Navigating Sustainability Reporting Challenges in Pluralistic Societies: Insights from Balinese SMEs and the Integration of Tri Hita Karana and Tri Pramana

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ABSTRACT: In pluralistic societies, navigating diverse perspectives and promoting sustainable practices pose significant challenges. This paper explores the complexities of sustainability reporting within organizations, focusing on the transition towards more mature and integrated approaches. Through qualitative research, we delve into the institutionalization of sustainability reporting, integration of innovative accounting technologies, and strategies to address challenges encountered in the reporting process. Key findings highlight the hurdles faced by Sustainability Reporting Managers, including limited experience, low external readership, and perceived redundancy by senior management. Furthermore, managers often confront constraints imposed by CEO reporting strategies, balancing the inclusion of positive narratives while maintaining sincerity in Sustainability Reports. Drawing from Balinese SMEs' experiences, we introduce the concepts of Tri Hita Karana and Tri Pramana as guiding principles for sustainable development. Tri Hita Karana emphasizes harmonious relationships with the divine, natural world, and community, while Tri Pramana focuses on leveraging human abilities for innovation and growth. Integrating these concepts into business practices promotes economic prosperity, environmental stewardship, and social well-being. In conclusion, this paper advocates for a multi-faceted approach to sustainable development, combining education, collaboration, and policy advocacy. By embracing cultural and spiritual values, organizations can foster a culture of sustainability and responsible entrepreneurship for the benefit of present and future generations.

KEYWORDS: Sustainability challenges, Multi-faceted approach, Cultural and spiritual values

I. INTRODUCTION

The potential for political conservatism in pluralistic societies concerning the endorsement of the 'equality' and 'validity' of diverse and competing views has been a topic of significant debate (Brown, 2017). The challenge of addressing the diverse perspectives, as raised by Mary Parker Follett a century ago, continues to elude practical solutions (Moerman et al., 2023). Despite efforts, bridging the gap between different generational ideologies, such as those of baby boomers, millennials, Gen X, Y, and Z, remains a persistent issue in finding common ground among them. Notwithstanding widespread acceptance of the need to recognize difference and plurality, until recently, both Social and Environmental Accounting and critical accounting academics have favored consensus-oriented approaches to organizational and social change (Brown and Tregidga, 2017). As noted by White, L. (1967), the actions individuals take regarding their ecology are fundamentally influenced by their perceptions of themselves in relation to the environment. This aspect of human ecology is intricately linked to beliefs about our inherent nature and destiny, often shaped by religious frameworks. Consequently, the intersection of ecology and religion has emerged as a compelling area of study, research, and engagement, bridging interdisciplinary boundaries to integrate discussions previously held in disparate spheres (Filho et al, 2019). The attention, awareness, and change in approach that we need here have given rise to a concept called Sustainable Development Goals (SDGs). However, the extant literature often examines published sustainability reports, analyzing this reporting practice 'from the outside' rather than considering the specific process of preparing the reports (Usmani et al., 2020). This study utilizes a comprehensive qualitative research methodology to facilitate deeper engagement with organizations. It seeks to gain insights into the institutionalization of sustainability reporting within these organizations, the integration of innovative accounting technologies and new reporting standards, as well as strategies employed to address challenges encountered in the sustainability reporting process.

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II. CHALLENGES IN SUSTAINABILITY REPORTING

Research done by Xinwu He (2022) shows that the growth of sustainability reporting still encounters various challenges. As organizations progress in their sustainability reporting journey, they undergo a transition from initiating the reporting process to achieving a more mature and integrated approach. This evolution involves several key stages:

1. Getting Started and Education: Initially, the focus is on educating inexperienced managers about sustainability reporting and its importance. This phase involves raising awareness, providing training, and building capacity among staff to effectively engage in the reporting process.

2. Decentralization and Participation: As the reporting process gains momentum, there is a shift towards decentralization, encouraging greater participation and commitment from across the organization. This involves empowering employees at all levels to contribute to sustainability reporting efforts and fostering a culture of accountability and transparency.

3. Transition to Materiality-driven Reporting: Organizations then transition towards producing focused, materiality-driven sustainability reports. This shift involves establishing a formal and sophisticated materiality assessment process to identify and prioritize key sustainability issues that are most relevant to stakeholders and the organization's long-term success.

4. Internal Use of Sustainability Information: Simultaneously, there is a push to promote the internal use of sustainability information for various purposes, including performance monitoring and appraisal, rewards and remuneration, and management planning and decision-making. This entails leveraging sustainability data to inform strategic decision-making processes and drive continuous improvement across the organization.

