



## DESIGNING THE SUSTAINABILITY REPORTING MODEL FOR VILLAGE-OWNED ENTERPRISE BASED ON *TRI HITA KARANA* : A CONCEPTUAL APPROACH

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### ABSTRACT

This conceptual article aims to provide a new perspective on the possibility of implementing the concept of sustainability in small business organizations. This conceptual article focuses on developing a sustainability reporting model for village-owned enterprise (VOE). The novelty shown in this conceptual article is the use of local Balinese wisdom, namely the Tri Hita Karana concept in helping to develop a sustainability reporting model for village-owned enterprise. The method of writing this conceptual article uses library research by focusing on relevant documents and literatures. The results and discussions have been compiled to produce a sustainability reporting model for village-owned enterprise. Future research can continue this conceptual article by trying to implement the sustainability reporting model in village-owned enterprise.

**Keyword:** Library research, sustainability reporting, *Tri Hita Karana*, village-owned enterprise

### ARTICLE INFO

#### Article History:

Received 19 July 2022

Accepted 2 October 2022

Available online 30 November 2022

### ABSTRAK

Artikel konseptual ini bertujuan untuk memberikan sudut pandang baru mengenai kemungkinan implementasi konsep keberlanjutan pada organisasi bisnis kecil. Artikel konseptual ini berfokus pada penyusunan model pelaporan keberlanjutan pada badan usaha milik desa. Kebaruan yang ditampilkan pada artikel konseptual ini adalah digunakannya kearifan lokal masyarakat Bali, yaitu konsep *Tri Hita Karana* dalam membantu untuk menyusun model pelaporan keberlanjutan pada Badan usaha milik desa. Metode penulisan artikel konseptual menggunakan *library research* dengan berfokus pada dokumen dan pustaka yang relevan. Hasil dan pembahasan telah disusun untuk menghasilkan model pelaporan keberlanjutan pada badan usaha milik desa. Penelitian di masa depan dapat melanjutkan artikel konseptual ini dengan mencoba untuk mengimplementasikan model pelaporan keberlanjutan pada badan usaha milik desa.

**Kata kunci:** *Library research*, pelaporan keberlanjutan, *Tri Hita Karana*, badan usaha milik desa

### Introduction

In recent years, there has been a change in the concept of corporate reporting. Companies are now expected to disclose financial and non-financial information. Non-financial information includes social information and environmental information. This change is caused by a shift in the company's management perspective from a shareholder orientation to a stakeholder orientation. Corporate sustainability reporting is closely linked to corporate stakeholder groups. Hahn and Kühnen (2013) state that different stakeholder groups will generate strong demands regarding information on economic performance, social performance, and environmental performance. Lozano and Huisinigh (2011) argue that sustainability reporting is one of the important factors that help organizations to apply the concept of sustainability in their activities. The concept of sustainability has now become one of the centers of attention of business organizations because by implementing the concept of sustainability, business organizations have had a great impact on the social and environmental communities. The practice of the sustainability concept by conducting sustainability reporting has made the management of business

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organizations think about the social and environmental impacts of their business activities. Therefore, the orientation of the company's management will not only focus on the company's financial performance, but also on the social and environmental performance. In the context of sustainability, disclosure of information regarding the company's social and environmental performance is a form of company management's commitment to realizing the long-term goals of the Sustainable Development Goals (SDGs).

If explored further, the concept of sustainability has basically been implemented by several local communities in Indonesia as a philosophy of daily life. For example, the concept of sustainability has been implemented by Balinese people from generation to generation by implementing the *Tri Hita Karana* concept. Thus, basically the concept of sustainability is a universal concept that can not only be implemented by a local community, but can also be brought to a wider realm, such as the realm of accounting and business. Based on this understanding, basically, Balinese people are familiar with the concept of sustainability and this has been applied to everyday life for generations (Adiputra, 2010). The concept of *Tri Hita Karana* is a principal concept in Balinese life (Adiputra, 2010). The concept of *Tri Hita Karana* aims to develop harmony in human life (Adiputra, 2010; Artayasa, 2010; Roth and Sedana, 2015). Balinese people widely interpret the concept of *Tri Hita Karana* as a way or technique to get worldly harmony (Suardikha et al., 2016). The concept of *Tri Hita Karana* consists of three main parts, namely *Parahyangan* (establishing a good relationship with God), *Pawongan* (establishing good relations with fellow humans), and *Palemahan* (establishing good relations with the environment).

Based on the explanation of *Tri Hita Karana*, basically humans have two relationships, namely a vertical relationship and a horizontal relationship. A vertical relationship is a relationship that aims to establish a good relationship with God and a horizontal relationship is a relationship that aims to foster relationships with fellow humans and the surrounding environment. Many social and religious organizations created their vision and mission from the basic concept of *Tri Hita Karana*. Based on this understanding, it can be interpreted that basically the implementation of the *Tri Hita Karana* can not only be carried out by a human individual, but an organization, both a business organization or a non-business organization, can implement the *Tri Hita Karana* concept in organizational activities. If understood in depth, the concept of *Tri Hita Karana* contains elements of the concept of sustainability. The concept of sustainability which contained in *Tri Hita Karana* is the elements of *pawongan* and *palemahan* where an individual human being must establish good relationships with fellow humans and their environment. If the concept of sustainability in *Tri Hita Karana* is brought to a business organization, then the business organization must establish good relations with the social community and its environment as a form of implementation of the concept of sustainability (Nama and Sugiarto, 2016 and Suardikha et al., 2016).

