

Risk Capability Building Post Covid-19 Through Improving Competency in Risk Management: A Case Study of a Pioneer Bus Rapid Transit Company in Indonesia

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Abstract

The purpose of this study is to understand how a pioneer Bus Rapid Transit (BRT) company in Indonesia strengthens its business resilience when facing uncertainty due to the COVID-19 pandemic. A qualitative approach through distributing questionnaires followed by in-depth interviews and focused group discussion has helped discover that the pioneer BRT company is not fully prepared for the COVID-19 pandemic. The company then decided to strengthen risk management capabilities by increasing risk management competencies that support decision-making in responding to the impact of the COVID-19 pandemic. Risk leaders of the company believe that strengthening risk capabilities can boost the company's resilience in the face of the COVID-19 pandemic and succeeding in the new-normal era later. However, it is recommended that the company apply a business continuity plan/management (BCP/M) as a systematic and comprehensive approach to be more effective in dealing with future resilience and business continuity risks.

Keywords: Enterprises risk management, Risk management capability, Bus rapid transport, Indonesia



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INTRODUCTION

Transportation is an essential need for modern society. Traveling has become one measure of citizens' quality of life because they like the freedom to travel. Transport also supports economic growth. Therefore, transportation must be sustainable regardless of the various challenges that are faced.

The Bus Rapid Transit (BRT) system is one of the transportation models that has recently become famous as a cost-effective method for urban mass transit. The BRT model used in many cities around the world adopts the Latin American BRT model. The BRT model in developed country cities was not adopted because it lacked essential characteristics for cities in developing countries, including:

- High population density,
- Share of existing public bus transportation modes, and
- Strong political drive to eliminate sustainable subsidies for public transport operations

In Indonesia, a pioneer BRT company was designed based on the TransMilenio system in Bogota, Colombia, and started operating on February 1, 2004. It is the first BRT transportation system in Southeast and South Asia, with the longest track globally, about 251,2 km.

In January 2020, the pioneer BRT company celebrated its 17th anniversary. Within 17 years, the company boasts a daily ridership of 800,000 people. Even in February 2020, before the covid-19 pandemic hit Indonesia, this number of daily ridership has reached over 1 million people.

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The spread of the Corona Virus Disease 2019 outbreak has disrupted all countries, including Indonesia. One of the impacts is the reduced movement of transportation modes due to the Government's restrictive policy. This policy is popularly called Pembatasan Sosial Berskala Besar (PSBB) which was later replaced with a micro-scale approach, namely Pemberlakuan Pembatasan Kegiatan Masyarakat (PPKM). Both PSBB and PPKM have a direct impact on public transportation services, including the BRT company.

All of these restrictions have an impact on reducing the number of passengers of the company. The Central Bureau of Statistics (BPS) of DKI Jakarta published data on passengers for all corridors throughout 2019 as many as 264,023,780 people. This number decreased drastically in 2020 by 52% to only 126,845,277 people. The decline in the number of passengers ultimately resulted in a decrease in the company's total income. The Central Bureau of Statistics (BPS) DKI Jakarta also published data on the total income throughout 2019, IDR 672.148,292.788. This number decreased drastically by 58% in 2020 to only IDR 280,277,306,064.

Facing the pressure of the COVID-19 pandemic, the company's BoD implemented five strategy points. First, increasing the number of fleets that serve per day to increase the number of passengers transported. Second, developing new sources of income, for example, by granting licenses to place advertisements at bus stations. Third, the body mass index is cost-effective. Fourth, environmentally friendly service policies according to health protocols for the covid-19 pandemic. And fifth is to build synergies with other government-owned transportation companies.

It is undeniable that the five strategies above can create opportunities for the company to be more resilient. However, there are many risks behind those opportunities that the company has to manage. The company established the risk management department in 2019. This department is tasked with developing risk management policies and procedures and facilitating their implementation. However, adequate risk management capabilities are required to facilitate and implement these policies and procedures effectively. What approach has the company taken to improve the competence of the risk management team, risk owners, and risk officers? In particular, what risk management competencies have been improved to meet this need? This study was conducted to answer these questions and, if possible, provide recommendations on the company's approaches to strengthening business resilience in the face of future disruptions.

LITERATURE REVIEW

Bus Rapid Transit

Kumar et al. (2012) stated that cities in developing countries face rapid urbanization and increasing living standards. This condition causes the demand for public transportation services to increase. However, the fulfillment of uncontrolled needs causes the risk of decreasing air quality and increasing the incidence of accidents, which harm public health. The Government then seeks to improve the quality of public transportation and reduce its risks. One of them is an investment in the provision of Bus Rapid Transit (BRT).

