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An essay on Karma Karana: A notion on restructuring the Bali hospitality and service industry by re-establishing the concepts of Tri Hita Karana and Karmaphala

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The island of Bali in Indonesia is well known for its tourism industry. Currently, the government of Indonesia has released a free-visa policy to many countries around the globe to increase the number of foreign arrivals and boost the tourism revenue. The programme has recorded a significant number of foreign arrivals and it means that there will be more demand on hospitality-related business in places where tourists are concentrated. However, Bali is not really happy with this growth. Most of the locals are still living below the poverty line. The problem of waste is also haunting the island at the moment. Does the money that is generated from tourism really help the people and the island itself to grow? What is the best solution to giving the locals a chance to get a slice of opportunity from the tourism industry? What is the best solution to help the island to preserve its nature and culture? A form of social entrepreneurship should be established in order to help these problems.

Keywords: social entrepreneurship, Indonesia, tourism, sustainability

Introduction

Bali is one of the most popular places in the world in regard to its tourism. Statistical data released by the Bali government tourism office shows that the number of foreign arrivals in April 2016 reached 1.4 million people – slightly higher compared to the previous year, which had only 1.2 million arrivals. As the number of foreign visitors increases, the island should relish the economic benefits that tourism offers. However, have the residents of Bali received the economic benefits promised? A population survey data released by the Indonesian statistical bureau shows that in 2015 around 2.7 million people are registered as residents in Bali. Around 218 790 residents in Bali still live in poverty, which means that around 10% of the people on the island are still living below the poverty line – around IDR 300 000 per month (€20). The average expenses per capita in 2015 of the region were around IDR 1 125 482 per month – equivalent to €70 (Badan Pusat Statistik Republik Indonesia, 2016).

Bali has a relatively low unemployment rate. The latest data show that the unemployment rate in Bali was only 1.9%, or around 40 000 people in 2014. The city of Denpasar has the highest rate of unemployment, with around 10 000 people in the area who do not have jobs (Badan Pusat Statistik Provinsi Bali, 2015). The Indonesian government under its ministry of manpower releases a statement each year of the minimum wage that every citizen should receive each month during employment. The amount is different for each province in Indonesia, and is counted using various measures such as cost of food, housing, health care, education and other basic needs. The latest data show that the minimum wage in the province is IDR 1 621 172 − equivalent to €108 (Dewan Pengupahan Nasional, 2016).

In the hospitality industry, the national average minimum wage was IDR 1 557 400 in 2015, which is slightly lower than

the minimum wage of the province (Badan Pusat Statistik, 2016). However, the number is generated on a national scale, which includes the other provinces in Indonesia. It is unclear what average nominal monthly wage is received by employees who work in the hospitality sector in Bali . Based on the data released by Badan Pusat Statistik Provinsi Bali (2014), the lowest human productivity index can be seen in the agriculture, industry and services sectors. The report only stated that the low productivity in agriculture and industry is caused by limited knowledge of manpower and the use of outdated technology. It does not give any detailed reasons for why the productivity in the services industry is also low. According to the latest data available from the Ministry of Tourism of the Republic of Indonesia, Bali generates around 78.3 trillion IDR (€5.13 billion) per annum from the tourism sector (Kementrian Pariwisata Republik Indonesia, 2016). This amount of money, however, should be a source for the Balinese community to improve their infrastructure, quality of life and technology to increase human productivity. Currently, there is no clear evidence of where the money goes.

The government of Indonesia at the moment is planning to build a reclamation area in Benoa Bay, not that far from I Gusti Ngurah Rai International Airport. According to Article 55 paragraph 5, Perpres No. 45, Year 2011, Benoa Bay is categorised as a conservation area – alongside with the water zones of Sanur, Serangan, Nusa Dua and Kuta. But in 2014, the policy was changed to Perpres No. 51, which changed the status of Benoa Bay to an area that could be converted into a commercial area. The background of this change was based on the rapid development of the hotel and commercial areas on the island, resulting in a scarcity of land and places. It was also supported by the belief that tourism will provide more capital to the country and society, which is still debated by many parties.

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The changes created a big debate between government and the Balinese society. Some argued that the reclamation would bring economic growth to the area, citing that it would resolve the land problem that is currently limited on the island. However, others argued that it would create a new problem for Balinese society and culture. According to Perda (Local regulation) Bali No. 2, Year 2012, tourism development in Bali should reflect its culture and heritage. The island has the value of Balinese Hindu belief, using Tri Hita Karana as the foundation of life. If the government gives access to another type of tourism development, what will Bali's tourism image look like in the future?

Current conditions in Bali's tourism area

Many areas in Bali are currently in a bad condition. Problems such as trash, an unbalanced ecosystem, flooding and pollution, make the society think that the current tourism developments will only cause trouble for their future.