Village-Owned Enterprise (VOE) is a business organization that can help develop the concept of sustainability in the overall business system, particularly in community level. The business activities of VOE are closely related to the social values of the village community and are in line with the economic potential of the

village. Business organizations such as VOE, have a great opportunity to be able to implement the concept of sustainability. The VOE is formed based on the *Tri Hita Karana* philosophy and its characteristics are in accordance with the social and economic conditions of the community in village. One of the easiest ways for the management of VOE to implement the concept of sustainability is to develop a sustainability reporting model. Sustainability reporting is a medium of communication between the organization's management and stakeholders related to the efforts that have been made by management in sustainability practices. The opportunity for the VOE to compile a sustainability report is very large because the vision and mission of the VOE is based on the *Tri Hita Karana* concept which is basically in accordance with the sustainability concept. Thus, this conceptual article attempts to develop a sustainability reporting model for small business organizations (VOE) based on the basic concept of *Tri Hita Karana*. This is very important considering that the local wisdom of the Balinese people has been proven to influence the governance of an organization (Gusti Ketut Agung Ulupui and Gurendrawati, 2018).

The Triple Bottom Lines concept provides a clear understanding that companies should not only focus on the level of company profitability (profit), but should also consider the impact of company activities on the social (people) and natural (planet) context. Based on this explanation, the *Tri Hita Karana* concept has the same value as the sustainability concept and it is interesting if the *Tri Hita Karana* concept is used in a business system to create a sustainable business. If discussed in a broader context, the practice of sustainability reporting by VOE is a strategy to maintain the organization's legitimacy in the social community. This is in accordance with legitimacy theory which explains that organizations will tend to align with the interests of stakeholders, therefore, they get legitimacy from business activities. In current business practice, sustainability reporting is one of the strategies that can be used by organizational management, thus the organization's business activities are in line with the interests of stakeholders.

Previous studies have examined the opportunities for implementing the concept of sustainability in small business organizations. Castka et al. (2004) investigated the implementation of corporate social responsibility (CSR) by SMEs in the UK. Castka et al. (2004) argue that CSR is a concept to run an organization profitably but in a socially and environmentally responsible manner to achieve business sustainability and stakeholder satisfaction. Borga et al. (2009) tried to develop guidelines for assessing sustainability processes in small business organizations. Some of the item guidelines developed by Borga et al. (2009) according to the business environment of small business organizations and the characteristics of small business organizations. Bos-Brouwers (2010) examines SME sustainability reports using case studies on furniture companies. Longo et al. (2005) contributed to providing a clear understanding of the social commitments made by SMEs business actors. In addition, Longo et al. (2005) also analyzed the characteristics of CSR by SMEs and identified CSR activities carried out to support the creation of social value from SMEs businesses. Wiesner et al. (2017) developed a model for managing change towards sustainability in the context of environmental issues within SMEs. Caputo et al. (2017) developed a new conceptual model to

highlight the factors driving SMEs towards the introduction of the concept of effective sustainability management and introduce sustainability report for small business organizations.

The main purpose of preparing this conceptual article is to build a framework or a model for a sustainability reporting for small business organizations, especially for VOE. Management of VOE can use the framework as a reference to apply the concept of sustainability reporting to their business in the future. Medel et al. (2011) provides several general ideas for integrating the corporate sustainability framework into the business of VOE, one of which is to assume that the implementation of the sustainability concept is part of the organization's business strategy. This study uses the general idea concept of Medel et al. (2011) as a reference for implementing the sustainability reporting model. This research focuses on how to design the sustainability reporting model in VOE. In the best of author knowledge, there a few little of previous research that has tried to integrate modern accounting theory with local values in the context of sustainability reporting research. This research will fill the gap in previous research by answering how to create a sustainability reporting model for small business organizations based on local values that develop in social communities. The research question in this study is focused on the designing a sustainability reporting model based on the *Tri Hita Karana* concept. The research question is how the design of the sustainability reporting model based on *Tri Hita Karana* that can be applied by VOE? It is hoped that this research question can provide answers to the sustainability reporting model for small business organizations based on local community wisdom.

The new idea which offered by this study is focused on the implementation of local wisdom in accounting systems and practices, especially in the realm of sustainability reporting for small business organizations. We must realize that the practice of sustainability accounting has a strong connection with local wisdom in the social community. This study tries to combine local wisdom in accordance with sustainability principles and implement it in a sustainability reporting model for small business organizations. The *Tri Hita Karana* concept is a familiar concept, especially for VOE management in Bali. Moreover, the concept of *Tri Hita Karana* is in harmony with the concept of sustainability, therefore, to integrate the concept of sustainability into business activities from VOE, we can use the concept of *Tri Hita Karana* which is easy to understand. Thus, the practice of sustainability reporting at VOE can be started by integrating the *Tri Hita Karana* concept into the sustainability reporting model of VOE.