The BRT system leverages technology, infrastructure, and transit operations between flexible bus modes and efficient trains to create an integrated public transport service that is faster, more reliable, and more convenient. BRT can operate very well in cities with difficulty meeting the needs of quality transportation modes at affordable prices but with relatively high population densities. (Pessaro, 2017).

Risk Management and Public Transportation Business

Alijoyo and Norimarna (2021) stated that risk management aims to create and protect value, which means that risk management supports achieving the company's objectives. According to Alijoyo (2020), an organization creating and protecting its organizational value needs to ensure that it can exploit upside risks, often associated with opportunities, and mitigate downside risks, often associated with threats. Alijoyo et al. (2021) also stated that when an organization can effectively implement the concept of ERM within its operational and business activities or has mature risk management maturity, it can enhance its value, financially and otherwise. Studies examined the relationship between ERM and companies' value. It was found that the implementation of Enterprise Risk Management has a positive impact on firm value. Empirical results showed that implementing ERM will increase companies' value by 3.6% - 17% higher than companies that do not implement ERM (Hoyt & Liebenberg, 2008 in Iswajuni et al., 2018).

According to Abkowits (2003), risk management is implicit in transportation business practices. Transportation companies set strategic goals and objectives (e.g., the reliable and efficient movement of people and goods), but success is uncertain. Internal and external risk events can impact the achievement of these objectives. Pachin (2016) stated that risk is pervasive in transportation. It is incumbent on transportation organizations to develop explicit enterprise risk management strategies, methods, and tools. Naturally, transportation risks differ for each particular model of transportation-related to the fact that each mode has specific features of operating activities. As transportation is connected to geographical changes of position, this process is exposed to external risks that can hardly be eliminated by the drivers independently (Pachin, 2016).

Risk Capability Building and Business Resilience

For most organizations, developing the capacity to manage risk is vital for their success and sustainability. Therefore, managing risk down to the project level is a must. It is also essential to manage risk at the organizational level and manage it consistently across all activities (PMI, 2009).

Harrison (2014) mentioned that some reasons why organizations consider developing capability in risk management include:

- preparedness, whether in the sense of business resilience and continuity/disaster recovery or terms of project and operational activities;
- responsiveness to risk events to reduce losses and enhance potential gains;
- reduce vulnerability to unexpected and unwanted threats;
- compliance, particularly in the governmental sector;

Looking carefully at each of the reasons mentioned by Harrison (2014) above, especially the first reason, it can be said that the development of risk management capability aims to strengthen business resilience and continuity.

Comcover (2016) stated that building risk management capability requires developing a vision for risk management and tailoring resources to areas with the most significant impact. Consider each of the areas outlined below to determine where improvements need to the risk capability of your entity.

- Risk systems and tools – Ranging in complexity, risk systems and tools are designed to provide storage and accessibility of risk information to complement the risk management process.

- People capability – A consistent and practical approach to risk management results from well-skilled, trained, and adequately resourced staff. All staff has a role to play in the management of risk.

Further on people capabilities, Harrison (2014) adds that other support options to consider include:

- Coaching/Mentoring: Provide access to an expert skilled in the process of managing risk, so the individual has a sounding board to test their ideas against and gain specific feedback on their application of risk management practices;
- Facilitated Workshops: Bring in skilled facilitators who can lead your staff through the process of risk management, working directly on their projects.

Mitchell and Harris (2012) define resilience as the ability of a system and its parts to anticipate, absorb, accommodate, or recover from the effects of a shock or stress in a timely and efficient manner. An alternative approach to resilience is to start from the basis of effective risk management, recognizing the inherent similarities between risk and resilience as organizing frames and the extent to which risk assessment and risk management provide a window on resilience.

Therefore, a system that effectively manages risk will likely become more resilient to shocks and stresses, though the exact relationship needs to be tested empirically. Managing risk in this context means reducing risk, transferring and sharing risk, preparing for impact, and responding and recovering efficiently. It also involves being prepared for surprises – those events beyond the lived experience of occurring very infrequently (Berkes, 2007; Obrist et al., 2010).

METHODOLOGY AND DISCUSSION

Data

The data used in this study were collected from the company through a questionnaire followed by in-depth interviews to clarify answers to the questionnaire between 10 - 28 May 2021.

Method

There were 15 survey questions, divided into three sections:

Before the pandemic questions (Q1-6; 6 questions)

During the crisis questions (Q7-12; 6 questions)

Questions on capability building (Q13-15; 3 questions)

The questionnaire was distributed to the risk leaders and risk owners to be filled in according to factual conditions. After the returned questionnaires have been gathered, a focus group discussion and some partial interviews are organized to clarify the answers, especially the dubious ones.

