

# RISK MANAGEMENT OF A MICRO ENTERPRISE: A CASE STUDY ON A SMALL RESTAURANT IN JOHOR, MALAYSIA

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## ABSTRACT

**Purpose of the study:** This study explores risks face by small and medium enterprises (SMES), in particular micro enterprises, and risk mitigation techniques used to manage the risks. The objectives of the study are to identify risks face by SMES, the impacts of the risks and mitigation techniques to manage the risks.

**Methodology:** The study uses a case study approach. The subject of investigation is a small restaurant in a fisherman village in Muar Johor. Data are collected using interviews and walk through observations. The data are analysed in four steps to determine risks, impacts and mitigations techniques. The first step is to analyse problems faced by the business and impacts of the problems. The second step is translating the problems into risks. The third step is analysing the impacts and translating the impacts to risk impacts. The fourth step is analysing the feedbacks to find techniques used by the owner to mitigate the problems. The mitigations techniques are considered as risk mitigation techniques.

**Main Findings:** The study finds SMEs particularly micro enterprise faces the following risks: financial, operational, strategic, hazard, human comfort, succession, equipment failure and health. The risk impacts are reduction in revenues, increase in cost of business operation, and inability to expand the business and decrease income. The study finds, owners are aware of risks face by the business and able to mitigate the risk. However, the study concludes that the owners do not have a formal and systematic risk management practice and relies on informal risk mitigations techniques.

**Novelty of the study:** This study demonstrates a structured and systematic process to identify risks faced by SMEs and risk mitigation techniques to manage the risks. The process can be replicated and applied to any SMEs businesses. This study contributes to enhance understanding on risk face by SMEs and risk management techniques use by business owners to mitigate the risks. The results can be use by policy makers and financial providers to develop their policies, directions, and guidelines to help SMEs to sustain and expand their businesses.

**Keywords:** *risk management, micro enterprise, small and medium enterprise, SME, SME risks*

## INTRODUCTION

This study investigates risk and risk mitigation techniques of a SME. In particular, micro enterprises. The subject of investigation is a small restaurant located in a fisherman village at Muar, Johor. The restaurant sole owner is an elderly woman. She opens the restaurant to sustain her living after retirement. This study defines the restaurant as sole proprietor micro enterprise. Risk management is defining as a process to identify threats face by the business owners and determine actions to prevent the threats from occurring or reduce the impacts if the threats actually occur. According to SME Corporation Malaysia, for businesses to be categorised as micro enterprise the amount of sales turnover is less than MYR300, 000 and number of employees less than five. Company Commission of Malaysia (CCM) defines sole proprietorship as a business wholly own by a single individual. The business uses personal name as the identity card or trade name. Permwanichagun et al. (2014) defines a sole proprietor as a person running his own business and personally responsible for its debt.

Aziz and Yazid (2015) state problems and challenges face by small and medium enterprise (SME) expose them to various type of risks. They argue that Enterprise Risk Management (ERM) can be a solution to SMEs. However, ERM is mostly implements by big companies because of the large amount of resources required. SMEs are of small size and have limited resources (Marcelino-Sádaba et al., 2014). In addition, Permwanichagun et al. (2014) warns sole proprietor businesses face several threats. The threats are owners have unlimited responsibilities for all liabilities; limited capital; difficult to find financial sources of support; owners lack ability to think and manage; owners must work hard to ensure the continuity of operations; owners faces high possibility of customers' values changes too fast; high competition and duplications due to increment of entrepreneurs in the business; and insufficient support from the government to sole proprietors. To ensure continuity of operations, sole proprietor micro enterprise needs to prepare for the threats.

This study argues that SMEs do not implement a formal risk management because it requires large resources and costly. Yet, many SMEs manage to overcome threats and challenges, and sustain their business. Therefore, they may have taken

actions or implement a process to prevent the threats from occurring or reduce the impact if the threats do occur. In other words, SMEs may have implemented risk management. The question is, how do they implement risk management? This study is conducted to find the answer. This study explores and investigates risk and risk mitigation techniques used by SMEs. The objectives are to identify risks face by SMES; identify impacts of the risks to the business and identify risk mitigation techniques used by business owners to mitigate the risks. This study contributes to enhance understanding on risk face by SMES and risk management techniques use by them to mitigate the risks. The results can be use by policy makers and financial providers to develop their policies, directions, and guidelines to help SMES to sustain and expand their businesses.