Theoretically, this study contributes to starting a discussion on sustainability reporting practices in small business organizations. Previous literature has focused more on sustainability reporting practices in public companies. This study wants to provide a perspective that sustainability reporting practices can be implemented in small business organizations. The results of this study are expected to contribute to policy makers; therefore, sustainability reporting practices begin to be integrated in small business organizations. In addition, this study can be used by the organization's management to start the stages of sustainability reporting in the organization.

The next section of this conceptual article will discuss a literature review that focuses on discussing the *Tri Hita Karana* concept and how it relates to the sustainability reporting model. After that, the research method will be discussed and the conceptual discussion regarding the sustainability reporting model for VOE. In the conclusion section, we will discuss the results of this conceptual article and future research topics related to the sustainability reporting model in VOE.

## Literature Review

### Legitimacy Theory and Stakeholder Interest

Legitimacy theory explains that company management should try to gain legitimacy from the society or social community that surrounds the company (di Tullio et al., 2020; Dowling and Pfeffer, 1975; Patten, 1991; Suchman, 1995). This legitimacy is intended; therefore, the company's management can carry out the company's business activities in accordance with the company's objectives and the interests of the company's stakeholders. In this context, one way that company management can do to gain legitimacy is to convey comprehensive information to company stakeholders (Amran and Keat Ooi, 2014; Dienes et al., 2016; Needles et al., 2016). This comprehensive information can be in the form of financial information or non-financial information. This comprehensive information can later be used by company stakeholders to assess the commitment of company management and help company stakeholders to make business decisions and non-business decisions (Amran and Keat Ooi, 2014).

In the context of sustainability reporting, the comprehensive information which contained in the sustainability report can be used by company management to build good communication with all company stakeholders (Kolk, 2004 and Larrinaga and Bebbington, 2021). Thus, the sustainability report is a liaison between the interests of the company and the interests of the company's stakeholders; therefore, there is harmony between the company's management and the company's stakeholders. When this harmony occurs, company management will tend to find it easier to gain legitimacy for the company's business activities from company stakeholders and the social community (Dowling and Pfeffer, 1975). Obtaining legitimacy that has been obtained by company management will be able to help company management to support the interests of company stakeholders (Dowling and Pfeffer, 1975). In the context of VOE, the management of VOE will seek to build harmony with stakeholders and this will be done by aligning business activities in VOE with the prevailing social values of the stakeholders. If there is alignment between business activities and social values, the VOE will tend to gain legitimacy from stakeholders to carry out their business activities.

### *Tri Hita Karana* Concept

The elements of *Tri Hita Karana* are the concepts of Balinese culture, which in essence explains about the balance between humans and God, humans and humans, and humans and their environment (Adityanandana and Gerber, 2019; Rahmawati et al., 2019; Rosilawati et al., 2020). These three balances are the causes of happiness. In general, the concept of *Tri Hita Karana* explains that worldly harmony will occur when a human being has a good relationship with God, with



fellow humans, and with the surrounding environment (Adiputra, 2010; Roth and Sedana, 2015; Suardikha et al., 2016). Therefore, it can be concluded that *Tri Hita Karana* is a Balinese cultural concept, which is derived from the parts of Hinduism, and describes how to regulate a harmonious relationship between humans and God, humans and humans, and between humans and their environment. Balinese people believe that the implementation of the *Tri Hita Karana* concept can be done in every aspect of human life. In general, the implementation of the basic concept of *Tri Hita Karana* can be found in all basic aspects of Balinese life, both from the business and non-business aspects.

In the business aspect, business organizations in Bali use the *Tri Hita Karana* concept as the basis for preparing the organization's vision and mission (Nama and Sugiarto, 2016 and Suardikha et al., 2016). For example, organizations such as community cooperatives, village credit institutions, and village-owned enterprise (VOE) have made the *Tri Hita Karana* concept the basis for organizational business activities (Suardikha et al., 2016). By using the *Tri Hita Karana* concept in business activities, a business organization will not only focus on the organization's financial performance, but will also focus on the social and environmental performance of the organization. This is because the concept of *Tri Hita Karana* explains that to achieve harmony, an organization must establish relationships with its social community and environment. This basis is also the main reference in formulating the sustainability reporting model for VOE based on local community wisdom where the purpose of sustainability reporting for VOE is to build harmony with all stakeholders.

