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Interpreting the Motivation of Implementing Risk Management from Aristotle's Perspective

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Abstract

This study aims to describe the implementation of Risk Management (RM) in business organizations represented by one of Indonesia's Fintech and Manufacturing sector companies from the perspective of Aristotle's Virtue theory. The two informants are used to get different perspectives on the regulations governing the implementation of RM. Through a semi-structured interview, we can illustrate that the two companies have implemented RM with various constraints and challenges, including each organization's characteristics and default risks. However, the implementation of RM is not only driven by the motivation of financial success but also ensures the sustainability of the company by considering all stakeholders' interests. This is in line with the principle of Virtue in Aristotle, which states that an organization's decision needs to consider Teleology, Habituation, noble pressure, Phronesis, social Virtue, and moral and intellectual superiority. Aristotle's principle of Virtue can be used as a basic framework for building an RM system in a business organization. Integrating the principle of Virtue into the RM system can create an organizational risk culture based on Virtue.

Keyword: *Risk Management, Virtue, Aristotle, Sustainability*

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INTRODUCTION

Implementing Risk Management (RM) in Indonesia is an important effort to ensure the sustainability and success of the company's operations. POJK No.18/POJK.03/2016 regulates mandatory for financial institutions, and so does POJK No.17/POJK.03/2014 for financing companies. Unlike non-bank companies, the government regulates explicitly the governance and implementation of RM in state-owned enterprises (SOEs). As for non-bank private companies, no regulation explicitly regulates the implementation of RM. However, this is not a problem in the context of motivation in implementing RM, considering that RM is part of organizational governance (Bianchi et al., 2021), which ultimately leads to the presentation of information to stakeholders on organizational sustainability (Karim et al., 2024; Mahsina et al., 2024; Resende et al., 2024). Nowadays, many insurance companies, banks, and consulting firms have their package solutions to provide RM services for businesses, governments, international organizations, and nonprofits, all of which have to manage risk (Mark, 2017).

Implementing RM into business processes is neither an option nor an obligation because each organization's risks will be very diverse. Some studies on the application of RM cannot be generalized, which is shown by some studies using primary data from both interviews and questionnaires (Al-Nimer et al., 2021; Grieser & Pedell, 2022; Moczydłowska et al., 2023; Wang & Zhao, 2023). Although, in general, guidelines in its implementation have been regulated in a framework such as COSO or ISO 31000, applying it to each organization is diverse and often problematic. However, the motivation for its implementation indeed refers to the sustainability and operational success of the company. Several studies show that performance sustainability can be affected by a company's ability to minimize and mitigate risks (Bockius & Gatzert, 2023; Chen et al., 2022; Gong & Subramaniam, 2020; Grieser & Pedell, 2022; Resende et al., 2024). Furthermore (Çamlibel et al., 2021; Chairani & Siregar, 2021; da Fonseca, 2020; Naseem et al., 2020), also explored the relationship between ERM and company performance through risk and performance indicators. The results showed a significant relationship between risk and company performance. Lower risks and the best results have been proven to be obtained through the systematic implementation of RM and in line with company strategy (Ryman & Roach, 2024)

The culture built in the organization is often one of the success factors in implementing RM. This is because RM can improve organizational performance by involving all levels of management (Bockius & Gatzert, 2023; Chen et al., 2022; Fraser et al., 2024; Karim et al., 2024). (Cimini, 2021; Sheedy et al., 2017) states that an organization's risk culture is important in mitigating major business threats, including public scandals and bankruptcies. Moreover (Bockius & Gatzert, 2023) also explains that risk culture is an important element in an organization's enterprise risk management (ERM) framework. In the financial sector, risk culture can even be controlled through verification using guidelines and providing training to employees (Sinha & Arena, 2020). Likewise (Burdon & Sorour, 2020) revealed that a culture of compliance can be created through a code of ethics. Further (Clegg, 2000; Steg & Vlek, 2009) Reveal that staff behavior is important in delivering energy efficiency strategies in an organization, as effective human interaction is essential to make new technologies and equipment work within specifications. Most organizations and individuals have a variety of goals, and problems will arise when some goals are at odds (Christina et al., 2014). In managerial and non-managerial contexts, such conflicts can turn the tide and create objective difficulties (Cheng et al., 2007; Emsley, 2003) and decision-making (Yearta et al., 1995). Therefore, building the same vision within the organization is undoubtedly important.