## LITERATURE REVIEW

### SMEs Problems

This study classifies SMEs problems into five groups: financial constraint, financial management, competition, lack of knowledge and skill, and women entrepreneurs. The discussion of each group is as follows.

#### *Financial Constraint*

SMEs face many challenges to adapt to the accelerating world economic growth. Rahman et al. (2016) finds financial constraints as the major challenge for SMEs across different countries and continents. In a survey conducted by SME Corporation Malaysia, for the Third Quarter 2017, 35.9 percent of participants face cash flow problems. Among factors causing cash flow problems are high cost of doing business, late payments by customers and clients, Goods and Services Tax (GST) and high import cost due to ringgit depreciation. Md. Sum and Mahussin (2017) finds that SMEs face increasing cost of doing business. The causes of the problem are implementation of Goods and Service Tax (GST) and fluctuation of petrol and toll prices. Musa et al. (2016) find financial matters as major issues raise by women micro entrepreneurs. The issues are increasing cost of raw materials, fluctuating income, expansion of business or inadequate capital to be plough back into the business. The root to this problem is the businesses use internal fund or personal saving instead of other financial resources to run the business. Bowen et al. (2009) observes that most SMEs relies mainly on own savings and reinvested profits to finance their businesses. Economic Census 2016 reports micro enterprises have the least count for external financing and highest count for internal financing. Other causes of this problem include late payment by customers and clients. Rahman et al. (2016) state, lack of access to credit, training and development issues, government policy marketing complexity, poor management skills, low awareness on information and communication technology, cultural barrier and heavy regulatory burden are the most discuss challenges of SMEs on financial constraints.

#### *Financial management.*

Md. Sum and Mahussin (2017) find SMEs lack formal financial management system. SMEs do not have a structured and organised financial management process. The consequent, business owners fail to plan their business production accurately since they did not have an appropriate record of cash inflows and outflows. Unsystematic financial management also causes owners inability to keep track of fund to support business growth.

#### *Competition*

Bowen et al. (2009) studies business challenges among SMEs in Nairobi, Kenya. The study finds the main challenges is competition. Md. Sum and Mahussin (2017) find competitors imitating products causes a business to lose customers, which affects revenue. Abdul Jamak et al. (2012) finds high rivalry problems as the most depressing problems face by failed entrepreneurs during start-ups.

#### *Lack of Knowledge and Skills*

Rahman et al. (2016) finds management and marketing skills, such as digital record keeping and networking, are the main challenges hindering SMEs growth. However, the skills are often ignored as entrepreneurs depend solely on their experiences. Jayathilake (2012) states SMEs only started to establish a formal business planning and risk management when they aged. Bayarçelik et al. (2014) finds a crucial criterion for the decision makers includes management skills. Abdul Jamak et al. (2012) finds micro entrepreneurs fail in doing business because of lack of proper training and in setting objectivity. The study suggest, for SMEs to succeed they need to have the following knowledge: know their marketing objectives, be aware of the central importance and marketing skills, alert against their competitors, be innovative and have strong key motivation factors.

#### *Women Entrepreneurs.*

Sharma et al. (2012) reports women entrepreneurship are largely neglected. Women entrepreneurs in India face various challenges such as finance, marketing, workplace facilities and social constraints. The main challenges are lack of technical knowledge and skills. They also have to manage overlapping responsibilities of business and family. High rate of illiteracy

among rural women is also an issue. Consequently, they are unable to do research and gain necessary training. Living in male dominated society, women entrepreneurs in rural areas in India have less risk bearing capacity. Therefore, they lack visibility as strategic leader. They lack information, assistance, and infrastructure. In addition, Sharma et al. (2012) finds women entrepreneurs in rural areas in India face financial problems because of bottlenecks and gaps in availability of credit for women.

