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Strategic Pathways for Chinese Traditional Medicine Enterprises Entering the Southeast Asian Market: A Resource – Environment–Intention Perspective

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Abstract: Chinese traditional medicine (TCM) enterprises carry distinctive heritage resources yet face contested regulatory and cultural legitimacy when they internationalise, translating internationalisation intention into a definite strategic path unusually uncertain. Integrating the resource- and capability-based view with an internationalisation-process perspective, this study asks how traditional wisdom resources, enterprise capabilities, and environmental factors shape internationalisation intention and strategic path choice, whether intention mediates these relationships, and whether target-market characteristics moderate the intention–choice link. We estimated an integrated moderated-mediation model using partial least squares structural equation modelling (PLS-SEM) on survey data from 360 TCM-sector decision-makers, with 5,000 bootstrap resamples. All three antecedents significantly predicted internationalisation intention (β = 0.222, 0.171, 0.195), and traditional wisdom resources also directly influenced strategic path choice (β = 0.147). Critically, internationalisation intention did not influence strategic path choice as an unconditional main effect (β = 0.052, non-significant); its effect was significantly moderated by target-market characteristics (interaction β = 0.210, t = 4.83), which also related directly and strongly to strategic path choice (β = 0.379). Simple mediation through intention was thus not supported in unconditional form but is reinterpreted through a target-market-contingent moderated-mediation logic. The study contributes a conditional account of the intention–choice relationship, distinguishes the direct reach of heritage resources from the intention-mediated influence of the other antecedents, and identifies target-market characteristics as a decisive boundary condition, with implications for how heritage-intensive firms internationalise. Beyond the managerial reading, the findings bear on the social and cultural stakes of heritage-intensive internationalisation: traditional wisdom is not only a firm asset but a form of collective cultural memory, and the terms on which it travels abroad — through diaspora demand, contested regulatory legitimacy, and cross-cultural translation — shape whether that heritage is sustained or eroded in the destination market.

Keywords: internationalisation intention, strategic path choice, traditional wisdom resources, target-market characteristics, PLS-SEM.

Introduction

Research Problem

Traditional Chinese medicine (TCM) has become one of the more culturally distinctive tradable categories in China's outward commerce, yet its internationalisation remains uneven and contested. TCM firms carry heritage knowledge, formulations, and brand narratives that competitors find difficult to imitate, but they also confront regulatory heterogeneity, divergent standards of clinical evidence, and cultural distance in the destination markets they seek to enter (Lin et al., 2018; Tang et al., 2018; Xia, 2023). Southeast Asia, with its established Chinese diaspora networks and comparatively receptive regulatory posture toward herbal products, has emerged as a strategically important corridor for these firms (Xiang et al., 2022; Fang, Tang, & Liu, 2025). Understanding what drives a TCM enterprise first to *intend* to internationalise, and then to convert that intention into a concrete *strategic path*, is therefore both practically consequential and theoretically instructive.

The stakes are not trivial. TCM exports have grown but remain concentrated and volatile. The sector's international expansion is repeatedly described as facing a distinctive combination of opportunity and obstruction: strong latent demand among diaspora and wellness-oriented consumers, set against fragmented regulation, contested evidentiary standards, and intellectual-property vulnerabilities (Xiang et al., 2022; Chen et al., 2025; Xia, 2023). For the individual firm, the decision of *which* path to take — direct export, distributor partnership, joint venture, or localised production — is high-stakes and hard to reverse, and it depends jointly on what the firm has (its resources and capabilities) and on where it is going (the target market). Yet the internationalisation-intention literature has tended to treat the move from intention to entry as relatively automatic, and the entry-mode literature has tended to bracket the motivational antecedents that precede the choice (Kalinic & Brouthers, 2022; Hollender et al., 2017). A model that joins the two — asking how antecedents build intention, and under what market conditions intention becomes a definite path — is therefore both timely and, for a heritage-intensive sector, particularly apt.

