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The Impact of Risk Management, Transformational Leadership on Corporate FinancialPerformance in the Global Era.

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ABSTRACT: The purpose of this writing is to study and analyze the Impact of Risk Management, Transformational Leadership has an impact on Company Financial Performance. By studying and analyzing literature research in the field of human resource management, previous research, phenomena that occur in society and analysis. The method used in this research is literature research by reviewing some previous research results. This scientific article was written using qualitative methods and literature research with the help of the latest references obtained from Google Schoolers citation search. analyzed, with the process of triangulation neutralizing existing subjectivity. Based on the research and analysis carried out, it was concluded that risk management and transformational leadership have a role in the company'sperformance. Risk management and transformational leadership become the model used to manage the resources in the company, so that it can get a better financial performance of the company.

KEYWORDS: Risk Management, Transformational Leadership, Financial Performance.

I. BACKGROUND

In the current Era of Globalization, companies that successfully conduct business are supported by a strong Risk Management system. Every company must of course estimate therisk that will happen to its company. . This risk must be observed by companies in order to survive in business competition. Because every company cannot escape from more competitive global competition, forcing companies to improve risk management and transformational leadership to further improve their competitive advantage. If not then the Company loses competition and in the end loses competition and will be destroyed. The example of great transformational leadership that Pak Cacuk Sudaryanto has done has succeeded in changing PT. Telkom from a slum enterprise to a global enterprise. Mr. SamsirKadir has succeeded in changing PT. Pawning from a shabby Enterprise to a great Enterprisein the global era. A great concrete example Pak Ignatius Yonan succeeded in turning PT.KAIinto a great global class company. He got promoted to become the Minister of Communications and finally the Minister of Oil ESDM. At PT. PAL Indonesia also experienced Transformational Leadership by Pak Kaharuddin Djenot in the Development of Submarines that used to be in Korea Abroad can be made Domestically at PT.PAL.. The impact of risk management and transformational leadership to improve the financial performance of Enterprises in the global era.

II. THEORETICAL STUDY

Grand Theory.

1. Agency Theory.

Agency theory or agency theory (Jensen and Meckling1976).

This theory explains that the separation between the owner (principal) and the manager(agent) of a company can cause an agency problem.

2. Stewardship theory.
3. This theory was developed by Donaldson and Davis (1991) which describes a situation where managers are not thermomotivated by individual goals but are more focused on their main outcome targets for the benefit of the organization.
4. Human Capital Theory.

The main concept of human capital according to Becker (1993) is that people are not just resources but capital that produces returns and every production carried out in order to develop the quality and quantity of capital is an investment activity.

Variable Theory.

1. Risk Management

Risk is an integral part of business and attached to company activities (Arifina, 2019). Risk Management or risk management cannot be avoided and exists in every activity of public andprivate organizations (Sari et al., 2022). Risk refers to the uncertainty of future events and outcomes. Risk is defined as something that can create obstacles in the achievement of organizational goals (Pradana & Rikumahu, 2014). Risk Management is an approach that adopts a consistent system to manage all the risks faced by the company (Prayoga & Almilia,2013). Risk management is an integral component of good management and decision-makingat every level in an organization. Risk management is related to making decisions that contribute to the achievement of an organization's goals. The vision, mission and purpose of the organization get more support along with inculcating risk management in the organization (Ratnawati, 2012).

Risk management can be defined as a comprehensive risk management system faced by theorganization with the aim of improving the company's performance (Pradana & Rikumahu, 2014). The risk that must be assessed consists of 8 (eight) types of risk, namely credit risk, market risk, operational risk, liquidity risk, legal risk, strategic risk, compliance risk, and reputational risk (Pradana & Rikumahu, 2014). The principles of risk management consist of 8 principles, namely integrated, structured, adapted to the needs of users, inclusive, dynamic,the best information available, cultural and human factors. The risk management framework consists of 6 frameworks, namely leadership and commitment, integration, design, implementation, evaluation, and improvement (Nursyamsiyah, 2009). The success of management in achieving performance is determined by the success of management in managing the risks attached to every business activity of the company (Maychael & Pangestuti, 2022). Companies that have understood and managed risk well are companies that can attract investors. Risk management plays a role in providing a reasonable guaranteefor the achievement of the organization's targets, providing protection to the incumbents against adverse consequences that may occur. The disclosure of risk management is the disclosure of the risks managed by the company in handling future risks (Pratiwi & Kurniawan,2018).

Risk management plays a role in protecting capital and optimizing return against risk (Supriyadi & Setyorini, 2020). The wide scale of operations and the volume of business that continues to increase, make the banking sector in Indonesia have to apply an integrated risk management pattern to identify, measure, monitor and control all risk exposures. Several studies suggest that enterprise risk management can reduce the cost of financial distress, increase managerial risk avoidance, mitigate expected tax payments. Risk management can improve the company's performance by reducing the cost of capital, increasing investor confidence and also increasing the level of the company.