### **Sustainability Concept**

Medel et al. (2011) argue that the concept of corporate sustainability helps companies to create consumer and employee value in the long term and considers how businesses operate in social and environmental contexts. The concept of sustainability has become an important strategy to maintain a dynamic balance of organizational economic, social, and environmental performance (Medel et al., 2011). Borga et al. (2009) argue that it is important to assess the social and environmental impacts which caused by business activities. Sustainability reporting also generates economic value for companies. Company management should pay attention that economic value helps their company to generate social and environmental benefits for the sake of the social community that surrounds the company. Thus, the concept of sustainability explains that the management of business organizations should use the economic value to provide greater social and environmental benefits; therefore, the economic value can grow consistently in the long term (Claro and Esteves, 2021; Gibassier and Alcouffe, 2018; Milne, 1996). This concept is certainly very interesting where in the end the implementation of sustainability will be able to provide economic and non-economic benefits to business organizations in a relatively long time (Claro and Esteves, 2021).

The concept of responsible business is also part of the sustainable development goals (SDGs). Jones et al. (2017) argue that sustainable development goals are important for developing the overall social, environmental and economic context. The sustainability report contains social and environmental information as

well as community impacts. Borga et al. (2009) found that recent changes or evolutions in the economic and social context have encouraged company management to consider and assess the social and environmental impacts of company activities. Lawrence et al. (2006) argues that the literature on sustainable business practices is mostly concentrated in multi-national companies, but not many previous studies have tried to examine sustainable business practices in small business organizations. This conceptual article aims to provide a new perspective on opportunities for implementing the sustainability reporting model in VOE based on the concept of *Tri Hita Karana*.

### Theoretical Framework

This conceptual article is based on legitimacy theory and stakeholder theory. Based on the theory of legitimacy, the sustainability reporting process is a perfect tool for company management to build relationships with their stakeholders; therefore, the companies will receive legitimacy from stakeholders. Based on stakeholder theory, company management must create a perfect relationship with its stakeholders because companies need their stakeholders to support the business system. Through these two theories, this research will try to integrate modern theories in accounting (legitimacy theory and stakeholder theory) with local wisdom values from Bali, namely the *Tri Hita Karana* concept. Previous research has also focused on modern theories in accounting when discussing the concept of sustainability reporting, but without integrating it with local values (Dienes et al., 2016; Kolk, 2008; Needles et al., 2016). Therefore, this research will try to develop a sustainability reporting model, using modern theory in accounting and local values from Bali. The main objective of this research is to review modern theory in accounting through the integration of modern theory with local values. Thus, this conceptual article aims to provide a new perspective that basically local business organizations have the opportunity to implement a sustainability reporting model based on community local wisdom. This point of view is very important to change the perspective that the sustainability reporting model can only be implemented in large business organizations.

Within the theoretical framework of this research, there are two major concepts, namely the concept of Triple Bottom Lines and the concept of *Tri Hita Karana*. These two concepts have the same meaning and can be applied to the business environment of the VOE. The business activities of VOE in Bali are carried out on the basis of the *Tri Hita Karana* concept; therefore, the VOE can also apply the concept of sustainability. The application of the concept of sustainability not only be applied to large business organizations, but also small business organizations such as VOE has the capacity and capability to apply the concept of sustainability. One of the sustainability practices that can be applied by the VOE is to compile a sustainability report based on the *Tri Hita Karana* concept. Thus, the VOE's sustainability report will contain financial information and non-financial information that is prepared based on the *Tri Hita Karana* concept.

## Research Methode

The library research method was used in this study. Library research is research which the materials are library books, scientific journals, and other sources, all of which are literature-based (Bowen, 2009). The library research method is very suitable for analyzing and understanding the contents of literature or documents that are relevant to the article purpose (Bergevin and Miller, 1994; Jensen and Arrington, 1983; Murphy and Hoepfner, 2002). In this context, this conceptual article is intended to describe and understand the thoughts from the previous literature regarding the sustainability reporting model and the *Tri Hita Karana* concept. In general, the purpose of this conceptual article is based on some of the previous literature that discusses the sustainability reporting model in business organizations and the literature that discusses the concept of *Tri Hita Karana*. The author then understands the contents of the previous literature and then looks for the core of the discussion to then be related to the writing topic of this conceptual article.

The data in this conceptual article is primary data (library documents and scientific literatures). Library documents as the data sources are books, scientific articles, information from the internet, and other relevant documents (Bowen, 2009). The search for library documents which used as data in this study was done through online-based searches from several databases that provided relevant library sources. Several databases of library sources which used in writing this conceptual article are the Google Scholar database, DOAJ database, and databases from reputable international journals. The criteria for documents or libraries which used as data in writing this conceptual article are documents or scientific articles that discuss the sustainability reporting model in business organizations and also documents or literatures that discuss the concept of *Tri Hita Karana*. Table 1 present library data that used on this research.

The data analysis which used in this research was content analysis method. This analysis is intended to collect and analyze official documents, documents whose validity and validity are guaranteed, both legal and policy documents as well as research results (Bowen, 2009 and Flesher et al., 2010). This analysis activity is carried out to find out the meaning, position and relationship between various concepts, policies, programs, activities, events that exist or occur, and then find out the benefits, results or impacts of these things (Bowen, 2009). Thus, data analysis using content analysis has been in accordance with the purpose this conceptual article.