Research Focus

Two observations motivate the study. First, the internationalisation of small and medium enterprises (SMEs) is widely modelled as a resource- and capability-driven process (Barney, 1991; Teece, 2007; Sousa & Mmadubuko, 2025), yet the TCM context foregrounds a resource that mainstream models under-theorise: culturally embedded traditional wisdom. Whether such heritage resources operate like other strategic assets—building intention and then, indirectly, shaping strategic choice—or reach strategic action more directly remains unresolved (Kadier et al., 2025; Wang & Chen, 2023). Second, much of the literature treats internationalisation intention, and the entrepreneurial and international orientations that underlie it, as reliable antecedents of internationalisation behaviour (Kalinic & Brouthers, 2022; Karami & Tang, 2019; Yoon, Kim, & Dedahanov, 2018). But empirical intention–behaviour links are inconsistent, suggesting that unmodelled contingencies govern *when* intention becomes action. The characteristics of the target market are an obvious candidate contingency, because entry decisions are notoriously sensitive to market attractiveness, institutional distance, and demand conditions (Brouthers, 2002; Ozturk, Joiner, & Cavusgil, 2015; Amankwah-Amoah et al., 2022).

Research Aim and Research Questions

Against this backdrop, the study specifies and tests an integrated model in which traditional wisdom resources, enterprise capabilities, and environmental factors influence internationalisation intention and strategic path choice; internationalisation intention mediates the antecedent–outcome relationships; and target-market characteristics moderate the intention–choice relationship. The model is estimated on primary data from 360 TCM-sector decision-makers using PLS-SEM, a method well suited to complex, prediction-oriented models with composite constructs and interaction terms (Hair, Risher, Sarstedt, & Ringle, 2019).

The paper makes three contributions. It shows that the intention–choice relationship in this setting is *conditional* rather than direct, integrating a moderation logic into what is conventionally modelled as a simple mediation chain and thereby offering a moderated-mediation account of

internationalisation decision-making. It differentiates traditional wisdom resources from the other antecedents by demonstrating a direct heritage-to-path effect that the other antecedents do not exhibit. It identifies target-market characteristics as the decisive boundary condition that activates intention, offering a structure that future work can transport to adjacent heritage-intensive sectors. In doing so, it responds to calls to move beyond documenting *whether* firms internationalise toward explaining *how* orientation and intention are converted into concrete internationalisation choices, and under what conditions (Paul & Rosado-Serrano, 2019; Rumyantseva & Welch, 2023).

The research aims to explain how heritage resources, capabilities, and environmental conditions are converted into a committed internationalisation path, and under what market conditions this conversion occurs. It is pursued through four research questions. **RQ1.** Do traditional wisdom resources, enterprise capabilities, and environmental factors significantly influence the internationalisation intention of Chinese TCM enterprises? **RQ2.** Do these antecedents influence strategic path choice directly, and does the direct reach of heritage resources differ from that of the other antecedents? **RQ3.** Does internationalisation intention mediate the relationships between the antecedents and strategic path choice? **RQ4.** Do target-market characteristics moderate the intention–choice relationship, and, if so, is the antecedents' indirect influence on path choice conditional on the target market? RQ1–RQ4 correspond respectively to hypotheses H1–H3, H5–H7, H8–H10, and H12 with H14.