### **SMEs Risks**

The study classifies SMEs risks into six groups: financial, operational, strategic, succession, business continuity and human resource. Each group is explained in detail.

#### *Financial risk*

Md. Sum and Mahussin (2017) define financial risk as events or situations affecting money flowing in or out of a business. The study identifies unexpected price increment in raw material as main risk under financial risks. To mitigate the risk, business owners transfer the risk to customers by increasing the price of products. However, the action has consequence. Increasing the price of products reduces sales as customers find cheaper alternatives of the products. As argue by Falkner and Heibl (2015), rising material prices could no longer be transfer to customers due to an increasingly competitive market.

#### *Operational risk*

Jayathilake (2012) define operational risks as any risks coming from human resources, production methods, information technology and other internal process that give significant impact to business activities. Md. Sum and Mahussin (2017) define operational risk as system, process, procedure, and people risks that disrupted business operation. For example, an equipment failure slows down production processes, as workers have to do the process manually. A disruption in supply of raw materials caused production delay or cease. Falkner and Heibl (2015) highlight that most SMEs depend on one supplier in acquisition of products as a procurement strategy. While the strategy was good to gain a better trading position, it also creates a strong dependence on the supplier. Production interruptions can happen if there are any difficulties with the supplier.

#### *Strategic risk*

Strategic risk is risks coming from competitors, customers and external environment (Jayathilake, 2012). Md. Sum and Mahussin (2017) define strategic risk as business planning failure, bad image and bad reputation. For example, business owners receive major complaints from customers creating bad image to the business. A business fails to plan their business accurately. Therefore, unable to anticipate changes in customers' preference and demand.

#### *Succession risk*

Succession risk is failure to plan or ensure the continuity of a business if owners or one of the owner dies (Md. Sum and Mahussin, 2017). Succession risk causes major business disruption. For example, death of business owners can cause loss of jobs for employees if the business has to be terminated. According to CCM, the reasons for termination of business are cessation of the business, bankruptcy, death of owner and pursuant of court order. Amran (2012) highlights that it is challenging to find a potential successor in managing family company. Even though family businesses train their heirs to be the successors, failure still occur, as not all successors are capable of handling businesses. Adisa et al. (2014) states, the inability of small business owners to transfer the business to their successor may lead to closure of the business.

#### *Business continuity risk*

Md. Sum and Mahussin (2017) define business continuity risk as events causing business disruption. The risk events, such as theft, fire, collision, or natural disaster, may have cause owners to lose their business premise and equipment. The business may have to cease operation until everything is rebuild. In addition, Randeree et al. (2012) state external dangers at all organisational levels increases the importance of managing business continuity risk.

#### *Human resource risk*

Human resource risk is skilled and knowledgeable employees leaving the business (Md. Sum & Mahussin, 2017). Human resources risks lead to reduction of efficiency of business operation. Business owners have to find new employees and train them which is time consuming. The current employees may have to do the tasks left by the leaving employees causing reduction in productivity and increase per employees' workload. The consequence, decrease business efficiency and increase stress level of current employees