This paper investigates the motivations behind RM implementation in business organizations. This paper not only underlines the importance of the cultural environment, company character, risk level, type of business, and audit committee, as well as organizational characteristics, but also the role of organizational orientation (profit) in influencing the successful implementation of RM. We analyze the organization's motivation for implementing RM. In this context, we question the existence of things or factors behind the motivation for implementing RM for business organizations in Indonesia. Although there are no specific regulations governing (non-financial companies) in Indonesia, the sustainability factor makes sense in motivating. However, we focus on specific things that are not as explicit and general as they have been, such as the risk culture that has been built and the organization's goals related to profit orientation. RM is part of management accounting. A practical management accounting function can contribute to risk management in improving decision-making and helping organizations achieve their goals (Gillian, 2017). In addition, Management Accounting is also a source of analysis, communication, and use of relevant financial and non-financial information in decision-making and generating and maintaining value for the organization. Therefore, of course, many factors motivate organizations to implement RM.

We apply the philosophy of motivation (in the context of implementing RM) as the will and goal of Aristotle's Philosopher in the teleological concept, where every human action is directed towards achieving a goal or good. (Hudson, 1981) explain how Aristotle understood reason as one factor that determines human action. Intellect not only serves to create knowledge but also has a role in motivating individuals to act. (Backman, 2005) also explains Aristotle's view of movement and life, in which Aristotle sees that all living things have an intrinsic purpose (telos) in motivating them to grow and develop. Aristotle emphasized that people would be motivated to take actions that lead to their ultimate goal (Crisp, 2014). We base our argument first on motivation, closely related to ethics, organizational life goals, and organizational character development. We found the assumption that motivation is not only about the desire to meet physical or emotional needs but also about achieving deeper and meaningful goals, including social contribution and self-development, by bringing together the end goal, rationality, and social context.

Differences in the implementation of RM in each organization are, of course, very diverse based on their motivation. Ethics, life goals, and a company's character development are inseparable from many internal and external factors. The most apparent impact of the risk assessment process includes increased risk awareness in departments (Cedergren et al., 2022). Communities face various threats from natural sources, technology, and malicious actions. These threats can significantly negatively impact human life and health, vital infrastructure, the economy, the environment, and other social values. These events can have a significant impact on private and public organizations that are responsible for important functions in society (Cedergren et al., 2022). The investigation we conducted on the difference in the application of RM refers to the philosophy of motivation according to Aristotle.

The object of this research is financial organizations (Fintech) and manufacturing in Indonesia. Indonesia has a diverse cultural, political, and ethnic character with various backgrounds that can affect ethics, life goals, and character development in both business actors and the culture formed. Indonesia is a developing country that is still facing internal and external uncertainty.

Aristotle's philosophical thought, reason is a guide in taking action (Hudson, 1981). It is not only emotions or desires that drive a person to act but also rational considerations. Thus, good and meaningful actions must be rooted in the correct ratio. In Aristotelian ethics, desire is not always in line with rationality. Therefore, ethical individuals tend to develop desires that align with reason. This understanding is very relevant in the context of training our desires to be in harmony with Virtue. In line with this thought, the organization maintains the sustainability of its business in carrying out governance, in this case, RM, of course, with rational considerations that aim to create Virtue for the organization and the surrounding environment (stakeholders).