Theoretical Background and Hypotheses

Resource-, capability-, and process-based foundations

The study draws on the resource-based view (RBV) and its dynamic-capabilities extension, combined with an internationalisation-process perspective. The RBV holds that firms compete on valuable, rare, and imperfectly imitable resources (Barney, 1991); the dynamic-capabilities view adds that advantage in changing environments depends on the ability to sense, seize, and reconfigure resources (Teece, Pisano, & Shuen, 1997; Teece, 2007). Applied to internationalisation, this logic implies that a firm's willingness and ability to enter foreign markets are cultivated by its resource endowments and capabilities and shaped by its environment, rather than arising spontaneously (Rahman, Hack-Polay, Shafique, & Igwe, 2021; Fredrich, Bouncken, & Tiberius, 2022; Dhaheri, Ahmad, Bakar, & Papastathopoulos, 2023). The internationalisation-process tradition further stresses that the liabilities of foreignness and outsidership are overcome incrementally through knowledge and network development (Johanson & Vahlne, 2009), which frames why intention and market knowledge, rather than resources alone, govern the translation into action. Contemporary work on gradual versus rapid internationalisation continues to debate the pace and path of this translation, but converges on the view that firm-level antecedents interact with market conditions to shape entry choices (Paul & Rosado-Serrano, 2019; Madsen, 2012; Crick, 2009).

These three lenses are complementary rather than competing. The RBV explains *why* a firm might possess a distinctive basis for competing abroad; the dynamic-capabilities view explains *how* that basis is renewed and deployed as conditions change; and the process view explains *when and along what path* deployment unfolds as the firm accumulates market knowledge and overcomes

outsidership (Teece, 2007; Johanson & Vahlne, 2009; Sousa & Mmadubuko, 2025). For the resource-poor but heritage-rich TCM firm, all three are needed: the firm's advantage rests on culturally embedded resources (RBV), its ability to adapt those resources to foreign regulatory and consumer contexts is a dynamic capability, and its path into any given market is shaped by how distant and how legible that market is (process view). This integrated framing motivates a model in which antecedents, intention, and market conditions are modelled together rather than in isolation, and it anticipates the study's central finding that the market conditions the conversion of intention into action.

Three antecedent domains are distinguished. *Traditional wisdom resources* capture the heritage knowledge, formulations, cultural narratives, and reputational assets specific to TCM firms — resources that are valuable and hard to imitate precisely because they are culturally embedded (Lin et al., 2018; Kadier et al., 2025; Wang & Chen, 2023). *Enterprise capabilities* capture the marketing, product-development, and dynamic capabilities through which firms convert resources into competitive positions abroad (Hoque, Ahammad, Tzokas, & Gabay, 2021; Li, He, & Sousa, 2023; Keskin et al., 2021). *Environmental factors* capture the regulatory, competitive, and demand conditions that enable or constrain international expansion (Chen, He, & Qiao, 2022; Namal, Tufan, Köksal, & Mert, 2023). The focal outcomes are *internationalisation intention* — the firm's motivation and commitment to expand abroad — and *strategic path choice* — the selection of a concrete internationalisation route and entry approach (Hollender, Zapkau, & Schwens, 2017; Blomstermo, Sharma, & Sallis, 2006).

Antecedents of internationalisation intention

Traditional wisdom resources give TCM firms a distinctive value proposition abroad and a reservoir of legitimacy among diaspora and heritage-oriented consumers, encouraging managers to view foreign expansion as feasible and worthwhile (Tang et al., 2018; Wang & Chen, 2023; Xiang et al., 2022). Enterprise capabilities reduce the perceived risk of internationalisation by equipping the firm to adapt products, reach foreign customers, and reconfigure operations, thereby raising the intention to expand (Karami & Tang, 2019; Fredrich et al., 2022; Acikdilli, Mintu-Wimsatt, Kara, & Spillan, 2020). Environmental factors — supportive policy, tractable competition, and receptive demand — signal opportunity and lower the expected cost of entry, strengthening intention (Chen et al., 2022; Namal et al., 2023). The mechanism differs across the three antecedents, which is worth making explicit. Heritage resources raise intention chiefly by furnishing a perceived source of differentiation abroad: a firm that commands distinctive formulations and cultural authority has reason to believe it can compete in foreign markets where generic competitors cannot, and this perceived distinctiveness is itself a motivational spur (Tang et al., 2018; Kadier et al., 2025). Enterprise capabilities raise intention chiefly by lowering perceived risk: marketing and product-development capabilities make the practical tasks of foreign entry — adaptation, distribution, communication — appear tractable rather than forbidding (Hoque et al., 2021; Acikdilli et al., 2020; Li et al., 2023). Environmental factors raise intention chiefly by signalling opportunity and legitimacy: supportive policy and receptive demand reduce the expected cost and uncertainty of expansion (Chen et al., 2022; Namal et al., 2023). This reasoning, consistent with entrepreneurial-orientation

accounts in which international posture is cultivated by firm endowments and environment (Yoon et al., 2018; Zhou, 2007; Karami & Tang, 2019), yields three hypotheses.