The content analysis method is used to understand and analyze the contents of the document or literature that is the source of the data (Bowen, 2009). The authors will read the contents of each library or document which used as data. After that, the authors will try to understand the contents of the document and interpret the contents. The interpretation of the authors will be written in the results and discussion section to help achieve the writing objectives of this conceptual article. Therefore, the content analysis method can help the authors to gain an understanding of the point of view from the previous literature and use that point of view to develop a model for preparing VOE's sustainability reporting based on the *Tri Hita Karana* concept



**Table 1. The Library Data**

Literature topic	Source of literatures
Topic on library research on accounting	<ul style="list-style-type: none"> <li>- Anand et al. (2020) explained the concept how to use the programming language for text analysis in accounting research.</li> <li>- Bowen (2009) explained about document analysis techniques as part of qualitative research method. There are various explanations regarding the stages for document analysis.</li> <li>- Flesher et al. (2010) explained how to use library resources for research on the history of accounting.</li> </ul>
Topic on <i>Tri Hita Karana</i>	<ul style="list-style-type: none"> <li>- Adiputra (2010) explained the principles of sustainable development in Balinese social community. These principles form the basis for the practice of local wisdom in the community.</li> <li>- Gusti Ketut Agung Ulupui and Gurendrawati (2018) examined the role of local wisdom to construct governance practices in an organization. This study used an ethnographic method.</li> <li>- Nama and Sugiarto (2016) explained how the effect of the <i>Tri Hita Karana</i> concept to increase the competitive level of tourism in Bali.</li> <li>- Roth and Sedana (2015) explained about the reframing of the <i>Tri Hita Karana</i> concept which was originally a culture of the social community in Bali and then changed its paradigm more broadly.</li> <li>- Suardikha et al. (2016) explained the impact of <i>Tri Hita Karana</i> on the quality of accounting information systems at village credit institutions in Denpasar, Bali.</li> </ul>
Topic about sustainability reporting in small business organization	<ul style="list-style-type: none"> <li>- Arena and Azzone (2012) developed an operational framework in the context of sustainability reporting for small business organizations.</li> <li>- Amran and Keat Ooi (2014) explained how to make sustainability reporting in line with the interests of stakeholders.</li> <li>- Loucks et al. (2010) explained the implementation process of the concept of sustainability in small and medium business organizations.</li> <li>- Permatasari and Kosasih (2021) developed a guideline for sustainability reporting for small business organizations in Indonesia.</li> <li>- Kurniawan (2018) developed an implementation model of sustainability reporting for village-owned enterprises and small and medium enterprises.</li> <li>- Rossi and Luque-Vílchez (2020) examined the implementation process of sustainability reporting in small and medium enterprises from the point of view of integrated thinking.</li> </ul>

## Result and Discussion

### Connection between Sustainability and *Tri Hita Karana*

The concept of sustainability means that all business activities of a business organization must be in harmony with the social and environmental surroundings of the company (Claro and Esteves, 2021; Lichtenthaler, 2021; Milne, 1996). Thus, the concept of sustainability requires companies to produce and disclose the social and environmental impacts from the company's business activities. In addition, the concept of sustainability can also be a company's business strategy (Teh and Corbitt, 2015 and White, 2009). Companies that have a high commitment to the concept of sustainability will carry out their business activities based on the concept of sustainability and implement the concept of sustainability in the organization's business activities (Galpin et al., 2015 and White, 2009). In the context of companies in Indonesia, company management is committed to implementing the concept of sustainability and also considering the social and environmental impacts of the business activities.

The implementation of *Tri Hita Karana* concept will result in worldly harmony, while the implementation of the Triple Bottom Lines concept will create harmony in business activities. Thus, it can be understood that a business organization will be able to carry out its business activities if the organization has harmony with its stakeholders or in other words has good relations with all company stakeholders (Dowling and Pfeffer, 1975 and Suchman, 1995). This concept is in accordance with the explanation of the legitimacy theory which explains that the company's business activities will run well if they have received legitimacy from the community. In other words, the Triple Bottom Lines concept will help the company's management to establish good relationships with all stakeholders; therefore, the company's legitimacy will be well maintained.

The implementation of the Triple Bottom Lines concept in a business organization can later become a company's business strategy which called a sustainability strategy (Claro and Esteves, 2021; Klettner et al., 2014; Kolk, 2008). This sustainability strategy is a business strategy that can be applied by company management and is in accordance with sustainability concepts (Galpin et al., 2015; Teh and Corbitt, 2015; White, 2009). The implementation of this sustainability strategy can enable the company's management to establish harmonious relationships with all company stakeholders. This sustainability strategy can also be implemented to improve the internal quality of every part of the company (White, 2009). Thus, every part of the company will be able to implement the concept of sustainability; therefore, in general the impact will be obtained by the entire company organization.

