A case of outdoor education for SMEs during the COVID-19 pandemic: The mediating role of entry mode

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Abstract

The international expansion process of firms has been the subject of many studies, nonetheless only Western firms have become the most discussed within the literature. Fewer studies have been done with an emphasis on Southeast Asian firms. Following this issue, this study aims to investigate the most suitable strategy as well as the best entrance modes for firms to internationalize and accordingly, to offer a strategy implementation guideline for firms to enter foreign markets successfully. As the research method prerequisite, this study applies the quantitative approach. The key finding of this study indicates that there is a strong positive relationship between firms' international expansion and foreign market entrance. Additionally, this study's finding is also considered a useful guideline for the SME manager to internationalize or enter the foreign market, especially during the hits of the COVID-19 Pandemic.

*Keywords***:** COVID-19; entry mode; international expansion; outdoor education; SMEs.

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1. Introduction

Recently, the study by Olson et al. (2021) states that global business developments are becoming severe inside the global markets, as such it is requiring one of the vital elements to survive during the initial phase of global market entrance, namely the strategy. The direction of the organization over the long term which covers the resource configuration to achieve the markets' needs and to fulfill the stakeholder expectations, can be considered as a strategy (Porter, 1991; Bititci et al., 2001; Aigbavboa et al., 2023).

Likewise, the study of Pearce II and Robinson (1985) denotes that there are 3 steps of strategic development which are analysis, integration, and implementation. To be more specific, Porter (1991), as well as Cassiman and Golovko (2011), suggest that in entering the global market, the firms are advised to develop a strategy based on the several methods of international business for instance: (1) the strategy of international expansion; and (2) the entry mode strategy.

Furthermore, studies on small and medium-sized enterprises (SMEs) have been discussed broadly among scholars, including the SMEs' internationalization process (Wu, Wood & Khan, 2021; Carballo Perez & Corina, 2023; Lo, Bui & Huarng, 2023). The study of Cassiman and Golovko (2011) then recommends that despite the scarcity and limitation of the resources attached to SMEs, such enterprises are prepared to enter foreign markets afterward.

Based on the above discussion, the phenomenon of SMEs that intend to internationalize despite the limitations attached later increases the scholars' motivation to observe the international expansion of SMEs and contribute to the body of knowledge regarding SMEs and their internationalization process. This can be seen, for example in the study of Conconi et al. (2016) which suggests that export as well as foreign direct investment are becoming vital factors in assisting SMEs to decide to engage in the foreign markets.

Moreover, currently in Indonesia, there is an increasing trend of people in the outdoor education industry (Ma'mun et al., 2018; KEMENKOP, 2020). This is due to the existence of new potential market opportunities, such as new trading channels, education exhibitions collaboration, etc. As such, SMEs that actively participate in related businesses abovementioned are being motivated given the fact, the government also highly facilitates the SMEs to encourage SMEs to take part positively in such industries (KEMENKOP, 2021; Alareeni & Hamdan, 2022). By such circumstance abovementioned, notwithstanding, the studies of Spalie et al., (2011) indicate that the competition level inside such industries is also higher lately, especially in Makassar which is one of the biggest islands in Indonesia and the capital city of South Sulawesi province.

The situation abovementioned later brings SMEs that are in the outdoor education services facing some difficulties for example the issues on the business development. Regarding such issues above-mentioned, it is suggested that to come up with a solution to business development issues, the firm is requested to be able to be more flexible in rapid change that may occur (Lu and Beamish. 2001; Mustafa et al., 2018), especially the recent outbreak of Coronavirus disease 2019 (COVID-19) pandemic.

1.1. Conceptual background

Given that the development of outdoor education services in Makassar is continually growing although there are standard health protocols applied after the pandemic hits Makassar, great numbers of the entrepreneurs who manage outdoor education businesses are still struggling to survive creatively and innovatively even though they are so close to the bankruptcy or the worst, wiped out. This can be seen, for instance, in some literature that some SMEs still survive by preparing themselves to enter several foreign markets to promote their products through many new policies of international business applied in

most countries around the world during the outbreak of COVID-19 (Halling, Yu & Zechner, 2020; Forson, Gadzo, Anaman & Adams, 2022).

In line with the above indication, this study finds, unfortunately, that most literature only focuses on Western firms which explains the international expansion and entry mode pattern of the firms to enter foreign markets (Garrido, Giachetti & Maicas, 2023). Less found emphasizing the firms that are from Southeast Asian countries, particularly from Indonesia that there are thousands of active multi-national companies and state-owned enterprises (Irjayanti & Azis, 2012; Mustafa et al., 2018; KEMENKOP, 2021; Zahoor et al., 2021; Su et al.,2022).