- **H1.** Traditional wisdom resources positively influence internationalisation intention.
- **H2.** Enterprise capabilities positively influence internationalisation intention.
- **H3.** Environmental factors positively influence internationalisation intention.

Intention, direct antecedent effects, and mediation

Intention is conventionally the proximal driver of strategic action: a firm committed to internationalising should be more likely to select and commit to a definite strategic path (Kalinic & Brouthers, 2022). We hypothesise a direct effect but anticipate, on process-theoretic grounds, that its strength is contingent (see 2.4).

- **H4.** Internationalisation intention positively influences strategic path choice.

Beyond their effect on intention, the antecedents may bear directly on strategic path choice. Heritage resources are especially likely to do so, because a TCM firm's specific formulations, certifications, and cultural positioning constrain and enable which routes are viable, shaping path selection even before a fully crystallised intention (Xia, 2023; Chen et al., 2025). Capabilities and environmental factors may likewise inform path selection directly (Li et al., 2023; Keskin et al., 2021). We therefore hypothesise direct effects while remaining open to their being channelled principally through intention.

- **H5.** Traditional wisdom resources positively influence strategic path choice.
- **H6.** Enterprise capabilities positively influence strategic path choice.
- **H7.** Environmental factors positively influence strategic path choice.

If intention mediates the antecedent–path relationships, the antecedents should influence strategic path choice indirectly by first building intention (Preacher & Hayes, 2008; Zhao, Lynch, & Chen, 2010).

- **H8–H10.** Internationalisation intention mediates the effects of (H8) traditional wisdom resources, (H9) enterprise capabilities, and (H10) environmental factors on strategic path choice.

The target-market contingency

Process theory implies that intention becomes action only when the destination market makes action worthwhile. Target-market characteristics — attractiveness, accessibility, institutional proximity, and demand fit — determine whether an intending firm can identify a viable route and commit to it (Ozturk et al., 2015; Amankwah-Amoah et al., 2022; Gripsrud & Benito, 2005). The entry-mode and market-selection literatures show that institutional and cultural distance strongly condition entry choices and their success (Kogut & Singh, 1988; Brouthers, 2002; Tihanyi, Griffith, & Russell,

2005; Xu & Shenkar, 2002; Zhang et al., 2023). Where the target market is favourable, intention should convert into a definite path; where it is not, intention alone should be insufficient. The logic is straightforward once the choice object is taken seriously: a strategic path is not an abstract commitment but a concrete route into a specific market, and a route cannot be selected and committed to unless the destination market offers a viable configuration of demand, access, and institutional fit (Ozturk et al., 2015; Gripsrud & Benito, 2005). A firm may be strongly motivated to internationalise in general, yet find no market whose conditions permit a definite path; conversely, a favourable market can crystallise a path even where motivation is moderate. Cultural and institutional distance are central here, because they raise the cost and uncertainty of every entry mode and thereby determine whether an intending firm can act at all (Kogut & Singh, 1988; Tihanyi et al., 2005; Xu & Shenkar, 2002). This yields a moderating role for target-market characteristics on the intention–choice link, and, jointly with H1–H3, a moderated-mediation structure whereby the antecedents' indirect influence is contingent on the target market. Firm characteristics — size, international experience, and resource endowment — are examined as a parallel potential moderator, since they too may shape the firm's capacity to convert intention into a committed path (Laufs et al., 2016).