Aristotle also argued that Virtue is a habit that encourages individuals to behave correctly. Moral Virtue, in this case, directs the individual to perform the correct action based on rational considerations. Hudson, 1981 analyzed Aristotle's views on the complex relationship between reason and emotion. Emotions have the potential to motivate actions but to be able to act ethically; individuals must utilize their intellect in controlling those emotions. Therefore, success in acting according to Virtue depends on emotions and the rational ability to understand and direct emotions wisely.

It differs from (Backman, 2005) outlining Aristotle's views on movement and life. Aristotle argued that every living thing has an intrinsic purpose (telos) that drives it to grow and develop. The concept of "entelechy," or actualization of potential, is an important aspect where the motivation for living beings is to achieve a perfect state of self-actualization. Next, Backman, 2005 turns to Heidegger's thinking. He observes that Heidegger emphasizes existence as "Being-in-the-world," in which humans are not separated from the world but are connected to their ontological context. In the context of Heidegger, motivation is closely related to authenticity and understanding of existence. Heidegger discusses how human life is often alienated from actual existence and deeper meaning. In this case, motivation can be understood as an attempt to return to a more authentic way of life, which involves responding to existential calls.

Backman (200) 5 compares Aristotle's and Heidegger's thoughts, highlighting their views on motivation as a driver of action. Aristotle emphasized the teleological aspect,i.e., the goal as a source of motivation, while Heidegger focused more on the existential context and the importance of authenticity. Through this analysis, Backman seeks to show how the two philosophers can complement each other in understanding the complexity of human motivation and action.

Combining the Aristotelian concept of Virtue with Heidegger's authenticity in RM policy can contribute to forming a proactive and risk-responsive organizational culture. In the public sector, a benevolent approach can increase public trust and support the sustainability of public policies. Meanwhile, this can strengthen the company's reputation in the private sector and build better relationships with consumers.

Considering ethical values and shared interests in decision-making related to RM can result in more responsible and sustainable decisions. Both sectors can effectively deal with uncertainty by developing analytical skills and practical wisdom (phronesis) among leaders and risk managers. Aligning the motivation to act in risk management with the dynamics emerging from the social and industrial environment, both in the public and private sectors, will allow for better adaptation to new challenges. Both emphasize the importance of flexibility in risk management approaches, with a foundation of thought rooted in existence and moral values that underlie every decision.

Before the 1980s, the term Corporate Governance was still unknown due to the outbreak of several scandals, such as Polly Peck International (a fast-growing textile company in the 1980s) and Maxwell Communications (a newspaper and printing company). The scandal that occurred made some parties think that if a scandal occurred. If the company became bankrupt, the auditor would be one of the parties who should be blamed even though the auditor's duty was not responsible for fraud. A management assurance audit would be complex (Anthony & Philip, 2017).

In 1991, the Financial Reporting Board, the London Stock Exchange, and the accounting profession mandated the Cadbury committee to evaluate corporate governance in the United Kingdom. Sir Adrian Cadbury chairs the committee. The committee's result was the Cadbury Report entitled "Financial Aspects of Corporate Governance.". This report introduced the concept of corporate governance with a 'comply or explain' approach in the UK and then adopted by various countries worldwide (Seidl et al., 2013).

Poor corporate governance can significantly increase a company's risk. Therefore, implementing an effective control system, which includes the separation of duties, is essential to prevent fraudulent or unethical behavior. To minimize risk, companies must bear the costs associated with the agency, which typically includes the board of directors and various subcommittees, as well as internal and external audits. The growth of corporate governance can be attributed to external audit failures.

Risk management is an inherent aspect of every business enterprise. However, risk management (RM) has been recognized as a formal management discipline in the last fifty years. In the last twenty years, companies outside of financial institutions have begun to establish RM functions formally. The emergence of formal RM in the business world has manifested itself in various ways. Some of these include routine risk assessments that are now part of strategic and operational reviews across many organizations; significant improvement in RM risk reporting and activities, both internally and externally; the implementation of enterprise-wide risk management (ERM), regardless of definition; Appointment Chief Risk Officer (CRO) and the establishment of a special committee to manage risk; the development of formal RM standards or regulations in various countries and industries; as well as increased use of available financial instruments and markets to manage risk. In addition, stakeholder expectations and a more active role of governments in organizational risk management have also changed as attitudes towards risk evolve in the 'risk society' (Beck, 1992).