One of the questions regarding the sustainability strategy that must be answered by the company's management is whether the sustainability strategy that has been implemented by the company's management can continue in the future (Galpin et al., 2015). The most important things that must be prepared to implement a sustainability strategy is a high commitment from the company's management in implementing the concept of sustainability as one of the company's business strategies. One example of a commitment from company management to implement the concept of sustainability as a business strategy is to implement an

environment-based business strategy (Barbosa et al., 2021). The company's business strategy based on the environment can be interpreted that all the company's business strategies which prepared by the company's management have thought about the environmental impact that will be caused. In the context of the *Tri Hita Karana* concept, the implementation of this sustainability-based business strategy is one way that can be used by company management to achieve harmony with the society and environment around the company.

One of the sustainability-based business strategies that can also be applied by business organizations is to prepare a sustainability report (GRI, 2014). A sustainability report provides comprehensive financial and non-financial information to all company stakeholders. Sustainability reports are one way that company management can use to establish good relationships with stakeholders. Currently, company stakeholders have requested comprehensive information from company management (Berthelot et al., 2012). The existence of a request for comprehensive information can be answered by the company's management by compiling a sustainability report. Therefore, the preparation of a corporate sustainability report can be one of the business strategies based on the concept of sustainability that can be implemented by the company's management.

### ***Tri Hita Karana*, Legitimacy Theory, and Stakeholder Theory**

In the previous section, it has been explained that the concept of *Tri Hita Karana* is implemented with the aim of getting worldly harmony. If this concept is brought into the realm of business, then companies that implement the *Tri Hita Karana* concept directly will also implement the sustainability concept. One of the business organizations that have used the *Tri Hita Karana* concept as the basis for the organization's business activities is the VOE. The VOE in Bali have consistently implemented the *Tri Hita Karana* concept in their business activities. The implementation of the *Tri Hita Karana* concept is one of the methods which used by the management of VOE to establish harmony with social and environmental aspects. With this harmony, the business activities of VOE will directly gain legitimacy from the community and the trust of stakeholders.

A business organization must gain legitimacy and trust from all stakeholders (Bebbington et al., 2008; Guthrie and Parker, 1989; Wilmshurst and Frost, 2000). The existence of legitimacy and trust from stakeholders in a business organization will be able to help company management to carry out all the company's business activities (Kuruppu et al., 2019). If the management of a business organization has gained legitimacy from the stakeholders, then the entire business plan of the company will be implemented properly. In the previous section it has been explained that one example of a business strategy that can be used to gain legitimacy and trust from stakeholders is to prepare a sustainability report. A sustainability report is a form of corporate management accountability for the social and environmental impacts resulting from the company's business activities (Guthrie and Parker, 1989). This form of accountability must be conveyed to the public; therefore, the public gets comprehensive information about the company's business activities. If the public has gained trust from the contents of the organization's sustainability report, then the public will be able to give legitimacy and trust to the company's business activities

(Archel et al., 2009). With this legitimacy and trust, basically the company's management has established good relationships with all relevant stakeholders.

If this context is brought to the realm of VOE, the management of VOE will also be able to use the concept from this sustainability report as a business strategy to gain legitimacy and trust from the public. Management of VOE can use the concept of legitimacy theory as the basis for why they must prepare a sustainability report. This is also in accordance with the thinking of legitimacy theory which states that company management should try to maintain the legitimacy that has been obtained from stakeholders (Tilling, 2004). By using the concept of legitimacy theory, the management of VOE will be able to increase the level of legitimacy which obtained by compiling a sustainability report. This VOE's sustainability report will later contain comprehensive information regarding the financial information of VOE and the role of VOE in the context of social and environmental issues.

### **Sustainability Reporting Model Based on *Tri Hita Karana***

This section will try to explain how the form of the sustainability reporting model for VOE is based on the *Tri Hita Karana* concept. Before preparing the sustainability reporting model, the part of *Tri Hita Karana* concept is first described which is in accordance with the sustainability reporting concept. In general, parts of the *Tri Hita Karana* concept that are compatible with the concept of sustainability reporting are *pawongan* (social) and *palemahan* (environmental). Thus, the sustainability reporting model for VOE based on the *Tri Hita Karana* concept will focus on information on organizational finance, the role of the organization in the social context, and the role of the organization in the environmental context. This type of information is also in accordance with the characteristics of VOE in Bali where management of VOE does not only focus on providing financial information, but also participates in social and environmental issues. Therefore, the sustainability reporting model based on the *Tri Hita Karana* concept will start from an understanding of the vision and mission of the VOE. This is because all activities of VOE must be in accordance with the vision and mission of the organization.

The basic conception of *Tri Hita Karana* has become the basis for the formation of the vision and mission of the VOE. Thus, the vision and mission of the VOE will help the management not only focus on the financial condition of the organization, but also be involved in social and environmental issues. Management involvement in social and environmental issues is a form of business strategy from the management to create harmony with all stakeholders. In addition, in the context of this sustainability reporting model, it is necessary to have a commitment from the management of VOE to not only report financial information, but also report non-financial information of the organization. This process will make the management more transparent and accountable; therefore, all stakeholders of VOE will be able to assess the performance of VOE more comprehensively. Comprehensive information which provided from the management of VOE to stakeholders will certainly be able to maintain the legitimacy that has been obtained

by the VOE (Guthrie and Parker, 1989; Kuruppu et al., 2019; Tilling, 2004). The impact of this process is that the business activities of the VOE will be able to run well and the management will have good relations with all stakeholders.