Balinese culture and Tri Hita Karana

Balinese society uses Tri Hita Karana as their basis of life. Tri Hita Karana (three causes of happiness) means that to reach happiness humans should have a balanced relationship with god, other humans (society) and also the environment. The concept of Tri Hita Karana is essentially the same as the idea of the triple bottom line that was introduced by Elkington (1994), which addresses economic prosperity, environmental quality and social justice. The only difference between those two concepts is located in the economic aspect, seeing that the concept of Tri Hita Karana was introduced long before the concept of the economy was developed by modern society. Many academics and researchers have adopted Elkington's concept of the triple bottom line and its use as a foundation to build a sustainable business. Cavagnaro and Curiel (2012), for example, introduced the three levels of sustainability, citing that a sustainable society must treat environmental, economic and social values equally. If this is combined with the concept of Tri Hita Karana, the element of care for the deity could have the same meaning as a sustainable society – having a balanced relationship with every aspect of the earth.

A recent publication was made by Pitana (2010) on the dynamic Balinese culture. The concept of Tri Hita Karana, which has been an essential belief of the society for many centuries, really helps the society to "filter" the external cultural elements before accepting it as part of a new cultural system. This is also supported by quotes from Udayana University (Unud) and Francillon (1975), who write that Balinese culture is really adaptive to change and is able to use it without losing the society's authentic culture. Besides Tri Hita Karana, there is also a concept named Tri Mandala (three spatial zones) distinguishing the places for the deity, humans (society) and animals. This approach to building development has been part of Balinese society since ancient times. This concept could basically be developed further to create sustainable development that focuses on housing and real estate on the island. How could these concepts help Bali to rejuvenate its tourism industry, which has already deviated from its original concept? Could the anthropological studies that have been done about Bali's unique culture not be valid anymore due

to the recent development of mass tourism? McKercher et al. (2005) stated that tourism could be used as the main tool to increase awareness of local heritage and culture; in short, it could help the problems of conservation caused by the commercialisation of tourism. This statement, however, could also indicate that tourism should be more focused on creating added value for every stakeholder, not focusing only on profit and money.

Happiness is when what you think, what you say, and what you do are in harmony — Mahatma Gandhi

Karmaphala

The Balinese society believes that every action taken will result in the same action in the future. In other words, doing something good will make other people treat you in a good way. The concept of Karmaphala is basically influenced by Hindu belief. As explained by Gupta (2011), the Hindu law of karma means that a good deed results in a good fruit – a bad deed creates a bad result. Gupta also mentioned the belief that karma has an impact when humans are reincarnated (Hinduism believes in reincarnation). A good thing that a person did in a previous life will result in good fortune in the present life (Yamey & Greenwood, 2004).

The concept of Karmaphala can be linked to sustainable development. When a society treats the environment and another society badly, it will also have a bad impact on the actors.

In order to carry a positive action we must develop here a positive vision — Dalai Lama

What should be developed?

New product development (NPD) is seen as an important trend both in theory and practice (Shani et al., 2003). Ciappei and Simoni (2005) claimed that NPD is really indispensable for business to face competition in the market. NPD is also believed as being important to meet the customer's wants and needs on an actual basis (Kotler & Armstrong, 2004). In the hospitality industry, there is a strong connection between NPD and the success rate of a firm. Bowie and Buttle (2004) argue that NPD could open an opportunity for new markets. Customer needs and wants are changing and competitors are aware of that; thus a new product should be introduced to be competitive and successful (Kotler et al., 2002). The hospitality industry nowadays is heading towards globalisation; this has caused firms to standardise their products and services (Ritzer, 2007). Big firms expand their brands globally, which makes their presence bigger but also means they lose their authenticity. Since it is argued that the customer is seeking an authentic experience (Pine and Gilmore, 2007), this globalisation approach might quickly become outdated.

To be able under all circumstances to practice five things constitutes perfect virtue; these five things are gravity, generosity of soul, sincerity, earnestness and kindness — Confucius

The four chakra business model

In Sanskrit, the word chakra means wheel, as well as cycle and circle, and refers to the energy available in the human body. The term comes from ancient Indian religious beliefs such as Buddhism and Hinduism. In this context, though, the four chakras refer to the foundations of business that should be developed to achieve sustainability. As stated earlier, Balinese society uses Tri Hita Karana and Karmaphala as its guide to life. The term is applied to the new concept of a business chakra, allowing the spiritual aspect to be included in business. The other three aspects, natural, social and authentic are quite commonly seen in other types of business model (Figure 1).

Explanation

Spiritual: God provides this earth with various resources to be used for human development. Thus something should be given back to God (Tri Murthi).

Natural: Natural resources are limited and cannot be reproduced once destroyed or depleted.

Social: Humans are social beings and should be treated fairly, regardless of their status.