- **H11.** Firm characteristics moderate the intention–choice relationship.
- **H12.** Target-market characteristics moderate the intention–choice relationship, such that the effect of intention on strategic path choice is stronger under more favourable target-market conditions.
- **H13.** Firm characteristics moderate the indirect (intention-mediated) effects of the antecedents on strategic path choice.
- **H14.** Target-market characteristics moderate the indirect (intention-mediated) effects of the antecedents on strategic path choice.

Method

Sample and Participants

The study surveyed decision-makers—founders, general managers, and senior operations managers—of Chinese enterprises active in, or oriented toward, international TCM trade, with a focus on the Southeast Asian corridor. One key informant responded per firm, a design common in firm-level internationalisation research where senior managers are best positioned to report on strategic orientation and entry decisions (Kalinic & Brouthers, 2022; Laufs, Bembom, & Schwens, 2016). After screening for completeness and inattentive responding, the analytic sample comprised 360 valid cases, which exceeds the minimum sample size indicated by the inverse-square-root method for the largest structural path in the model (Kock & Hadaya, 2018).

The sampling frame was assembled from three independent sources — membership lists of TCM industry associations, participant records from sector trade fairs and exhibitions, and export registries — and extended by referral to reach firms that no single frame enumerates. Sampling was

therefore purposive with a referral component rather than probabilistic, a choice dictated by the population: internationally oriented TCM enterprises are specialised and not exhaustively listed anywhere, and a probability sample drawn from an incomplete frame would not deliver the representativeness that random selection is intended to secure. Several independent entry points were used deliberately, so that the realised sample would not reflect a single association or referral network. Eligibility was enforced by three screening items at the head of the instrument: the firm had to be a TCM enterprise; it had to be entering, or actively considering entering, Southeast Asian or other overseas markets; and the respondent had to be personally involved in the firm's internationalisation decisions. Respondents failing any screen were routed out of the survey. Because part of the sample was reached through referral chains, a conventional response rate is not computable for this design, and none is claimed. The instrument recorded the respondent's role and the firm's main product category, employee size, age, and years of international operation, but not its province or city; the geographic distribution of the realised sample is therefore unknown, and this is noted among the limitations.

Instrument and Procedure

All focal constructs were measured with multi-item, seven-point Likert scales adapted from validated instruments in the internationalisation, capabilities, and entry-mode literatures (Kalinic & Brouthers, 2022; Hoque et al., 2021; Ozturk et al., 2015; Acosta, Crespo, & Agudo, 2018). Traditional wisdom resources, enterprise capabilities, and environmental factors were modelled as reflective antecedents; internationalisation intention and strategic path choice as reflective outcomes; and target-market characteristics as a reflective moderator. Items originally developed in English were translated and back-translated to ensure semantic equivalence (Brislin, 1970). The reflective specification is theoretically motivated: each construct is conceived as a latent trait — a firm's stock of heritage resources, its level of capability, the favourability of its environment, its strength of intention, the attractiveness of its target market, and its degree of path commitment — that is manifested by, rather than composed of, its indicators, so that the indicators are expected to covary and to be interchangeable manifestations of a common underlying construct (Hair et al., 2019). Strategic path choice was operationalised as the firm's degree of commitment to a definite internationalisation route rather than as a categorical choice among modes, consistent with the study's interest in whether and how firmly intention is converted into a committed path (Hollender et al., 2017; Blomstermo et al., 2006).

The full item set is reproduced in Appendix A, with the source scale identified for each construct. Traditional wisdom resources were adapted from the resource-based and TCM-resource literatures (Barney, 1991; Lin et al., 2018; Xia, 2023); enterprise capabilities from the dynamic-capabilities and export-capability literatures (Teece, 2007; Hoque et al., 2021; Keskin et al., 2021); environmental factors from the institutional- and market-environment literatures (Xu & Shenkar, 2002; Chen et al., 2022); internationalisation intention from international entrepreneurial-orientation scales (Karami & Tang, 2019); strategic path choice from the entry-mode and export-channel literatures (Brouthers, 2002; Acikdilli et al., 2020; Li et al., 2023); and target-market characteristics from the market-selection and distance literatures (Kogut & Singh, 1988; Xu & Shenkar, 2002; Ozturk

et al., 2015). The instrument was self-administered online and carried marker and attention-check items supporting the common-method controls described below.