Regarding such issue discussed above, this study, consequently, is strongly supported to explore Indonesian SMEs and together enrich the literature on the internationalization process and foreign markets entry of SMEs. In doing so, this study eventually aims to determine quantitatively several objectives, namely: (1) to investigate in terms of the most suitable strategy as well as the best entrance modes of Indonesian firms to internationalize, and accordingly (2) to propose the most proper guideline of the strategy implementation for such firms to enter the foreign markets. Due to the opportunity limitation and harsh competition within the home-country market, the local firm then decides to plan and organize to expand abroad, specifically the international market expansion.

Others, such as the study of Ciu et al. (2011) recommend that given the fact that the increasing level of pressure in terms of the competition such as feeling sophisticated or unfamiliar in the home market, the firm later plans to enter the global markets. In addition, Ciu et al. (2011) add that there are some needs e.g., adjusting the competitive strategy to respond to the recent conditions of the demand found within the targeted foreign markets.

Furthermore, according to some scholars such as Mustafa et al. (2018) as well as Udayasankar (2008), and Turner et al. (2009) resource availability is considered as one of the indicators to explain the firm's size. This is because larger firms normally are more available in terms of resources compared to small firms which tend to be less available in terms of resources i.e., resource limitation. To this knowledge, the findings of Blackburne & Buckley (2019) suggest that given that the international markets tend to escalate the situation regarding business operations complexities.

Based on the explanation above, one of the required resources in such a situation such as the managerial resource, consequently, is considered as the vital element inside the international business preparation or even the ongoing phase of the internationalization process. In other words, the larger firms have more potential opportunity and capability to better address the complexity found in foreign markets eventually directing the larger firms to avoid the failures or mistakes during the internationalization process.

In line with such recommendations abovementioned, this later supports, for example, the research findings of Cassiman and Golovko (2011) suggest that the stocks of knowledge and capital are becoming vital factors in facilitating the early international expansion of the firm. Subsequently, the respective industrial environments characteristics of the firms are reflected by such firms' competitive strategies that consequently drive the firms to decide to participate and enter into foreign markets (Porter, 1980; Mustafa et al., 2018; Osano, 2019; García-Cabrera & García-Soto, 2022; Onoz & Giachetti, 2023).

1.2. Conceptual Framework

The studies of Johanson & Vahlne (2009) and Gammeltoft & Cuervo-Cazurra (2021) explain that there will be a great potential for uncertainty existence that coming straight to the firms once there is a lack of

information received by the firms, specifically the information that helps the firms to predict the conditions of the host country's market either current or the future conditions.

Likewise, the study of Olivia et al. (2022) indicates that if less vital information is gathered regarding the foreign market's condition, such as the international expansion benefits and costs, the firms consequently may face a great number of risks i.e., a fatal mistake in developing the competitive strategy, etc. In line with this indication, Zhou (2007), as well as Breuillot et al. (2022), strongly suggest that having any important information regarding the foreign market's condition such as the country-specific factor, helps the firms to anticipate the occurrence of such fatal mistakes during the preparation of foreign market entrance.

Furthermore, the foreign market entry mode of the firms is described as the arrangement of the firm's institutions in organizing and conducting the transactions of international business (Blackburne & Buckley, 2019; Mustafa et al., 2018; Vahlne, 2020). During the development of international expansion, selecting the proper and suitable strategy of entry mode is considered one of the critical factors, especially the important element for managerial decisions, and may have a potentially significant impact on a firm's international expansion performance (Ahmad & Kitchen, 2008; Lu & Beamish, 2001).

Following the explanation above, some scholars such as Agarwal & Ramaswami (1992) and Madhok (1997) suggest that there are 3 factors to be considered which play a vital role in foreign market entry mode strategy namely: (1) the firm's resources; (2) industry-specific; and (3) country-specific (Agarwal & Ramaswami, 1992; Madhok, 1997). Additionally, the dimensions of mode entry choice such as resource commitment and other factors e.g., situational factors (country risk, socio-cultural distance, etc.), and technological change also impact the firms' entry mode of foreign markets.