Farooq and De Villiers (2019) further highlight despite these advancements, Sustainability Reporting Managers encounter several challenges in fulfilling their roles effectively. Managers may face challenges due to their limited experience when initially assuming the role of Sustainability Reporting Managers. Despite efforts to produce comprehensive sustainability reports, organizations may struggle with low levels of external readership, limiting the impact of their reporting efforts. The voluntary nature of sustainability reporting can pose challenges, as organizations may face pressure to allocate resources towards other priorities. Lastly the perceived redundancy by senior management and boards may perceive the role of Sustainability Reporting Managers as redundant, leading to limited support and under-resourcing of the sustainability reporting function. A study conducted by Usmani et al. (2020) reveals that Sustainability Reporting Managers encounter significant constraints imposed by their CEO's reporting strategy, leading to a delicate balancing act between maintaining legitimacy and engaging in symbolic manipulation within Sustainability Reports. Specifically, these managers face personal tensions characterized by conflicting demands. On one hand, they are compelled to align with their CEO's reporting strategy, which emphasizes the inclusion of positive and captivating narratives in the reports. Failure to adhere to this directive may result in negative repercussions on their performance assessments. On the other hand, they strive to uphold sincerity and caution, avoiding the temptation to overemphasize positive news while downplaying negative developments. This study sheds light on the complex challenges faced by Sustainability Reporting Managers as they navigate the dynamics of organizational reporting practices and expectations.

III. THE BALINESE LOCAL WISDOM CONCEPT

Addressing these challenges requires a concerted effort from organizations to provide ongoing support and resources for Sustainability Reporting Managers, promote the value of sustainability reporting internally and externally, and integrate sustainability considerations into core business practices and decision-making processes. This study begins with a semi-structured discussion regarding sustainable development issues with 30 SMEs entrepreneurs who collaborate in an organization, namely the Denpasar, Bali branch of the Indonesian Young Entrepreneurs Association known as HIPMI Denpasar. Even though they have various different ways of realizing sustainable development in accordance with the business aspects they carry out, they carry this all out with a local wisdom concept that is in line, namely Tri Hita Karana and Tri Pramana.
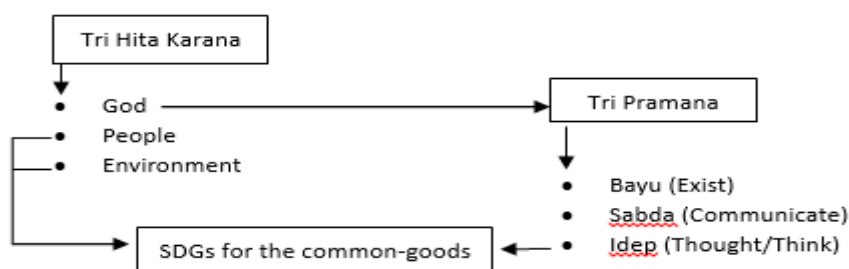

Figure 1. The Balinese Local Wisdom Concept

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Tri Hita Karana, derived from the Balinese words '*tri*' meaning three, '*hita*' meaning happiness, and '*karana*' meaning cause, encapsulates the concept of the 'three causes of happiness.' At its core, *Tri Hita Karana* embodies the belief in three interconnected sources of prosperity arising from harmonious relationships: between humans and their divine, between humans and the natural world, and between humans and each other. There is a belief in *Tri Hita Karana* which prioritizes human balance with God and nature. This belief was then manifested by the presence of customary law that binds (*awig-awig*) the Balinese people in cultivating and maintaining their environment (Qodim, 2023).

By embracing this philosophy, there is a vision to transcend the prevailing modern ethos of individualism and materialism. Among God's diverse creations in this world, humans hold a unique significance owing to the abundance of faculties bestowed upon them. This distinction stems from the observation that humans possess the most comprehensive capabilities compared to other beings, elucidated as follows: Humans are endowed with a triad of abilities known as *Tri Pramana*: *Bayu* (the capacity to exist), *Sabda* (the ability to communicate), and *Idep* (the faculty of thought). Animals possess a duo of abilities termed *Dwi Pramana*: *Bayu* and *Sabda*. Plants exhibit a singular ability referred to as *Eka Pramana*: *Bayu* (Sudarsana, 2002).