RESULT AND DISCUSSION

Before the Pandemic

When the Covid 19 Pandemic hit in March 2020, the pioneer BRT company already had a Risk Management Department to design policies and procedures. The risk management department then

facilitated each Risk-Taking Unit filling the risk register matrix, monitoring the risk treatment, and reporting the risk profile to the Board of Directors. However, the business disruption risk caused by the emergence of disease outbreaks has not been identified and recorded in the risk register.

To anticipate disaster risk, the company has financially insured essential assets that are operated as production factors. However, despite realizing the importance of a business continuity plan (BCP) in the face of disruption, the company has not yet had time to implement BCP regarding business resilience and sustainability risks formally. According to Moeljono et al. (2020), organizations that previously had a BCP for WFH would undoubtedly be more prepared and agile in implementing government regulation about WFH than other organizations that only limited their activities by temporarily laying off their personnel. Gittlen (2021) added that BCP could be used to anticipate a pandemic, although the primary purpose of implementing BCP is not specifically to deal with a pandemic.

During the Pandemic

The pioneer BRT company is part of the transportation industry that has been badly affected by the prolonged COVID-19 pandemic. As explained above, the company is unprepared for the Covid 19 Pandemic in the preparedness-for-the pandemic. When the Government limited operating hours and the number of passengers for all modes of transportation, The company experienced a significant decline in bus operational performance. On the other hand, other income opportunities, such as bus stop capitalization by renting out space for advertising, culinary, etc., have not been optimally exploited. As a result, there was a significant decrease in total revenue in 2020 compared to 2019.

The risk leaders and risk owners acknowledged that the COVID-19 pandemic harmed the company's business seriously. The Director of Services and Development explained that in February 2020, the number of passengers per day had reached 1 million people. Still, during the COVID-19 pandemic, the highest achievement was only 360 people per day.

Risk Management Department Head and team have asked to support the company's adaptability and flexibility during the crisis. They were involved in creating and implementing the COVID-19 crisis management strategy to ensure ongoing operations. And also significantly involved in setting up and rolling out of the recovery plan. The involvement of the risk management department head and team in these various activities indicates that they are expected to help the company build its business resilience.

All of the above explanation indicates a need to increase the role of risk management due to the changing risk landscape caused by the covid 19 pandemic. Business resilience risk has become a new risk caused by the covid-19 pandemic and must be managed to ensure business continuity and sustainability.

Risk Management Capability Building

The increased risk management roles can only effectively be implemented if an adequate increase in risk management capability is supported. This strategy is carried out by increasing the competency of the risk management department team, the risk owners, and all risk management champions in each risk-taking unit. Therefore, the Board of Directors has approved a program to increase the capability of the risk management department, risk owners, and risk management champions (usually called risk officers) from each risk-taking unit.

The method used by the pioneer BRT company to increase risk management capability is the team coaching for the risk management department team and workshop for the risk owners and the risk management champions from each risk-taking unit. According to Schultz (2021), coaching is a facilitative approach in which the coach enables future self-directed learning and development. The coaching method can be used to unlock the Coachee's potential. Regarding workshop, Fatumo et al. (2014) state that workshop is a training course where the participants work individually or in a group to take a hands-on approach to implement the skills they are learning immediately. Workshops provide insight into diverse topics and motivate students to explore new areas of interest.

The company appointed a consultant team to carry out Coach's role, and the risk management department team acts as Coachee. After participating in the coaching process, the risk management team, accompanied by a team of consultants, facilitated a workshop on the risk management process, attended by Risk Owners and Risk Management Champions from each risk-taking unit.

As a result of implementing this team coaching method, the risk management team could demonstrate capabilities in terms of:

- develop risk appetite, risk tolerance, and risk criteria;
- designing early warning system using key risk indicators;
- develop the risk registers
- facilitate the Risk Management Champion to updating their risk register in a workshop; and
- compile risk profiles for risk reporting.

On the other hand, after following the workshop process, the Risk Management Champions were able to update their risk register, according to the instructions from the Risk Management Team as Facilitator.

CONCLUSION, LIMITATION, AND FURTHER STUDY

Building risk capability is necessary to support organizational resilience in the face of disruption due to disasters such as the COVID-19 pandemic. One way to build risk capability is by improving risk management competence. This study concludes that companies can use the team coaching method to build the competence of the risk management team. The risk management team can then use their new competencies to facilitate workshops to improve the competencies of the Risk Owners and the Risk Officers to carry out their roles effectively.

In addition, to be more effective in anticipating the business resilience risks in the future, the company needs a systematic and comprehensive approach. So it is recommended that the company develop and implement risk management tools such as the business continuity plan/management (BCP/M) to provide a framework for building organizational resilience against disruptive events, such as pandemic covid 19 and the effect of government actions, e.g., PSBB and PPKM.

This study was empirically applied only in one organization under this case study. Therefore, to obtain a more comparative understanding and a certain level of generalization, further studies are recommended at some other public service companies with similar contexts.

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