Based on the discussion above, specifically the emphasis on the 3 factors abovementioned in the study of Agarwal & Ramaswami (1992), and Madhok (1997), this study is consequently supported to generate the first hypothesis:

H1: *Firm's resources as well as industry- and country-specific affect foreign market entrance decision*

Additionally, the proper and suitable entry mode strategy selection is considered one of the important elements for decision-making given the fact that such a decision-making process requires a great number of resources and well-crafted plans (Vahlne, 2020). As such, after deciding the proper entry mode strategy to internationalize, selecting the targeted foreign market may also impact the firm's activities such as the daily operational activity and so on (Porter, 1991; Sullivan, 1994).

Subsequently, there are 3 basic methods of entry mode, which are: (1) the sales approach that is characterized by the time limitation, less the adaptations of the product, there is no type of organized selection, and there is also no effort to navigate the distribution abroad; (2) naïve or pragmatic rule which is the selection that is in relating with an existing market entry strategy; and (3) selection mode that comprises with the systematic comparisons of the availability of alternative modes (Cassiman & Golovko, 2011; Olivia et al., 2022; Hennart, 2014; Mustafa et al., 2015; Root, 1994).

Additionally, scholars (Barkema & Drogendijk, 2007; Kwon & Hu, 1995; Leonidou & Katsikeas, 1996) explain in detail that the naïve rule shows that the managers take consideration based on a single strategy of entry mode for all markets, whereas the pragmatic rule indicates that the firm initially starts with a small budget for entry strategy cost and once such strategy is a success, the firm then implements more expensive strategy and a more difficult.

In line with the discussion above, this study then aims to select 2 of 3 basic methods of entry mode for further analysis due to the most complicated methods always faced by SMEs as stated by Mustafa et al. (2018) as well as Olivia et al. (2022) is the sales approach and naïve or pragmatic rule.

Based on the studies of several scholars, specifically focus on the basic methods of entry mode (Cassiman & Golovko, 2011; Olivia et al., 2022; Hennart, 2014; Mustafa et al., 2015; Root, 1994; Vahlne, 2022) this study is accordingly supported to generate the following hypotheses, which are:

H2: *The strategies of entry mode's rules affect the firm's foreign market entrance decision*

H3: *Sales approach rule moderates the relationship between international expansion and the foreign market entrance of the firm*

H4: *Naïve/Pragmatic rule moderates the relationship between international expansion and the foreign market entrance of the firm*

Based on the hypotheses above, the authors then recommend constructing the conceptual framework of this study, as shown in the following Figure 1:

Figure 1
Conceptual Framework
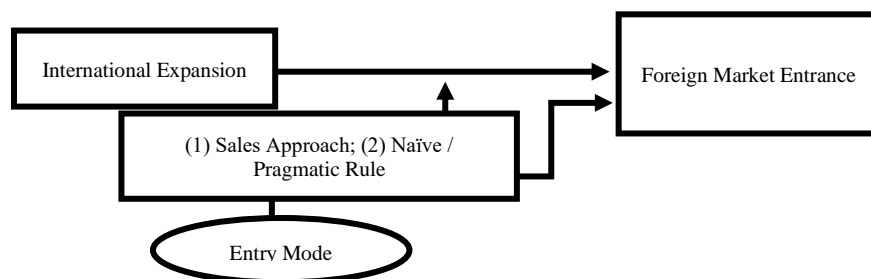
2. Materials and Method

2.1. Data collection instrument

As the research method prerequisite, this study applies a quantitative approach. Through the application of quantitative research methodology, this study recommends that the data source in this study be primary and secondary data sources. As suggested by Sekaran and Bougie (2016), the primary data source comes directly from the object of research including the questionnaire, this study is strongly supported to construct the questionnaire and later distribute the questionnaire directly to the targeted respondents to obtain the preferred information. While, the secondary data source is required from some documentation e.g., books, science publications, internet databases, and so on (Bougie and Sekaran, 2019), this study thus gathered the secondary data, to acquire more comprehensive information to support the primary data source of this study. The phase of data collection began in August 2021 and ended in January 2022.

This study conducts interviews with 175 SMEs from Indonesia. Although all the firms observed are firms with sizes from small size to medium size, the firms are quite different based on age as well as export experience. The SMEs are from the outdoor education service industry. This study applies face-to-face

interview which is supported by the questionnaire produced from the comprehensive reviews of related literature.

To assess the effect of the entry mode variable, this study follows scholars' (Cassiman & Golovko, 2011; Hennart, 2014) measurement methods that may be a handful approach for this study to assess the sales approach (SA), and naïve rule (NR) or pragmatic rule (PR) in explaining the effect of entry mode strategy on the relationship between the international expansion process and the foreign market entrance of SMEs.