Authentic: Each person is different and has different needs, even though as humans we all have the same status.

What is Karma Karana?

Karma Karana is a start-up business idea that is based on consultancy, brand management and an IT system that focuses on sustainable hospitality business development. The following paragraph will explain in detail what is going to be available in the system.

Basic idea

Karma Karana will encourage all Balinese communities, together with *kepala desa* (head of the village), *banjar* (community), local government and also local universities to start their own enterprises that could have an added value towards Bali's tourism development. It is going to encourage all Balinese communities to make their own business (as



Figure 1: Four chakra business on product development

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entrepreneurs) such as bed and breakfast, restaurants, tour operators, cafés and other types of service in the hospitality industry with Tri Hita Karana and Karmaphala as the basic vision.

Users will need to sign up with the system and pay monthly consultation, society and maintenance fees, based on their choice and size of business. Paying the consultation fee means that the user has unlimited access to academic resources that focus on the hospitality and service industries, as well as direct consultation with an expert of the business if further help is needed or when facing a complex problem. The academic resources here are basically made in partnership with local universities and will give their students and lecturers access to make a study for a thesis or dissertation related to the hospitality and tourism industries. Lecturers and students could have direct contact with the owner of a specific hospitality or service business registered in the system if they want to make a study or conduct research.

The society fee is money that is to be used to develop infrastructure or to be donated to any cultural or health organisation. The basic reason here is by citing the basic theory of Karmaphala: giving something good to receive a good return. However, there is no exact amount that each user needs to pay on this fee. The business will give flexibility to each user on what amount they want to pay for the society fee. The business wants to encourage users to apply Karmaphala in the business, but without putting pressure on them for money. The other fee, the maintenance fee, will cover expenses mainly focused on the business system, such as the web server, electricity and other technical issues.

Consultation and brand management

The creator of Karma Karana, together with another experienced partner, will be applying their skills and knowledge from previous work experience and education in the hospitality, service and tourism industry. A user who is registered in the system will have the right to a consultation if there is any help needed regarding their business in general. A user who does not have any experience in hospitality or service business could contact us to explain their ideas on what kind of business they want to create, and the management will give feedback on their idea in order to make them confident to start their own enterprise.

An extra paid-for service will be given if the user wants brand management. As explained in various academic papers, building a company with a good image needs proper branding, including design and logo, as well as product and service. If the user wishes to have a brand management service, they will need to pay a one-time fee which will include brand identity collateral, a product checklist, a pre-opening kit and an advertising guideline. The brand management service will be made based on user preference (tailored to need), which means that there is no standardisation of design and product, as well as trying to meet the basic requirements of the user's business. However, this service is limited only to users who want to open a lodging business or restaurant.

The mind is everything. What you think you become.

— Buddha

Integrated booking system

The system will integrate all businesses that are registered through the Karma Karana platform to ease the future customer booking process. Customers will be able to book all hotels, tours, deliveries, etc. in one process, and enquiries will be transferred to the respective party. The products to be sold in the platform will be limited to businesses that are registered on our system. thus encouraging customers to purchase local product and services. The booking system will be similar to the actual hotel booking platform that is already in the market. However, in this system the customer will have a choice and recommendations on what type of vacation they want to have (romantic, pleasure, weekend gateway), the type of accommodation they wish to have as well as the budget they wish to spend for the whole period. After they choose a particular accommodation, they will be given suggestions on what kind of tours, activities, restaurants or cultural performances they are interested in, which they could choose and book at the same time.

Responsibility of the stakeholders: Increase the national rank on journal publications

According to the latest data from SCImago Lab (2015), Indonesia is ranked 57th in the world in terms of academic journal publications. Compare to other ASEAN member countries, Indonesia is ranked below Singapore, Malaysia and Thailand in terms of the number of academic journal publications. As the current plan of the Republic of Indonesia's government is to increase the national economy through tourism, our business idea as proposed could be one gateway to solve the lack of academic publications. As mentioned in the previous section, one of the objectives of Karma Karana is connecting academic institution in Indonesia with business owners who are registered on the system. Students, researchers or lecturers who are registered at institutions that have a partnership with Karma Karana could have access to conduct their studies by having direct contact with the owner of the businesses. The result of these studies in the end could be published on the platform, which could be used by the owner or other people. This approach is related to the concept of Karmaphala – receiving what you give to others.