**METHODOLOGY**

**Background of Respondent**

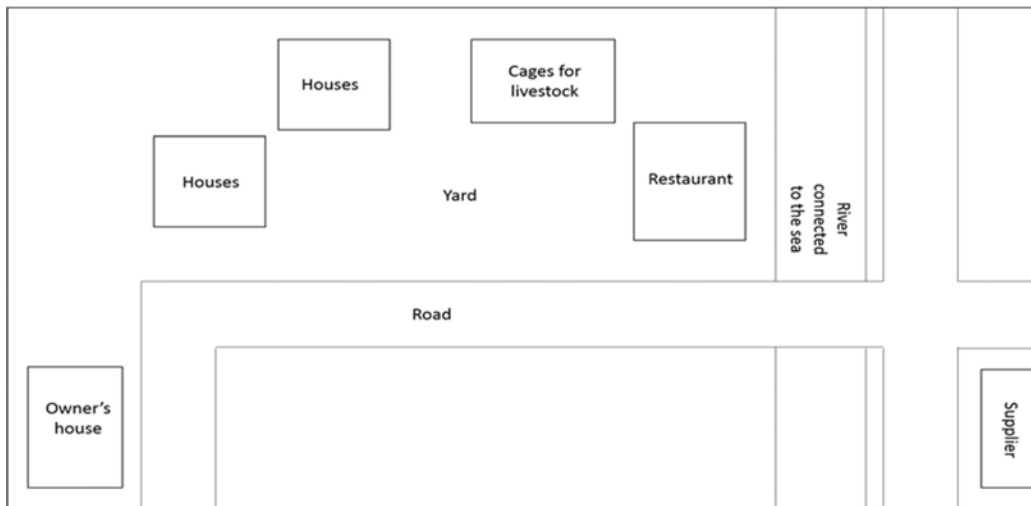
The subject of the investigation is a small restaurant in Muar, Johor selling breakfast meals. **Figure 1** shows the small restaurant. The research participant is the sole owner of the business – a 75-year-old woman. The owner starts the business 19 years ago using her own savings from her previous jobs. The restaurant sells coconut rice (*nasi lemak*), fried rice and beverages such as tea, coffee and malt drinks (carrying brand names Milo and Horlick). **Figure 2** presents the dishes and beverages. The owner does not hire any employee. She manages the restaurant alone from buying raw materials, cooking, serving to bookkeeping. The owner wakes up at around 4 am to prepare the foods and ran the business up to 9 am every day. The restaurant is located in a fishermen village at a mangrove swamp area. The customers are fishermen going the sea early in the morning. The restaurant is nearby the owner’s house. The owner also had livestock including chickens, ducks and geese. The chickens, ducks and geese graze freely in the yard and only put into their coop in the evening. **Figure 3** shows the map of the restaurant, the owner’s house, the livestock, and the nearest raw material supplier.



**Figure 1:** The Small Restaurant  
**Source:** Authors



**Figure 2:** Dishes and Beverages  
**Source:** Authors



**Figure 3:** Map of the restaurant, the owner’s house, the livestock, and the nearest supplier.  
**Source:** Authors

**Data Collection**

Data are collected using interviews and walk through observation of the premise. The interview session is in Malay. The interview is audio-recorded. The aim of the data collections is to explore issues and problems face by the business, the

impacts of the problems and techniques use by the owner to manage the problems. The interview questions consist of what are problems face by the owner to run the restaurant; what are the impacts of the problems to either the business or personal; and how does the owner manage the problems. The first interview session is on October 13, 2018. For the first session, the purpose of the interview is to get to know the owner and her business. Observe the location and business premise. The second interview session is on November 18, 2018. In the second session, the owner is encouraged to discussing more about the problems face by the business and the impact of the problems to either her business or personal life and how she manages the problems.

### Data Analysis

This study exploits data analysis outline by Md. Sum and Mahussin (2017). The business owner feedbacks are translated and analysed to answer what are risks face by sole proprietor micro enterprises; how do the risks affect the business and how does the owners mitigate the risks. Data were analysed in four steps as presented in **Table 1**.

**Table 1:** Data Analysis Steps and Actions

Step	Actions
1	Analysed feedbacks to identify problems and impacts of the problems to the business. Output from Step 1 produces problems face by SMEs and impacts of the problems to their business. The output is used for next steps.
2	Translate the problems from Step 1 into risks. This step is to achieve the first research objective – the risks face by SMEs in particular micro enterprises.
3	Translate the impacts from Step 1 as risk impacts. This step is to achieve the second research objective – the impacts of the risks to the business.
4	Analyse feedbacks to find how the business owner manage the problems. Step 4 is to find how business SMEs mitigate risks. This step achieve the third research questions - the mitigation techniques to the manage risks.