This sustainability reporting model for VOE will be implemented if there is a commitment from the management to compile a sustainability report. Management commitment is very necessary because management will disclose comprehensive information to all stakeholders, both financial information and non-financial information. The next stage in this sustainability reporting model after a commitment from management is to identify the types of information that will be disclosed in the VOE's sustainability report. In general, a sustainability report has the objective of providing comprehensive information to stakeholders and a means for internal improvement of the organization of VOE. A table can be compiled containing the types of financial information and non-financial information that can be disclosed by the VOE management in their sustainability report.

**Table 2. Identification of financial information and non-financial information of VOE**

<b>Financial information</b>	<b>Social information</b>	<b>Environmental information</b>
<ul style="list-style-type: none"> <li>- Sales and profit growth</li> <li>- VOE's debt and receivable conditions</li> <li>- VOE's financial ratios</li> <li>- VOE's growth trends</li> </ul>	<ul style="list-style-type: none"> <li>- Funding assistance provided to traditional villages</li> <li>- The amount of CSR funds for rural communities</li> <li>- VOE programs or activities related to social issues</li> </ul>	<ul style="list-style-type: none"> <li>- Management commitment in managing waste</li> <li>- Investments made related to environmental issues</li> <li>- Commitment to use of renewable energy and use of water</li> <li>- Programs or activities of VOE related to environmental issues</li> </ul>

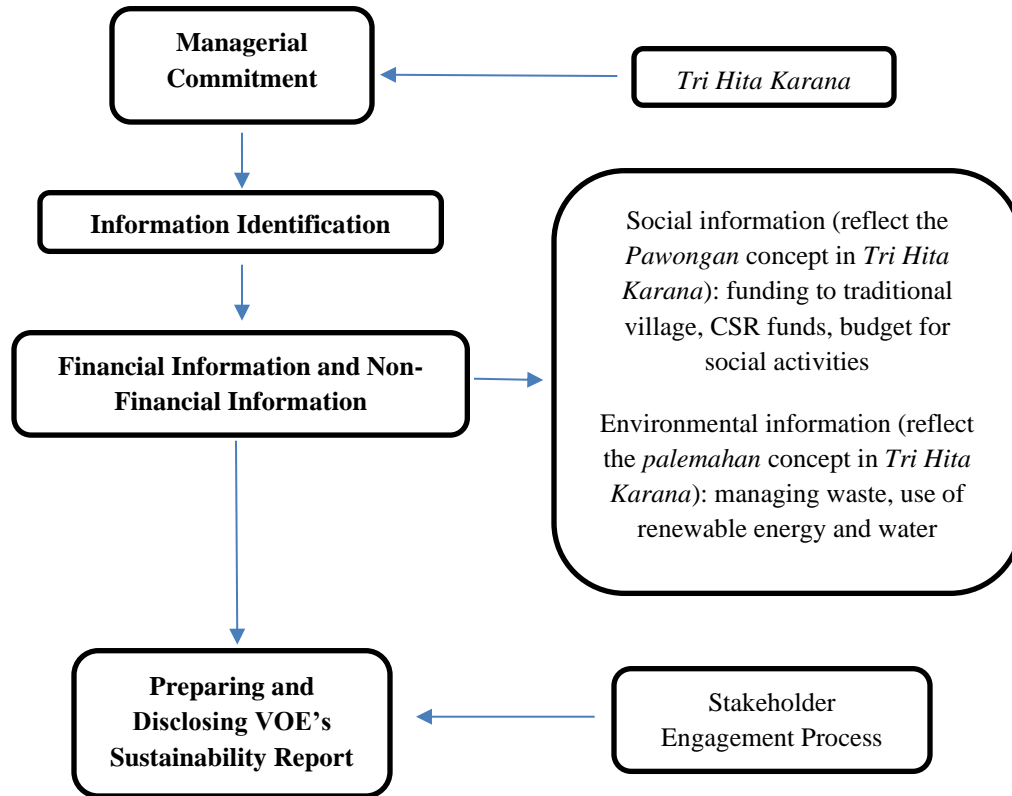
Source : Researchers analysis

Based on table 2, it can be seen that in general, a sustainability report from a VOE will disclose comprehensive information regarding financial information and non-financial information. The financial information presented will focus on the general financial condition of VOE. In this sustainability report, the portion of financial information disclosure may be larger than social and environmental information because stakeholders of VOE still focus on financial issues. In the context of social issues, the management of VOE can disclose information about aid funds provided to traditional villages and CSR activities that have been carried out to village communities. This information is very important; therefore, stakeholders can find out how much commitment from the management of VOE to issues in the social sector. In the context of environmental issues, the management of VOE can disclose information about the management's commitment in managing waste. In addition, the management of VOE can also disclose the amount of funds or investments spent related to waste and waste management.