Ethics

Participation was voluntary and anonymous. The questionnaire opened with a statement informing respondents of the study's academic purpose and of their rights: that participation was voluntary, that they could decline any question or withdraw at any time, that no personally identifying information was collected, and that responses would be held confidentially, used only for academic research, and reported only in aggregate. Proceeding past that statement constituted informed consent. No incentives were offered, and no identifying data were retained. The institutional ethics-approval reference is supplied with the author declarations in the non-anonymised camera-ready version.

Data Analysis

The model was estimated with PLS-SEM using the seminr package for R, an approach appropriate for a complex, prediction-oriented model with several composite constructs and an interaction term, and one that does not require multivariate normality (Hair et al., 2019). Significance was assessed with 5,000 bootstrap resamples. We evaluated the reflective measurement model for internal-consistency reliability, convergent validity (average variance extracted, AVE), and discriminant validity via the heterotrait–monotrait ratio (HTMT) and the Fornell–Larcker criterion (Henseler, Ringle, & Sarstedt, 2015). We tested the moderation of the intention–choice relationship using a two-stage latent interaction term (Sarstedt et al., 2019). Because all data were self-reported by a single respondent, we assessed common method variance using a full-collinearity approach and a marker-based check (Kock, 2015; Lindell & Whitney, 2001); neither indicated a level of bias sufficient to threaten the conclusions. We examined predictive relevance through the explained variance of the endogenous constructs and out-of-sample considerations (Shmueli et al., 2019). Because the mediated path is moderated, conditional indirect effects were computed from the same 5,000 bootstrap resamples as the path estimates, evaluating the mediated effect at low (−1 SD), mean, and high (+1 SD) values of the moderator and reporting the index of moderated mediation with percentile confidence intervals (Preacher & Hayes, 2008).

Results

Measurement model

The reflective measurement model met all standard criteria. Cronbach's α and composite reliability exceeded 0.70 for every construct, and AVE exceeded 0.50 throughout, supporting internal consistency and convergent validity (Table 1). Discriminant validity was supported by HTMT values below the conservative threshold and by the Fornell–Larcker criterion (Henseler et al., 2015). Both criteria are tabulated rather than asserted: Table 2 reports the HTMT ratios and Table 3 the Fornell–Larcker matrix. The largest HTMT value was 0.620, between target-market characteristics and strategic path choice, well below the 0.85 threshold.

Table 1

Discriminant validity: heterotrait–monotrait ratios (HTMT).

Construct	TWR	EC	EF	II	TMC
Enterprise Capabilities (EC)	0.504				
Environmental Factors (EF)	0.563	0.455			
Internationalisation Intention (II)	0.445	0.397	0.421		
Target-Market Characteristics (TMC)	0.531	0.464	0.458	0.528	
Strategic Path Choice (SPC)	0.459	0.358	0.309	0.348	0.620

Note. All values are below the conservative 0.85 threshold. The latent interaction term is a product construct and is excluded, as HTMT is not defined for it.

Table 2

Discriminant validity: Fornell–Larcker criterion.

Construct	TWR	EC	EF	II	TMC	SPC
Traditional Wisdom Resources (TWR)	**0.838**					
Enterprise Capabilities (EC)	0.448	**0.820**				
Environmental Factors (EF)	0.503	0.406	**0.837**			
Internationalisation Intention (II)	0.397	0.350	0.376	**0.819**		
Target-Market Characteristics (TMC)	0.472	0.408	0.407	0.464	**0.818**	
Strategic Path Choice (SPC)	0.408	0.317	0.279	0.305	0.543	**0.714**

Note. Diagonal (bold) = square root of AVE; off-diagonal = construct correlations. For every construct, the square root of AVE exceeds its correlation with every other construct.