Increasing the national competitive index in the ASEAN Economic Community

According to the World Economic Forum's (2015) latest data on competitive index, Indonesia is ranked on the 34th position worldwide, below Malaysia, Singapore and Thailand in the ASEAN region. The report also gives details on the problematic factors in making a business in Indonesia, and highlights corruption, access to financing, inflation, inefficient government bureaucracy and inadequate supply of infrastructure. On 31 December 2015, Indonesia officially entered the ASEAN (Association of South East Asian Nations) Economic Community. The community has the following objectives to be accomplished by 2025 (ASEAN, 2015a):

- A highly integrated and cohesive economy
- A competitive, innovative, and dynamic ASEAN Economic Community
- Enhanced connectivity and sectoral cooperation
- A resilient, inclusive and people-oriented, people-centred ASEAN Economic Community
- A global ASEAN Economic Community.

What do these objectives mean to Indonesia in the ASEAN Economic Community? It is clearly mentioned in the second point that the region wants to be more competitive and dynamic. In the same report, it is highlighted that tourism will be included as the main focus to be reached for AEC 2025. What, then is Indonesia's position on tourism in the ASEAN Economic Community itself? As mentioned, there were a total of 105 million foreign arrivals in the region in 2015 – doubled from 2007, when there were only 62 million (ASEAN, 2015b). Of those 105 million, how many foreign arrivals did Indonesia receive? Based on a statement from the Indonesian Immigration authority, the number of foreign arrivals in Indonesia was only 5 million in total for 2015 (Direktorat Jendral Imigrasi, 2015). How does this number reflect Indonesia's position in the regional tourism industry?

Based on the latest data, Indonesia received 3.2 million foreign arrivals in April 2016 – an increase of 7.5% compared to 2015 (Badan Pusat Statistik, 2016). This could be affected by the current plan of the Indonesian government, which released a visa-free policy to 169 countries in the world exempting them from visa regulations for a 30-days stay in the country (Direktorat Jendral Imigrasi, 2016). This trend needs to be taken seriously in order to cope with increasing demand in the tourism sector. This platform will engage all of the users to develop entrepreneurship skills and assist them to become one of the business owners in the region. As mentioned before, corruption limits the willing on making a business, having governmental institution and local tourism agency to be a part of stakeholder could increase the level of trust to the officials. The platform is trying to be as transparent as possible in order to be trusted by the society, and hopefully could increase the entrepreneurial spirit of Balinese society and could increase the competitive index level of the nation in the future.

Increasing the economic and environmental development of the island

As mentioned in the introduction, the tourism industry in Bali generates 783 trillion IDR per annum, but it is not clear where all the money goes. The income levels are also considered low, especially in hospitality industry. By encouraging every Balinese to start their own enterprises, it could help the society enjoy the money generated by the tourism sector. By encouraging each business owner to do something based on karma, they could also donate or grant some money for public sector improvements such as health care, education, cultural activities or other public infrastructure; this is related to the definition of corporate social responsibility. According to the definition of CSR introduced by Carroll (1979), the business owner should take account of economic, legal, ethical and discretionary responsibilities. The business must make a profit and obey the law, and is expected to be ethical. The economy, on one hand, could increase because of the profit, but it does not lose the other human quality of development. The environment could also receive the positive impact of such economic development, noting that the natural resources that Bali has is the main reason why tourists want to visit. Having partnerships with academic institutions will generate more ideas on how a business should be developed without harming the ecology and environment.

Conclusion and limitations

The business idea as proposed aims to build a sustainable hospitality business product, which could hopefully resolve the social, economy and environment problems that have occurred in Bali in the past few decades. The business idea tries to combine the basic beliefs of traditional Balinese society with modern economic development. Building a system that could increase a spirit of entrepreneurship in the society is believed to be one tool that could help residents to enjoy the money from tourism development in a manner that is clear, transparent and fair. Having stakeholders such as government agencies and universities could help the island transform itself as a sustainable tourism destination in future. As mentioned by Melissen et al. (2014), the future of the hospitality business in the context of the environment will be based on four different perspectives, which include political and economic sustainability, as well as demographic and cultural and sustainability. It also worth mentioning that technology will have a greater role in business processes in the future. The business idea is already trying to develop a technological system that could help all stakeholders to receive money generated by the tourism industry of the region. It also applies the concept of a sustainable society as explained by Cavagnaro and Curiel (2012), which, besides making profit, takes into account people, the planet, and god as the main stakeholder.

However, it is not yet fully evident that this idea would solve the tourism pressure that Bali already endures nowadays. The debate on having a reclaimed area in Benoa Bay is still a source of turmoil in the Balinese society, setting economic development against the social, cultural and environmental aspects of the island. It is evident that tourism helps the country's economy, but it seems that the wrong action has been taken - exploiting the island for profit. It is also uncertain how and where the budget should be invested to build the system. This issue should be discussed further with third parties who already have knowledge of IT and financing. It is true that sustainable business does not only have making profit as its main goal, but business does need to make a profit as well to be called sustainable. A final point is that encouraging academic institutions and government officials to become involved in the project may not be considered easy, especially in Indonesia, where the government bureaucracy is quite complicated.

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