the quality and quantity of promotions also need to be considered for entrepreneurs. Product promotion is carried out not only to provide information on the products being marketed, but also to pay attention to the elements of the promotion so that they are easily understood and able to influence consumers or the public who know and see promotions made by entrepreneurs. Product promotion must be of high quality so that the public or consumers are interested in buying the products of the business being run. Technically, promotion can be done in various ways and the most effective way is to start with your own family, close friends and neighbors.

From the description above it can be seen that the world of entrepreneurship always has risks so that every time an entrepreneur must be able to bear the risk by reducing the risks that arise. The risks that arise are not only avoided but must be faced to minimize the impact, namely



experiencing losses. Therefore the application of risk management in entrepreneurship has a very important role where the purpose of this risk management is to identify, make an assessment and exercise control over threats to the existing resources of the entrepreneur being run and evaluate the risks that may arise. when business activities are carried out. To overcome the risk of running an entrepreneur, entrepreneurs must be able to make promotions that can increase sales turnover. According to several studies that have been conducted, it is stated that promotion can increase sales turnover so that by increasing sales turnover, entrepreneurs will definitely achieve success in entrepreneurship.

## **CONCLUSION**

Risk management has an impact on entrepreneurial success. Risk management has a very important role in business activities. Therefore, it is hoped that all entrepreneurs will implement risk management so that the entrepreneurs they run can develop according to the desired expectations.

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