Table 3

Reliability and convergent validity (N = 360)

Construct	**Cronbach's α | ρA | ρC | AVE |**			
Traditional Wisdom Resources (TWR)	0.894	0.898	0.922	0.702
Enterprise Capabilities (EC)	0.879	0.881	0.911	0.673
Environmental Factors (EF)	0.893	0.895	0.921	0.701
Internationalisation Intention (II)	0.877	0.882	0.911	0.671
Target-Market Characteristics (TMC)	0.876	0.878	0.910	0.669
Strategic Path Choice (SPC)	0.863	0.866	0.893	0.510

Structural model and hypothesis tests

Collinearity among predictors was within acceptable limits, and the model explained a meaningful share of variance in the endogenous constructs, with $R^2 = 0.221$ for internationalisation intention and $R^2 = 0.366$ for strategic path choice. The higher explained variance for strategic path choice than for intention is itself informative: it reflects the strong direct and interactive roles of target-market characteristics in the path equation, whereas intention is shaped only by the three antecedents. In other words, the model explains the *choice* better than the *motivation*, which is consonant with the study's argument that path selection is driven substantially by market conditions that the antecedents alone do not capture.

The three antecedents each exerted a positive, significant effect on internationalisation intention: traditional wisdom resources ($\beta = 0.222$, $t = 4.26$, $p < .001$), enterprise capabilities ($\beta = 0.171$, $t = 3.31$, $p < .01$), and environmental factors ($\beta = 0.195$, $t = 3.73$, $p < .001$), supporting H1, H2, and H3 (Table 4). For strategic path choice, only traditional wisdom resources exerted a significant direct effect ($\beta = 0.147$, $t = 2.73$, $p < .01$), supporting H5; the direct effects of enterprise capabilities ($\beta = 0.060$, $t = 1.10$) and environmental factors ($\beta = -0.033$, $t = -0.65$) were non-significant, so H6 and H7 were not supported. Critically, the direct effect of internationalisation intention on strategic path choice was non-significant as a main effect ($\beta = 0.052$, $t = 0.99$, $p = .332$), so H4 was not supported in its unconditional form.

Because the intention–choice path was non-significant, the simple indirect effects of the antecedents through intention were not statistically significant, and H8–H10 were not supported in unconditional form. The moderation analysis clarifies this pattern. The interaction of internationalisation intention and target-market characteristics on strategic path choice was positive and significant ($\beta = 0.210$, $t = 4.83$, $p < .001$), supporting H12, and target-market characteristics also related directly and strongly to strategic path choice ($\beta = 0.379$, $t = 6.42$, $p < .001$). The significant interaction, combined with the non-significant unconditional intention effect, indicates that internationalisation intention converts into strategic path choice only when target-market conditions are favourable. Read together with the significant antecedent-to-intention paths (H1–H3), this supports a target-market-contingent moderated-mediation interpretation (H14). The firm-characteristics moderation hypotheses (H11, H13) could not be estimated because the firm-

characteristics measure did not yield enough reflective indicators for a stable interaction specification; they are reported as untested and revisited in the limitations.

Table 4

Direct-effect path coefficients

Hypothesis	Path	β	t	p	Decision
H1	TWR → II	0.222	4.26	< .001	Supported
H2	EC → II	0.171	3.31	.001	Supported
H3	EF → II	0.195	3.73	< .001	Supported
H4	II → SPC	0.052	0.99	.332	Not supported
H5	TWR → SPC	0.147	2.73	.004	Supported
H6	EC → SPC	0.060	1.10	.266	Not supported
H7	EF → SPC	−0.033	−0.65	.528	Not supported
H12	II × TMC → SPC	0.210	4.83	< .001	Supported

Conditional indirect effects and the index of moderated mediation

Because the intention–choice path is moderated, the mediated effect of each antecedent on strategic path choice is itself conditional on target-market characteristics. The moderated-mediation claim therefore rests on estimates that must be reported numerically rather than inferred from the significant interaction alone. Table 5 reports the conditional indirect effects at low (−1 SD), mean, and high (+1 SD) target-market characteristics together with the index of moderated mediation, each computed from the same 5,000 bootstrap resamples with percentile confidence intervals.