Risk and risk management in a business context have various meanings. Whether it is businesses, governments, international organizations, or nonprofits, they all need to manage their risk. Much of the literature on risk management emphasizes the importance of modernity in this practice. For example, insurance economist Georges Dionne states that modern RM began after 1955 (Dionne, 2013). He noted only six developments in risk management before the year, all related to developing theoretical concepts or futures contracts on agricultural products and launching academic journals. James Lam has also highlighted his appointment as the first Chief Risk Officer (CRO) in 1993 (Lam, 2014). However, we must be skeptical of claims regarding the superiority of 'modern' risk management. There is an argument that risk management has failed in the face of the biggest challenge, the financial crisis we are experiencing (Stulz, 2008). Some authors acknowledge that Enterprise Risk Management (ERM) has not been able to reach its full potential (Servaes et al., 2009).

RESEARCH METHOD

We focus our analysis on business organizations in implementing RM. First, although in most organizations, RM has been implemented using existing frameworks (COSO and ISO 31000), the implementation process is very different from one organization to another. Second, the existing framework only provides a guiding framework, and it is a choice for organizations to implement or not, although most want to mitigate risks in their business processes. Third, decisions in implementing RM are greatly influenced by many internal and external factors, especially background and organizational orientation, which are determined by the motivation behind the choice in implementation. We chose the country of Indonesia to reflect the diversity of organizational characteristics and actors in the organization and influence motivation in implementing RM.

We identified two groups of organizations based on the existence of regulatory regulations, such as Fintech, and the absence of regulation, namely private companies in the manufacturing sector. The investigations we conduct include internal factors such as risk culture, characteristics of actors in managing risk, and organizational orientation. Meanwhile, investigate external factors, including organizational competition and stakeholder accountability patterns.

This study analyzes narrative data sources manually to investigate motivation in RM implementation. In this case, we used verbatim transcript data from interviews conducted with the management of the risk management (RM) section. The interview recordings were converted into Word transcripts and analyzed thematically. The type of interview conducted is semi-structured (Qu & Dumay, 2011), and the interviews conducted are effective and most convenient for gathering information because they are flexible, accessible, easy to understand, and able to report on important and often hidden aspects of human and organizational behavior (Kvale, 2009). To ensure the quality of the interview, we carry out the procedure of recommendations (Moon & Kim, 2016), namely (1) maintaining the storyline, (2) maintaining a positive relationship with the interviewee, and (3) avoiding the bias of the interviewer. The interview questions include three main parts, namely (1) an Overview of RM Implementation in the organization, (2) Objectives in the implementation of RM, and (3) Internal and External Factors Behind the Implementation of RM. Through thematic data analysis with an Integral approach, this study aims to provide an overview of the meaning that motivates business organizations to implement RM.

RESULT AND DISCUSSION

The informants in this study come from four institutions with different business processes. The three informants used in this study work in companies with different business processes and characteristics. They also have different experiences, as indicated by the length of time they have worked in the same company. Furthermore, the informants in this study also have different positions at the management level, so the demographics of the informants used in the study can enrich insight and experience in implementing risk management and provide a more comprehensive picture of the implementation of risk management at all levels of management. Table 1 shows the demographics of the informants in this study.