2.2. Participants

Singh and Masuku (2014) suggest that the population is defined as the entire individual or a source of information about something which has a relationship and is important to research. Singh and Masuku (2014) also add that the generalization area which changes to any particular quality and type of the observed object and/or subject is also considered as the population. Based on the above recommendation of Singh and Masuku (2014), this study is accordingly supported to propose the research population in this study which is active SMEs that are from Makassar, Indonesia, and have a specialty in the outdoor education service provider.

Moreover, the sample size of this study is 175 respondents who have been targeted earlier by the authors of this study, especially the manager/owner of outdoor education SMEs who are from Makassar, Indonesia. All the respondents are interviewed by the authors of this study from August 2021 which ends in January 2022 and takes place in Makassar, Indonesia.

2.3. Ethics

This research followed the necessary ethical requirements. Ethical consent was sought from the participants in the study orally. The participants' identities were hidden and their responses and the results of the study did not harm or affect the image of the participants.

2.4. Analysis

One of the measurement tools in research called the validity test, is helpful to be applied to assess the accuracy level in measuring the actual content of the research (Andersen and Wagtmann, 2004). In addition, both Sekaran and Bougie (2016) also recommend that two considerations positively confirm the validation between one to another variable, namely:

1. If the Rcount value is higher than Rtable then the indicator is valid; and
2. If the Rcount value is lower than Rtable then the indicator is invalid.

Moreover, the reliability test is considered as the measurement tool sequence which has a reliable consistency degree once the measurement is produced repetitively (Chan and Idris, 2017). Additionally, this test is useful in detecting the reliability and the consistency level of the final measured score of a similar group and resulting similar score, assumed if there is no change in the respondent's psychology change (Andersen and Wagtmann, 2004). Also, Sekaran and Bougie (2016) suggest that the reliability test reproduces principally the assessment constancy i.e., a greater degree of reliability indicates that every indicator has a high consistency level in measuring the other variable, the latent variable particularly. As the Cronbach Alpha used in the reliability test, consequently, Singh and Masuku (2014) suggest that if any variable shows the value of Cronbach Alpha is > 0.60, then the variable is reliable.

If the correlation coefficient value is less than 0.5 or else r < 0.5, the correlation value is weak, and vice versa. If the correlation coefficient value is positive then the result means that there is a parallel relationship between the outcome and predictor variable and vice versa. Additionally, this study distributes the online questionnaire directed to the lecturer as the sample unit of this study. The online

questionnaire forms of this study eventually are sent back and completely responded to by 132 lecturers from the Makassar area, Indonesia.

2.4.1. Partial Least Square

This study applies the partial least squares (PLS) path model and as this study applies the moderating variable, this study therefore comes with the equation of moderating variables from Henseler and Fassott (2010) that provides the helpful guideline on how the moderating variable and its effects can be integrated into a PLS path model with the following formula:

$$Y = a + (b .X) + (c .M) + d (X * M)$$

Moreover, this study also examines the validity of measurement to increase the accuracy of measurement by applying several multiple indicators to represent unobservable constructs from international expansion, entry mode strategy, and the foreign market entrance of SMEs and finally testing the research hypothesis of this study using the existing scale that has been generated earlier.

3. Results

3.1. The Results of the Visibility Test

This study provides 15 questions constructed in the questionnaire for 175 respondents and such questions later represent and become the indicators for all the dimensions of the variables. The validation of one variable to another variable is also inserted in every question inside the questionnaire, the Pearson correlation is therefore used by this study to analyze further. With the correlation of 95% (Cronbach Alpha = 0.05) of the confidence level or 0.361 value of Rtable, this study finds the results which are described in the following Table 1.

Table 1
The Results of the Validity Test

No	Indicator	Rcount	Rtable	Detail
1	International Expansion			
	Indicator 1	0.603	0.361	Valid
	Indicator 2	0.941	0.361	Valid
	Indicator 3	0.836	0.361	Valid
	Indicator 4	0.572	0.361	Valid
	Indicator 5	0.855	0.361	Valid
2	Entry Mode			
	Indicator 1	0.836	0.361	Valid
	Indicator 2	0.478	0.361	Valid
	Indicator 3	0.642	0.361	Valid
	Indicator 4	0.457	0.361	Valid
	Indicator 5	0.553	0.361	Valid
3	Foreign Market Entrance			
	Indicator 1	0.581	0.361	Valid
	Indicator 2	0.563	0.361	Valid
	Indicator 3	0.635	0.361	Valid
	Indicator 4	0.599	0.361	Valid
	Indicator 5	0.402	0.361	Valid

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3.2. The Results of the Reliability Test

Based on the results in Table 2, the values of Cronbach's Alpha of three variables sequentially are 0.833 (international expansion), 0.916 (entry mode), and 0.758 (foreign market entrance). This study then recommends the study of Sekaran and Bougie that if the value of Rcount is higher than the Rtable value, the indicator is eventually considered to be valid and vice versa, this study thus recommends that all the variables which are international dimension, entry mode, and foreign market entrance, are reliable and supported to be further analyzed.