The next step after identifying the information is compiling a sustainability report. In this context, the VOE's sustainability report model can be in the form of a very simple model and only focuses on the delivery of financial information and non-



financial information. In preparing this sustainability report, the management of VOE can create a collaboration with the independent preparer and the information presented is adjusted to the knowledge and experience of the management of VOE. Based on the discussion that has been carried out, the sustainability reporting model for VOE based on the basic concept of *Tri Hita Karana* is represented on figure 1.



**Figure 1. VOE's Sustainability Reporting Model**

Source : Researchers Analysis

Based on Figure 1, it can be seen that the sustainability reporting model can be implemented in VOE. The stages of this sustainability reporting model begin with the management commitment to disclose comprehensive information through the sustainability report. The basis of this management commitment is the conception of *Tri Hita Karana* which explains that every organization must build harmony with all stakeholders. In this context, the management can compile a sustainability report as a business strategy to build harmonious relationships with all stakeholders of VOE. After the management commitment to establish good relations with all stakeholders, the next step is to identify the type of information to be disclosed by the management in the VOE's sustainability report. The management of VOE can choose which types of financial and non-financial information will be included in the sustainability report. Of course, the selection of this type of financial information and non-financial information can be adjusted to the characteristics of the VOE and the needs of the stakeholders.

The next stage of this sustainability reporting model is the stage of compiling the VOE's sustainability report. Management can compile their sustainability report in the simplest form. This is to facilitate the preparation process and stakeholders of VOE can read and understand well the contents of the sustainability report. After the stage of compiling the VOE's sustainability report, the next stage is to release or disclose the report to the village community or stakeholders from the VOE. At this stage, the village community or stakeholders of the VOE can read the sustainability report and then provide suggestions and input to the management which part of the sustainability report can be improved; therefore, the VOE's sustainability report has high quality in the following year. This is the example of stakeholder engagement process in sustainability reporting (Kaur and Lodhia, 2018; O'Dochartaigh, 2017; Torelli et al., 2020). Stakeholder engagement is a crucial process to support the implementation of sustainability reporting, particularly in small business organization.

We believe that this initial model can be implemented in VOE. the Tri Hita Karana concept is a concept that has been consistently implemented in VOE. The Tri Hita Karana concept is the foundation for VOE management to carry out organizational activities. We recognize that various support from relevant stakeholders is needed to initiate this practice, for example the development of guidelines on sustainability reporting for VOE. We believe that with the practice of sustainability reporting at VOE, small business organizations can be directly involved in sustainability practices. The existence of sustainability reporting practices at VOE will increase the accountability of information from VOE and encourage VOE to participate in disclosing social information and environmental information from the organization's activities.

### Conclusion

This conceptual article has provided a new perspective on the possibility of implementing the concept of sustainability in small business organizations. One practice of implementing the sustainability concept which discussed in small business organizations is the model for preparing sustainability report for the VOE. One of the interesting things in this conceptual article is using the local wisdom of the Balinese people, namely the *Tri Hita Karana* concept to help develop a sustainability reporting model for VOE. Therefore, this article tries to integrate the values of local wisdom with the latest concepts in the field of accounting. This conceptual article has identified several important types of information that can be disclosed in the VOE's sustainability report. In addition, this conceptual article has also developed a sustainability reporting model for the VOE.

### Limitations

This study is still conceptual in nature and further studies are needed to assist the development of a sustainability reporting model and its implementation process. This study is also still focused on one concept of local wisdom and another discussion is needed that uses a different concept of local wisdom, therefore, a more comprehensive discussion will be obtained later. For the context of the study in Indonesia, there are not many previous studies that discuss the sustainability

reporting model for small business organizations with the support of local wisdom. Thus, this study also encourages discussing the concept of local wisdom from different regions in the context of organizational sustainability reporting.

### **Suggestions**

Future research can continue to write this conceptual article by continuing to develop a model based on the relevant literature. The next research can also continue this conceptual article by trying to implement the sustainability reporting model that has been prepared and trying to analyze the obstacles and challenges in implementing this sustainability reporting model in VOE. Future research can focus on how the stakeholder support this practice, therefore, VOE can consistently develop sustainability reporting. In addition, future research can try to create a sustainability reporting format for VOE. The next research can use previous research, for example, Arena and Azzone (2012); Permatasari and Kosasih (2021); Scagnelli et al. (2013), as the main references.

### **Implication**

The contribution of this conceptual article is expected to be able to contribute in the form of a theoretical study on the opportunities for implementing the sustainability reporting model in small business organizations. In the best of author knowledge, most of the research that has been done has focused on developing sustainability reporting models for public companies and there are still few theoretical studies on sustainability reporting for local business organizations. This conceptual article also tries to provide a new perspective on the sustainability reporting model for a local business organization based on the philosophy of Balinese local wisdom, namely the *Tri Hita Karana* concept. In the end, it is hoped that the thoughts from this conceptual article can be used as a basis for policy makers in the context of implementing the process of preparing sustainability reports in small business organizations, especially in VOE.

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