Table 1. Informant Demographics

No	Information	Business Field	Position	Length of Work	Levels of Management
1.	Informant A	Fintech	Head of Innovation and Development	7 Years	Middle
2.	Informant B	Manufacturing (Poultry Industry)	Internal Control	9 Years	Lower
3	Informant C	Manufacturing (Aquaculture)	Assistant to head shrimp hatchery operation	23 Years	Top

Source: Authors' own work (2024)

Findings from inductive thematic analysis

This study's qualitative methods and different informants provide an in-depth perspective on motivation in RM implementation. The following are the findings based on inductive thematic analysis.

a. Business Challenges

   The challenges of each business are very diverse by informants and are highly dependent on business processes. This diversity makes the handling of risks very diverse. This means the implementation of RM in every business organization is not the same. As stated by the three informants as follows:

   "*Because in our place, there are those who manufacture, some who are culturing. That is where the dimensions or specifications for cultivation culture in those conditions are very different in each of our operational units".* (Informant B)

   "*Challenges that mean these are enforceable, but what is difficult to predict, Mrs. Aviani. The first one is related to, of course, consumer behavior, Mrs. Aviani. From us, the first is consumer behavior. This consumer behavior is very stubborn and very dynamic, in our opinion. Whether it is from the B2B, B2C, or B2B2C side, they all have very dynamic patterns. Maybe B2B is more predictable than that, but it is challenging if the consumer is retail*". (Informant A)

   "*For now, we are selling shrimp fry, a live animal that must be sold according to time and prime condition when going through that phase. So the main challenge is that we have to face demand, which is sometimes not in line with the stock of live animals we sell. Of course, it must be adjusted to the cultivation pattern in the hatchery to produce the best quality, which farmers in Indonesia expect*". (Informant C)

b. Understanding and views on Risk Management
RM is one of the tools and parts of governance that can be used to ensure compliance through internal control mechanisms. RM is an integrated system, so communication is established between lower and upper management and vice versa. In addition, problem-handling can be resolved as early as possible and support dynamic decision-making. This is supported by Figure 1, which shows that the words frequently expressed in the interview process are management, compliance, ensuring operations, and decisions.

Figure 1. The words often expressed in the interview
Source: Author's Own Works (2024)

> "*Actually, the risk management that we understand is how risk arises in our process and how we control or minimize the risk that we will face. Of course, everything ends in profit and loss because we are a company that is required to have operating profit according to the achievements budgeted at the beginning of the year.*" (Informant C)

c. Supporting factors and Challenges in the implementation of Risk Management
Understanding, supported by experience working in the same business process, is one of the supporters of implementing RM. Experience forms a person's intuition and creates a culture of dealing with all problems. In addition, support and direction from top management (Informant C) in creating a risk culture supported by infrastructure and experience in the RM system are also supporting factors. With the integration of RM in the system, both in

terms of infrastructure and human resources involved, miscommunication can be minimized. However, the lack of readiness and understanding of the importance of implementing RM is one of the obstacles to achieving organizational goals. On the other hand, the complex business characteristics and internal culture that, from the start, carry quite significant risks are also challenges in implementing RM because the organization needs to work hard to build its system.

> *"....So, for the challenge itself, we have several business cultures. Not just one business unit but a multi-business unit. So, the maintenance of this internal control is slightly different when adjusting to the respective operational units. Because in our place, there is manufacturing and some culturing. That is where the dimensions or specifications for cultivation culture in those conditions are very different in each of our operational units*...(Informant B)
>
> "*From my observation, top management is the person who plays the most important role because if top management does not provide direction, does not provide instructions, or does not provide guidance on how important it is for us to carry out internal control in order to control this risk, the awareness of our friends will also decrease. However, if management does a push down on the teams in the field, in our units, starting from the staff level, unit head, then area head to the head of the pen list, and ourselves, of course, this will be handy*". (Informant C)
>
> *"... Most have a minimum of 15 years and 15-17 years of experience, so what is the name? After that, it is what shaped them to have a strong risk culture, so I am a person who believes that yes, everything does not mean that this industry is explosive or not, but to be a leader here like, for example, risk head, for example, governance head, compliance head, I see that the people are indeed the people who have been unfortunate to cross also from scratch, yes, from zero, some used to be talents, from CS, then to AO, to risk analysts. It has been unfortunate to cross it; from zero until finally, he occupies that position, ma'am, so it has been forged, and we already know that in us running A to Z this business, it must be proper.* (Informant A)

d. Effectiveness and Foresight on Risk Management

RM is considered very effective when applied in business organizations. This makes it easier to carry out internal control, indirectly minimizing fraud. Coupled with a system formed and supported by adequate infrastructure, implementing RM effectively categorizes risks so that management can facilitate decision-making. Furthermore, although there are regulations governing financial companies (Fintech) for business organizations, implementing RM is also part of governance that cannot be separated from achieving organizational goals.