Table 2
The Results of the Reliability Test

International Expansion		
Cronbach's Alpha	N of items	
.833		5
Entry Mode		
Cronbach's Alpha	N of items	
.916		5
Foreign Market Entrance		
Cronbach's Alpha	N of items	
.758		5

3.3. The Results of Partial Least Square

The useful relevant information for international expansion preparation can be gained when the targeted market is under constant and homogeneous circumstances (Ruzzier et al., 2007; Zhou, 2007). Scholars e.g., Agarwal and Ramaswami (1992) as well as Conconi et al. (2016) recommend that the relationship between international expansion particularly knowledge and information gathering processes and the foreign market entrance of the firms occurred due to the increasing level of the accumulation of the knowledge of the firms that consequently contributing to a high intention level of the firms towards the foreign market entrance.

Table 3
Path Coefficient Test Results of International Expansion and Foreign Market Entrance

Latent variable	Value	Value (Bootstrap)	Std. error (Bootstrap)
INEXP	0.635	0.707	0.028

Based on the study of Singh and Masuk (2014), if the value of A_{symp}. Sig. (2-tailed) is greater than 5% or 0.05, and all the indicators are distributed normally. Following such scholars above, this study is supported to recommend that all the indicators in this study are distributed normally given that the A_{symp}. Sig. (2-tailed) value is 0.418 i.e., the A_{symp}. Sig. (2-tailed) is greater than 0.05 (Table 3). Figure 2 below displays the structural model of international expansion and foreign market entrance based on the results in Table 3.

Figure 2
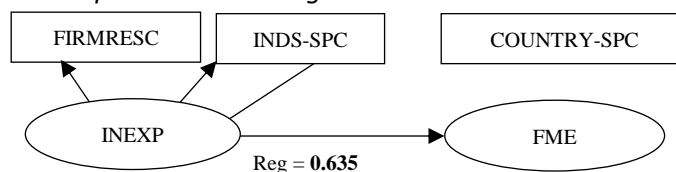*Structural Model of International Expansion and Foreign Market Entrance*

Table 4 displays the path coefficient test results of entry mode and foreign market entrance. Figure 3 displays the structural model of entry mode and foreign market entrance based on the results in Table 4.

Table 4
Path Coefficient Test Results of Entry Mode and Foreign Market Entrance

Latent variable	Value	Value (Bootstrap)	Std. error (Bootstrap)
ENTMOD	0.566	0.834	0.041

Figure 3
*Structural Model of Entry Mode and Foreign Market Entrance*
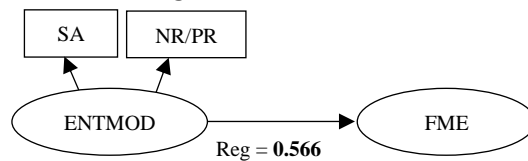
To explain the moderating effect of entry mode on the relationship between international expansion and foreign market entrance, this study provides the test results that are shown sequentially in Table 5 and Figure 4. The results show that the entry mode strategy has a significant positive effect on the relationship between international expansion and foreign market entrance with a value is 0.661.

Table 5
Path Coefficient of Entry Mode Moderating Effect on the Relationship between International Expansion and Foreign Market Entrance

Latent variable	Value	Value (Bootstrap)
INEXP	0.572	0.424
ENTMOD	0.632	0.696
INEXP*ENTMOD	0.661	0.335

Furthermore, this study also reveals an interesting result which is there is a slightly decreased in the level of international expansion effect on foreign market entrance before and after the presence of the moderation effect of the entry mode strategy. As shown in the early result in Table 3, the value direct relationship between international expansion and foreign market entrance is 0.635. However, after the entry mode moderates the relationship between international expansion and foreign market entrance, the value of the direct relationship between international expansion onto foreign market entrance becomes 0.572.