2. Transformational Leadership.

Transformational leadership is a leadership style that focuses on inspiring, motivating, and changing employees and the organization as a whole to achieve greater goals. On the other hand, corporate culture includes norms, values, and conventions that determine how people work and interact within the company. On the other hand, innovation is the development and application of new ideas that bring added value and competitive advantage (Suarna et al., 2022) Transformational leadership includes leaders who can inspire, motivate, and guide employees to achieve higher goals. This factor encourages innovation, collaboration, and improved performance, which in turn contributes to improving the company's financial performance. Transformational leadership has a positive and significant influence on the company's financial performance. According to (Rivai, 2020), transformative leadership is a leadership style where leaders use their charisma to change and revitalize the organization. Leaders who adopt a transformative leadership style can inspire, motivate, and lead their employees to achieve greater goals. These leaders can also create a work environment that supports innovation, collaboration and performance improvement. Transformational leadership is seen as a key factor in improving the company's financial performance. The transformational leadership style is the most popular because managers know how to motivatetheir employees and they have a long-term vision. Transformational leadership or transformational leadership is a leadership style performed by leaders by motivating and empowering those responsible for working together to create the company's vision. By definition, transformational leadership is a form of values, beliefs and needs that involve change as a new breakthrough. Leaders with a transformative style are believed to be able toinfluence the overall performance of their employees.

3. Financial Performance.

According to Sucipto (2003), the definition of financial performance is the determination of certain measures that can measure the success of an organization or company in generatingprofit. While according to IAI (2007), Financial Performance is the company's ability to manageand control the resources it owns. Company performance is an overview of the financial condition of a company that is analyzed with financial analysis tools (Octavia et al., 2020). This is very important so that resources are used optimally in the face of environmental change. In general, two types of financial performance measures are used, namely accounting-based and market-based, which reflect short-term profits and the market's evaluation of the company's profitability in the future. Accounting-based performance measures such as Return on Asset (ROA), represent the profitability of the company in the short term or the efficiency of the company's management (Lestari & Suryantini, 2019). Financial performance can be seen in terms of the profitability of the company where profitability shows the ability of a company to generate profit. Return on Asset is the ratio between pre-tax profit and total assets. The larger the Return on Asset shows the better the financial performance, because the rate of return (return) is getting bigger. When the Return on Asset increases, it means that the company's profitability increases, so that the final impactis an increase in profitability enjoyed by shareholders (Husnan, 1998).

III. RESEARCH METHODOLOGY

This research uses a descriptive qualitative method (Rukajat, 2018), this descriptive qualitative method will help to gain a deeper understanding of the topic of discussion. The writing method uses Library research, previous research, the latest literature review, observingexisting phenomena, interviews, discussions, triangulation to neutralize subjectivity withlimited discussion, discussion analysis. Conclusions and suggestions.

IV. DISCUSSION

Risk management was created to help companies face various uncertainties in achievingcompany performance targeted by stakeholders (Cahyaningtyas & Sasanti, 2019). Thesuccess of management in achieving performance is determined by the success of management in managing the risks attached to every business activity of the company (Sumiati, 2022). Companies that have understood and managed risk well are companies thatcan attract investors. Risk management plays a role in providing reasonable assurance of theachievement of organizational targets (Hendawati, 2017). Companies will add risk control to core competence and competitive advantage, so the relationship between risk management and GCG will become more acute. When the application of risk management improves, companies will add risk control to core competence and competitive advantage (Roiyah & Priyadi, 2019). A risk management approach that is widely applied in Indonesia, namely Enterprise Risk Management (ERM) created by COSO. ISO 31000 can encourage companiesto proactively manage risk, facilitating the level of accountability in decision-making by balancing costs to avoid threats and reap the opportunities and benefits obtained from the application of risk management. Some previous studies that state the role of risk managementin improving company performance are; (Lestari, 2013) Risk management has a significant influence on financial performance.

There is a positive influence between transformational leadership on employee job satisfaction. This shows that job satisfaction is directly influenced by leadership, we know thatthe reason employees feel satisfied with their jobs is one of the directors. There is a positive influence between transformational leadership on performance. Transformational leadership affects the performance of employees directly, it can be seen among other things: the open attitude of the directors to always invite employees to work together in finding a solution to a problem. The Board of Directors always gives opportunities to subordinates to provide input, so that employees feel noticed and treated professionally. The Board of Directors always givesencouragement to each employee to work well and correctly, providing motivation with a realexplanation for example that the results of an employee's work will certainly be seen and evaluated by the superior, so that it will have a beneficial impact for the employee when the employee works correctly, for example bonus for employees who can complete work above average, additional incentives for employees who work to meet targets. Thus, a good relationship between leaders and subordinates will bring passion to work for employees. Theopenness of the board of directors in establishing cooperative relationships with employees, the attitude of mutual respect and respect, as well as the attitude of attention of the board of directors towards employees will certainly bring about a good change in the performance of employees to solve As a result, the Company's financial performance will further increase. Thus, Risk Management and Transformational Leadership have an impact on improving the Company's financial performance.

V. CONCLUSIONS AND SUGGESTIONS

1. Conclusion.

1) Risk management has an impact on the better financial performance of the Company.
2) Transformational leadership has an impact on the Company's financial performancebecoming better.

2. Suggestions.

It is recommended for future research, with more independent variables and quantitativeresearch with primary data so that it can be generalized for other similar companies.

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