> *",,, So a growing business, a healthy business, a thriving business, a growing business is something we must pursue. However, on the right side of the balancer, yes, there must be people who also guard against the side, and the regulations are also implemented from the OJK, which we issue in the form of policies, SPP,*

and Procedures to ensure that friends in the field or the field also implement. (Informant A)

"... So that the unit is not dependent on asking for direct decisions by top management. So we also encourage, continue to encourage, even though we already have ERM, there is enterprise risk management; we also encourage unit friends to be independent because we have given risk tolerance there, with value limits, of course, that has been decided by management. So that if they are still classified as moderate or minor, for example, it can be decided by friends of the operational unit." Informant B

"*That is currently being used quite effectively, I think, to control the risks. All transactions have been captured and recorded well in the system, so we can know in real time what is happening in the field*". (Informant C)

Discussion

Motivation for Implementing RM

Aristotle's theory of motivation emphasizes the main aspects that reflect the understanding of human motivation based on virtue ethics. Aristotle argued that human motivation comes from the desired end goal, eudaimonia (happiness or good survival). The following are the main aspects of motivation theory according to Aristotle that can be seen in the implementation of RM in business organizations

Teleology (Final Goal) is all human actions toward the ultimate goal, namely eudaimonia. In this context, motivation comes from the desire to live by human nature as rational and social beings, achieving happiness through Virtue. The motivation for achieving organizational teleology by implementing RM is inseparable from the profit orientation business organizations generally own. However, another end goal is also mentioned by implementing RM, which is that the organization is believed to achieve sustainability of the core business, cost/resource optimization, and maintenance of multi-business units.

Despite having different business characteristics, these two organizations are oriented towards business sustainability by ensuring that all existing business processes can run as they should. Implementing RM is one way to ensure that the organization's final goal (Telos) can be achieved. For example, these objectives can be reflected in sustainability or the organization's reputation. Several empirical studies have proven that implementing ERM can affect a company's performance (Ahmed & Manab, 2016; Alalwan, Dwivedi, Rana, & Algharabat, 2018; Çamlibel, Sümer, & Hepşen, 2021; da Fonseca, 2020).

Habituation is defined as motivation through practice. Namely, Virtue is obtained through habituation, namely by repeating good deeds until they become part of the character. Aristotle emphasized the importance of building good moral habits from an early age as a basis for motivation to act correctly. This motivation is based on the orientation of fulfilling consumer behavior. This motivates organizations to be able to read consumer behavior and anticipate early on if there is a change in consumer behavior, especially in the Fintech sector.

Meanwhile, an integrated system can form a risk culture within the organization in more complex manufacturing companies. In the context of this motivation, these three types of businesses have the same understanding of building good moral habits from an early age by trying to pay attention to every characteristic of the business being run. The process of forming

Virtue can be obtained from repeated practice. The context of this research shows that implementing RM can be effective if it is carried out through habituation and daily decision-making. These habits can be formed through education and training to provide understanding to employees. In addition, the concern of top management in providing direction and support shows that the habit of forming teamwork is also one of the motivations for implementing RM in the organization . It is consistency in every aspect of operations also needs to be done to integrate into the company culture. As (Moczydłowska, Sadkowska, Żelazko, Ciocoiu, & Stawicka, 2023) (Bockius & Gatzert, 2023) said, risk culture positively influences the company's performance.