This local wisdom concept pertains to the utilization of land by communities based on their indigenous culture and wisdom, which are owned and cultivated within the community. Bali, an area in Indonesia, exemplifies this concept through its unique and specific cultural land practices, which are governed by traditional institutional systems such as *Subak, Desa Pakraman*, and *Banjar*, as well as the observance of ritual ceremonies rooted in customs and religious beliefs in every land utilization activity (Ernawi, 2009). The diverse ceremonies, construction of *Pura* (temples), and establishment of traditional institutions in Bali serve to maintain a harmonious relationship between the Balinese people, their spirituality, the natural environment, and their cultural heritage (Haribawa, Avenzora and Arief, 2020). The active involvement of young SME businesspeople in organizations like HIPMI Denpasar contributes to these various activities, thereby preserving and perpetuating the rich cultural and ecological heritage of Bali.

IV. THE FOUNDATION OF MORAL SOURCES

The moral cultivation of *Tri Hita Karana* aims to supplant perspectives that foster consumerism, conflict, and discord. Instead, it promotes a holistic approach to life that nurtures balance, interconnectedness, and sustainable well-being for all. Thus, the moral concept of *Tri Pramana* itself becomes evident that humans possess a distinct advantage, particularly in their capacity for thought (*Idep*), which underscores their paramount importance. It is within the realm of *Idep* that their primary prerogative lies. Endowed with this faculty, humans are tasked with the responsibility to utilize it for benevolent purposes (*subha karma*) rather than otherwise. In essence, the distinctive faculty of *Idep* serves as a guiding principle, urging humans to harness their cognitive abilities for the greater good, thereby affirming their elevated status among God's creations. In general, it can be seen that currently there are several changes in several cultures in people's daily lives, such as in education, health and livelihoods. However, this will not have a negative influence on the existence of society's culture and traditions because it can be prevented by means of Culture Experience, Culture Knowledge, Education and trusted Socio-Cultural Regulations (Aridiantari, Lasmawan and Suastika, 2020).

A moral source serves as an inspiring ideal that motivates individuals to act according to their beliefs. Without a compelling moral source, social and environmental accounts may enhance people's understanding of sustainability issues without necessarily influencing their behavior. Religion exemplifies a type of moral source that social accounting can leverage. However, it's important to note that religion, is not the sole moral source that accounting research could utilize. Instead, religion is used here to exemplify the potential value of directly linking social and environmental accounting to moral sources that play a similar role in encouraging sustainable social practices. By tapping into diverse moral sources, accounting research can effectively motivate positive behavioral changes toward sustainability (Perkiss and Tweedie, 2017).

CONCLUSIONS

Balinese SMEs can adopt the *Tri Hita Karana* philosophy as a guiding principle for conducting business in a sustainable and ethical manner. This involves fostering harmonious relationships with (1) God: Embracing spirituality and ethical principles in business operations, respecting religious traditions and values. (2) Nature: Implementing eco-friendly practices, minimizing environmental impact, and promoting sustainability in production processes. (3) Community: Engaging in socially responsible practices, contributing to the well-being of local communities, and maintaining positive relationships with stakeholders.

Balinese SMEs can leverage the *Tri Pramana* concept to enhance their competitiveness and drive sustainable growth. This involves harnessing the three abilities: (1) *Bayu* (Existence): Ensuring the viability and longevity of the business by adapting to market changes, investing in quality products/services, and maintaining financial stability. (2) *Sabda* (Communication):

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Establishing effective communication channels with customers, suppliers, and stakeholders to build trust, foster collaboration, and gather feedback for continuous improvement. (3) *Idep* (Thought): Encouraging creativity, innovation, and strategic thinking to identify new market opportunities, develop unique value propositions, and address societal and environmental challenges.

The relationship between humans and the environment is one of the fundamental and most debated issues in the present day. Human beings are an imperative part and manipulator of the ecosystems (Bharati and Kumar, 2020). Change in environment and ecology is more of a moral challenge. It calls us to examine how we use and share the goods of the earth, what we pass on to future generations, and how we live in harmony with interfaith traditions (Gottlieb, 2006). By integrating these concepts into their business practices, Balinese SMEs can create a holistic approach to sustainable development that promotes economic prosperity, environmental stewardship, and social well-being in alignment with the unique cultural and spiritual values of Balinese society. By adopting a multi-faceted approach that combines education, collaboration, outreach, incentives, policy advocacy, and monitoring, Balinese SMEs can effectively introduce the concept of sustainable development to a wider and more diverse society, fostering a culture of sustainability and responsible entrepreneurship for the benefit of present and future generations. In conclusion, addressing the challenges of sustainability reporting and promoting sustainable development requires a multi-faceted approach that combines research, education, collaboration, and the integration of local wisdom concepts. By adopting such an approach, organizations can effectively navigate the complexities of pluralistic societies and work towards a more sustainable future.

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