Source: Authors

## RESULTS/FINDINGS

### Problems and Impacts

#### *Financial*

The main financial problem is price increment in raw materials. To make *nasi lemak* and fried rice, the owner needs to buy rice, eggs, dried chillies, anchovies, onions, chicken and spices. To make beverages, the owner needed to buy coffee powder, tea powder, condensed milk, sugar and malt drinks powder. The owner uses revenues from sales to run the business. She sometimes has to buy raw materials on credit from suppliers because she does not has sufficient cash to pay the suppliers. The business owner stated “*Sikit-sikit pun sikit-sikitlah nek buat. Ada sikit buat sikit, ada banyak buat banyak. Kalau takde duit cash, nek pakai beli ambil kat situ hutang, pastu dah ada bayar lah*”. To manage increase in raw material prices she reduces the production quantity of *nasi lemak* and fried rice. However, reducing the quantity reduces her sales. Therefore, reducing her revenues. In addition, she also has to pay her supplier, which further reduces her revenues.

#### *External Fund Complicated Procedures*

The business owner knows the existence of financial institutions providing fund for small businesses. However, she does not apply for fund from any financial institutions because of complicated procedures and requirements. When asked about financial aids from external sources, the owner answered “*Nek tak minta. Susah. Tapi nek tau. Nanti kita kena jumpa doktor, check doktor, kena inject lah. Kita jual bukan sampai ke malam. Nek jual sekejap saja*”. Without external fund, the business cannot expand, and her revenues remain constant from year to year.

#### *Personal Finance*

The business owner receives monetary assistance from Society Welfare Department of Malaysia to support her cost of living. She does not use the money for her business. Rather uses the monetary assistance for health treatment. The business owner complaints about the expensive bills for health treatments. She comments “*pergi doktor ke, entah nak makan apa-apa ke... doktor kan mahal sekarang. Pergi doktor tu lagilah, sekali pergi 200 ringgit. Mana nak cari duit*”.

#### *Hiring staff or helpers*

A 75-year old woman runs the restaurant solely. She emphasises she does not need helper. Her restaurant is small. She can do everything on her own. However, the owner has health problems. When she is sick, she has to ask customers to help themselves with the food. She is also unable to produce the normal quantity of *nasi lemak* and fried rice. She produces

less than the usual amount. The consequences reduce sales and decrease in revenues. The owner states “*Habis kalau dah niaga sikit nak panggil orang nak buat apa? Kadang-kadang orang yang makan tu tolong nek ambil angkat letak sendiri dekat meja dia, dia tau nek seorang kan. Tak adalah nak ambil orang bantu ke apa*”.

#### *Transportations*

The business owner’s transport problem is in buying raw materials. The business had two main suppliers. The closest to the restaurant is by walking distance. Figure 3 shows the location of the nearest supplier. Another cheaper supplier is in a town, about 2.3 km away from the restaurant. The owner does not know how to drive. She needs help from her children buy raw materials from the supplier in the town. She states “*Cuma nak beli barang jelah sebab tak ada orang nak tolong nek pergi kedai beli barang. Tunggu Busu (her daughter-in-law) pergi kedai*”.

#### *Financial Management*

The business owner does not keep any financial records or bookkeeping. She cannot track the cash inflow and outflow of the business. She estimates her profit on weekly basis. She does not know the real amount of her sales, profit, expenses and credits. The business owner does not see the importance to record cash inflow and outflow. She does not keep receipts from her purchases of raw materials. The owner stated “*Nek beli barang dia bagi kertas panjang tu kan, nek buang je. Kita beli tak banyak*” Therefore, she is unsure on the future of her business whether she can expand or even sustain her business. She is also unable to set aside contingency funds for unexpected events that may disrupt her business.

#### *Hygiene*

From the walk-through observations, the owner has livestock such as chickens, ducks and geese. The animals roam freely during the day. The owner puts them in their coop in the evening. Sometimes the animals enter the restaurant during business hours. Animals entering the restaurant causes discomfort to the customers.

#### *Health*

The business owner has heart problems and asthma. When she is sick, she has to close her restaurant until she is fully recovered. The consequence is she suffers loss of income during the closing days.