Balance (The Doctrine of the mean) is defined as the motivation for balance, i.e., every Virtue is a balance between two extremes—advantages and disadvantages. For example, courage is a balance between cowardice and recklessness. People are motivated to find the proper middle ground through reflection and practical wisdom (phronesis). This motivation can be seen from the efforts of organizations (Fintech) to balance the importance of regulatory compliance while still innovating to be competitive. In addition, the very diverse characteristics of business units in manufacturing companies are balanced with *risk mapping* so that business units with the same and different risk characteristics can be categorized.

Balance in the context of RM implementation can be interpreted as the need for organizations to balance risk-taking and avoid excessive risk. It is considered capable of balancing the need for risk-taking and avoiding risk through internal control mechanisms. This doctrine of the mean can motivate the Virtue of the organization in implementing RM. In this context, it can also be interpreted that an organization needs to consider flexibility so that it is not too strict in control. As (Settembre-Blundo, González-Sánchez, Medina-Salgado, & García-Muiña, 2021) state, companies with a high level of flexibility and resilience tend to make better decisions in the face of uncertainty. Managerial decision-making can also be reflected through The Doctrine of the Mean, for example, decision-making that considers long-term interests to ensure the common good. Further (Devos, Feng, Thompson, & Wei, 2024) stated that the founding CEO invests more in ESG activities, as it can balance the interests of shareholders and stakeholders.

Practical Wisdom (Phronesis) is motivation through rational judgment, i.e., Practical Virtue is the ability to make good decisions in certain situations. Motivation to act comes from the urge to use reason in determining the proper action according to the moral context. Although implementing RM can be encouraged due to regulations and business characteristics that carry various risks, it is important to ensure that resources continue to grow and that service to the market can be achieved through good governance by implementing RM. Integrating RM in governance is also considered very convenient in the decision-making process. This is also seen by the manufacturing company (Informant B), which has integrated ERM into the governance system, which can create independence for each unit in making decisions according to its authority without relying on top management.

(Snow, Wright, & Warren, 2021) explains that Phronēsis (prudence or practical wisdom) can provide reasoning to a person to live a virtuous life. One of the functions of Phronēsis is that the activities of various virtues can be coordinated through regulations to provide optimal results for all parties involved. In this context, implementing RM in business organizations is considered capable of becoming a regulation that regulates Virtue in realizing equality. The equality in question is an effort to meet government regulations and business needs by paying attention to market aspects, becoming a virtue motivation that can balance optimal results for all parties involved.

RM is also seen as encouraging managers to identify risks early. This considers their impact on the company's financial aspects and identifies potential that can damage the company, such as ethics and environmental impacts. A manager's decision (Informant C) in a company reflects a virtue that integrates ethical decisions for the company's sustainability.

Noble pressure is the motivation to do good because of moral pleasure, whereas virtuous people feel the intrinsic pleasure of doing good deeds. Virtue provides internal motivation that goes beyond material gain or personal interest. It can be seen that regardless of the orientation of the business organization, it is realized that the background of competence and experience is considered to be able to achieve *Governance Risk Compliance* so that internal reliability is maintained and the occurrence of fraud is minimized. According to Aristotle's concept of pleasure, shared prosperity and true happiness can be created through good actions. So, in implementing RM, of course, the organization does not only consider financial benefits but also the ethical impact, especially for the welfare of all stakeholders.

(Greenwood & Van Buren Iii, 2010) said that the principles of fairness, trust, respect, loyalty, care, and cooperation are also covered in ethical management, which is the basis of the Instrumental Stakeholder Theory, which gives rise to the idea that companies must comply with rules that are widely acceptable to society by being supported by adhering to those principles. Ethical treatment is considered to address the moral hazard or risk that one party may neglect responsibility (Alchian & Demsetz, 1972). This shows that the company has a social contract with stakeholders, so it cannot ignore the interests of stakeholders above those of the company. The implementation of an integrated RM can not only be used to minimize risks that exist within the company but can also be used to minimize risks that have an impact on stakeholders. Motivation *and pressure* can be driving factors in implementing RM in business organizations.