Figure 4
The Structural Model of the Moderating Effect of Entry Mode on the Relationship between International Expansion and Foreign Market Entrance
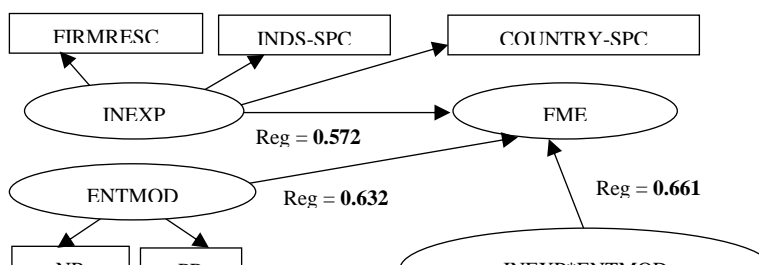
4. Discussion

Within the previous discussion, the results of the test applied by this study convincingly supported all the generated hypotheses, H1 to H4. The finding of this study suggests that international expansion, with an emphasis on the firm's resources, industry-specific, and country-specific, is positively related to the firm's foreign market entrance. As shown in Table 1, this study suggests that all the items of international expansion variables are valid. This is because Rtable values are 0.361 as well as the values of Rcount which are higher than Rtable. Based on these findings, this study then recommends that all the 5 indicators from three variables are supported statistically to be valid and as indicated by Sekaran and Bougie (2016), this study is hence supported to further analyze all the above indicators.

Likewise, the finding of this study indicates that international expansion intention that primarily emphasizes (1) the firm's resources; (2) industry-specific; and (3) country-specific becomes one of the firms' initial strategic moves as seen in the path coefficient results in the following Table 3 and the structural model in Figure 2.

In line with the results found, this study discovers that there is 0.635 or 63.5% value of the latent variable, international expansion, which accordingly suggests that international expansion has a positive relationship with the foreign market entrance of the firms. Based on such results, this study then summarizes that there is a strong positive relationship between international expansion and foreign market entrance of the firm and accordingly this study suggests that H1 is accepted.

Moreover, this study reveals that there is a strong positive relationship between the strategies of entry mode rules or else both NR and PR and the foreign market entrance of the firm. This is due to the results, shown in Table 4 of the path coefficient test as well as the structural model result (Figure 3), which indicate 0.566 or 56.6% value of the entry mode rules variable onto foreign market entrance decision. In line with such results, this study thus recommends that H2 be accepted.

Likewise, Figure 4 also demonstrates a similar value which is Reg. = 0.661 found inside the moderating role of entry mode on the relationship between international expansion and foreign market entrance. By the results above, this study thus suggests that sales approach and naïve or pragmatic rule significantly affect the relationship of international expansion of the firm on the foreign market entrance phase and this study therefore suggests that both H3 and H4 are accepted.

This study later recommends that international expansion strategy plays an important role in the process of the foreign market entrance of the firms. The results of this study are later supported to strongly recommend that the firm requires particular vital information in terms of its resources, the targeted market, as well as the country in which decided to expand such firm's business internationally or even globally (Brouthers et al., 2009; Johanson & Vahlne, 2009), especially the recent policy of health standard protocol during the pandemic of COVID-19.

Furthermore, other findings of this study, especially the role of entry mode in a firm's foreign entry market, explain that entry mode is positively related to the firm's foreign market entry and slightly affects

the international expansion strategy of the firm. The results of this study are also similar to a few recent studies (Mustafa et al., 2018; Mustafa et al., 2015; Röell et al., 2022) that indicate that the strategy of entry mode plays an important role for the firm in determining the proper combination of other internationalization strategies and its upcoming threaten/barriers during the international expansion process of the firm.

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5. Conclusion

The outcomes of this study are considered to be useful guidelines for the SME's manager to internationalize or enter the foreign market such as the recommendation of the information acquisition in terms of the firm's resources, target industry/market, and the country. Indeed, this study also strongly suggests that providing the results in this study may lead the firm to avoid several serious problems, such as having a lack of information and selecting the wrong entry mode strategy during international expansion, especially the impact of the COVID-19 pandemic. Failing to avoid this, the firm may be considered to face serious problems that may later threaten the firm's internationalization process and the whole firm performance itself not only globally but also domestically/nationally.

Moreover, even though the COVID-19 pandemic's impacts still affect most of our daily activities recently including the business environments, this later drives the internationalization of the firms becomes more dynamic and vary. To this knowledge, given that this study acknowledges limitations, hence this study strongly recommends further research, especially on the emphasis of the several changes e.g., the shift of the existing rules which have been amended by the authorities and so on, for instance, the health protocol standard inside the export policy.

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