#### *Equipment failure*

The main equipment to run the business is the cooking stove. The owner uses the stove to cook *nasi lemak*, fried rice, fried eggs, fried anchovies, chilies sambal, and boil water for beverages. If the stove malfunction, she cannot produce all the dishes and beverages, and has to close the restaurant temporarily. She has no income until the stove is replaced. In the event the stove malfunction, the owner replaces it immediately. She uses cash from her sales to buy new stove. The consequent, she has lesser cash to buy raw materials. Therefore, reduces the production quantity of *nasi lemak* and fried rice, and further reduces revenues. Another important equipment is the coconut scraper machine. The business uses coconut scraper machine to scratch out the coconuts. The shredded coconuts produce the coconut milk. Coconut milk is the main ingredient to make *nasi lemak*. Failure of the coconut scraper machine causes disruption to the production of *nasi lemak*. She opens her restaurant with selling fried rice only. The business has refrigerator and freezer to store raw materials. The raw materials include chicken, fish, coconut milk and chili paste. Malfunction of the refrigerator and freezer causes the ingredients to become bad. She cannot produce the dishes and has to close the restaurant. The owner has to burden an unexpected or unplanned expense to buy new raw materials.

### **Risks, Risk Impacts and Mitigation Techniques.**

#### *Financial Risk*

Financial risk is defined as events disrupting cash flow. The business owner faces price increment in commodities. Md. Sum and Mahussin (2017) argues price increment in raw material as the main risk under SMEs financial risk. The direct impact is increase cost of doing business. The indirect impact is the business has a higher cash outflow than cash inflow. The business owner manages the risk by producing less quantity of *nasi lemak* and fried rice. Therefore, revenues from sales of *nasi lemak* and fried rice decreases. Decrease in revenues causes business owners to buy raw materials on credits from the supplier. The purpose is to delay payment until the owner has sufficient cash.

#### *Risk Perception*

The business owner resist applying for financial assistance from financial institutions. The resistance is because of her perception on the complex procedure and requirements. The direct impact is lack of fund to expand the business. The indirect impact is the business remain stagnant. Osoimehin et al. (2012) state owners of SMEs fail to realise the importance

of external fund for business growth. Falkner and Heibl (2015) state SMEs face major challenges; however, they view business growth as a risk instead of strategic goals.

#### *Operational Risk*

Operational risk is defined as system, process, procedure and people risks that disrupted business operation. The business owner does not hire any assistance. This risk occurs when she is ill and unfit to run her business. The direct impact is inability of the owner to fulfil customers' demand. The indirect impact was reduced sales and revenues, and worst temporarily close the business. The business owner manages the risk by asking the customers to help themselves with the foods. However, she has no risk mitigation if she has to close her restaurant.

- Transport. The owner does not have own transport to buy raw materials. She depends on her children for transport. The direct impact is the business is unable to restock raw materials immediately. The indirect impact is the business is unable to produce the usual quantity of *nasi lemak* and fried rice for the next business day. The owner mitigates the problem by purchasing raw materials at the nearest walking distance supplier. However, the price of raw materials at the shop are higher compare to the supplier at the town. Although, she manages to produce the normal quantity of the dishes, the business suffers increase costs and decrease revenues.
- Customers' Comfort Risk. Customer's comfort risk is defined as events that causes discomfort to restaurant customers. The business owner own livestock that graze freely near the restaurant. Sometimes, the animals enter the restaurant. The direct impact is customers feel uncomfortable and unpleasant to eat their breakfast. They complaints and creates bad image to the business owner. The owner mitigates the risk by adding barriers around the restaurant. The barriers prevent the animals from entering the restaurant.
- Equipment. Equipment failure risk is events that causes main equipment of the business fail to operate.
  - Stove. The business main equipment is the stove. The owner needs a properly working stove to operate the business smoothly. Stove malfunction disrupts the business. The direct impact is the cost to repair or buy a new stove. The indirect impact is loss of income as the business has to cease operation during repair or while getting replace. The business owner mitigates the risks by having a spare stove. Therefore, she can use the spare stoves to cook the dishes for the business. The owner also replaces the main stove after several years.
  - Coconut scraper machine. The business needs a coconut scraper machine to produce coconut milk. The machine is used for business and personal purpose. The machine is old. Malfunction of the machine can disrupt business operation. The direct impact is the costs to buy or repair the machine. The indirect impact is the business cannot produce *nasi lemak*, therefore reduced sales and revenues. The owner mitigates the risk by using cash from the business to repair the machine.
  - Refrigerator and freezer. The business needs a refrigerator and freezer to store raw materials. The raw materials stored in the refrigerator are chickens, fishes, coconut milk and chili paste. Malfunction of the refrigerator and freezer causes business disruption. The direct impact is the raw materials becomes bad, cannot be used, and have to be thrown away. The indirect impact is the cost to buy or repair the refrigerator and freezer. The business owner mitigates the risks by using the raw materials as quickly as possible before they turn bad. She produces large quantity of *nasi lemak* and fried rice. The consequence, she produces more than consume by the customers. The foods are not sold and end up has to be thrown away. Another mitigation technique is the owner buys a 100-liter icebox. She stores raw materials in the icebox if the refrigerator and freezer malfunction. However, this technique is effective for short term. She still needs to have a refrigerator and freezer to store raw materials.