Social Virtue is defined as motivation in relationships with others: Aristotle viewed humans as social beings who naturally seek good relations with others. The motivation to act morally arises from building a harmonious community and contributing to the common good.

In fintech companies that are very strict under OJK regulations, fulfilling reports to the OJK is the primary motivation. Nonetheless, the regulations aim to ensure the organization's sustainability, considering that fintech organizations also manage public funds. By indirectly complying with regulations, the goal is to ensure the security of community funds that the organization has collected. Meanwhile, in manufacturing companies, this motivation can be seen from the system built in such a way that it can be integrated to create independence at every management level so that there is no dependence on each other. In addition, an integrated RM implementation system is effective in two-way communication.

These social virtues can be an ethical framework for implementing RM in organizations. Management decisions in identifying, assessing, and managing risks are made by considering their impact on all stakeholders, not only the interests of capital owners. As (Konno, Nonaka, & Ogilvy, 2014) stated, Aristotle has shown us that good habits, good practices, and the unity of virtues must be implemented in organizations because they can be considered a picture of virtue-based leadership. This is corroborated by (Dyck & Wong, 2010), that the call for replacing conventional management theories and practices using new approaches, such as management based on Virtue, continues to increase. Therefore, business organizations must integrate social virtues as the basis for implementing RM.

Moral and intellectual excellence is motivation to become the best version of oneself; moral virtues (courage, justice, generosity) and intellectual virtues (wisdom, understanding) motivate a person to continue improving. This motivation can be seen from the need for adequate competence in implementing RM. Therefore, capabilities in assessing compliance risks and special abilities in the field of ERM need to be developed, which are balanced with teamwork capabilities, for example, through training. In line with (Capelli, Ielasi, & Russo, 2021; Ryman & Roach, 2024), having strong ERM skills can reduce risk and thus contribute to company performance through business strategy.

This principle can guide balancing optimal risk management with ethical considerations for the common good. In addition, it is important to build an organizational culture through ethical education and character development to implement moral and intellectual principles. (Bragues, 2006) states that it is necessary to implement courage, self-control, generosity, majesty, friendliness, fairness, prudence, and policy in business activities. Every Virtue is carried out to ensure financial success, but the correct definition of financial success is the ability to support a noble personal life. According to Aristotle, a business that can achieve the highest level of ethics can provide opportunities for individuals to participate wisely in company management.

CONCLUSION

Aristotle's virtuous motivation framework can be applied in building an RM system in business organizations. Although one of the goals of business organizations is financial success, they have a social contract with stakeholders so that in their business operations, they cannot ignore the concerns of stakeholders. In the business decision-making process concerning risk, companies must balance facing and avoiding risk. In addition, wise decisions are expected to be made by paying attention to stakeholders' noble pleasures and social virtues. Thus, the decision can return to the company with the realization of the company's sustainability

The results of this study can provide practical implications for Risk Management in business organizations by following the principles of Aristotle's virtue so that they not only comply with regulations but also have an awareness of minimizing risks that impact the common good. This study is limited to two business organization sectors, namely finance and manufacturing, so the perspectives described may only represent the context of the organization sector. In addition, the informants used are limited, although the three represent each management level. Further research can further investigate other business organization sectors or public sector organizations that have different orientations from business organizations.

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List of Abbrevation
Risk Management (RM), State Owned Enterprises (SOE), Committee of Sponsoring Organizations of the Treadway Commission (COSO), International Organization of Standardization (ISO), Enterprise Risk Management (ERM), Chief Risk Officer (CRO).

Authors' Contribution

The first Author conceived and designed the study conducted data collection and analysis, drafted the manuscript and contributed to the interpretation of findings and critically revised the manuscript. The second Author provided methodological guidance and approved the final version of the manuscript for submission.

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Availability of Data and Materials

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