#### *Strategic Risk*

Strategic risk is defined as business planning failure, bad image and reputation. The business has no financial records. The business owner does not see the importance to record cash inflow and outflow. The direct impact is the owner is unable to keep track of the business cash in and out flows. The indirect impact is the business owner is unable to set aside fund for contingency and growth. In addition, the owner is unable to do accurate planning for the business such as purchasing accurate quantity of raw material. The business owner states she has no long-term or short-term plan for the business. She just wants to maintain the business as it is.

#### *Hazard Risk*

Hazard risk is defining as events that causes loss of usage of a business premise or equipment. The restaurant is expose to hazard risks such as fire, theft and natural disaster. The direct impact is the business suffers loss of usage of the premise and equipment. The indirect impact is the business have to cease operation and loss revenues. The owner is aware of theft. She mitigated the risk by sleeping in a room adjoining the restaurant. The owner also has savings in case the restaurant equipment is stolen. She states that with the savings she can immediately buy new equipment. She also uses her savings if fire occurs and damages the restaurant, or natural disaster such as strong wind or flood. The owner uses the savings to rebuild or repair the premise. Therefore, she can still continue business operation.

### Health Risk

Health risk is defined as health problems of business owner causing business disruption. The owner has heart illness and asthma. The occurrence of the illnesses is unpredictable. The business owner has to close her restaurant when she is ill. She only resumes the business when she regains her health. The direct impact is loss of income. The owner mitigates the risk by consuming medicine regularly. The owner also goes to regular check-ups at hospitals and clinics.

### DISCUSSION / ANALYSIS

This study investigates risk management of SMEs, in particular micro enterprises. The objectives of this study are to determine risks face by SMEs, impact of the risks and techniques use by business owners to manage the risks. From the study, SMEs face the following risks: financial, operational, strategic, hazard, customer and personal. The impacts are loss of revenues, stagnant income, unable to expand business, increase cost of business operation and unplanned reduction in cash-at-hands or savings. Business owners use informal techniques to cope or mitigate the risks such as using cash-at-hand or savings, purchase with credits, reduce production quantity, sleeping in the business premise to avoid theft and regular medical check-ups to reduce health risk. Results from this study are similar to Jayathilake (2012). Jayathilake (2012) finds strategic, operational and financial are dominant risks face by SMEs in Sri Lanka. The respondents in the study are sole proprietorship (80%) followed by partnerships (13%) and companies (7%). Of 200 firms' survey, most of the firms agree that the strategic risk is the biggest challenge compare to operational and financial risks.

### CONCLUSION

The conclusion is SME business owners know their problems, their risks, the impacts and how to manage the problems and risks. Although the risk management practices are informal, business owners manage to sustain their business. Business expansion or growth is not the main objective of SME business owner, particularly sole proprietor micro enterprise. Rather, owners want to ensure the business operation run smoothly, income or revenue is certain and consistent, and they have fund to support unexpected expenses.

### LIMITATION AND STUDY FORWARD

This study focuses on a small restaurant owned by a sole owner. Therefore, the results need to be interpreted in the context of micro enterprise, sole proprietorship and food service sector. Further study involving more respondents, different SME sector and detail investigation is required to obtain an overview of risks and risk management by SMEs.

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