The index of moderated mediation was positive and significant for all three antecedents — traditional wisdom resources (0.047, 95% CI [0.020, 0.079]), enterprise capabilities (0.036, [0.012, 0.068]), and environmental factors (0.041, [0.017, 0.073]) — so the strength of mediation through intention depends significantly on the target market in every case, supporting H14. The pattern of conditional effects is instructive. At high target-market characteristics, each indirect effect was positive and significant (0.058, 0.045, and 0.051, respectively); at the sample mean, none was significant, which is precisely why the unconditional mediation tests H8–H10 failed; and at low target-market characteristics, each was small but significantly negative (−0.035, −0.027, −0.031). The negative conditional effect warrants cautious reading — it is small, and its confidence interval only narrowly excludes zero — but it is consistent with the study's argument: where the destination market offers no viable configuration of demand, access, and institutional fit, intention does not merely fail to convert into commitment; firms that are motivated to expand appear to withhold commitment rather than commit to a route they judge unviable.

Table 5

Conditional indirect effects on strategic path choice through internationalisation intention, by target-market characteristics (TMC)

Indirect path	TMC level	Effect	95% CI
TWR → II → SPC	−1 SD (low)	−0.035	[−0.077, −0.003]
TWR → II → SPC	Mean	0.012	[−0.012, 0.037]
TWR → II → SPC	+1 SD (high)	0.058	[0.024, 0.102]
TWR → II → SPC	*Index of moderated mediation*	*0.047*	*[0.020, 0.079]*
EC → II → SPC	−1 SD (low)	−0.027	[−0.069, −0.002]
EC → II → SPC	Mean	0.009	[−0.010, 0.028]
EC → II → SPC	+1 SD (high)	0.045	[0.015, 0.084]
EC → II → SPC	*Index of moderated mediation*	*0.036*	*[0.012, 0.068]*
EF → II → SPC	−1 SD (low)	−0.031	[−0.067, −0.003]
EF → II → SPC	Mean	0.010	[−0.010, 0.035]
EF → II → SPC	+1 SD (high)	0.051	[0.019, 0.094]
EF → II → SPC	*Index of moderated mediation*	*0.041*	*[0.017, 0.073]*

Note. N = 360; 5,000 bootstrap resamples; percentile confidence intervals. The moderator is standardised, so −1 SD / +1 SD denote one standard deviation below/above the sample mean.

Discussion

A conditional account of the intention–choice relationship

The evidence yields a coherent and theoretically consequential picture. The three antecedents are genuine drivers of internationalisation intention: heritage resources, enterprise capabilities, and a supportive environment jointly cultivate the motivation to expand abroad, consistent with a resource- and capability-based account of internationalisation (Barney, 1991; Teece, 2007; Sousa & Mmadubuko, 2025). The pivotal result, however, concerns the intention–choice relationship. Intention did not, on its own, determine strategic path choice; its effect was activated only by favourable target-market characteristics. This conditional structure — rather than a simple chain of direct effects — is the study's central empirical contribution, and it helps explain why prior work reporting inconsistent intention–behaviour links may have overlooked the moderating market context (Johanson & Vahlne, 2009; Amankwah-Amoah et al., 2022; Paul & Rosado-Serrano, 2019).

The finding refines a widespread modelling assumption. Much internationalisation research treats orientation or intention as a proximal cause of entry behaviour and then tests simple mediation from antecedents through intention to outcomes (Kalinic & Brouthers, 2022; Karami & Tang, 2019). The present results show that, at least for heritage-intensive firms entering institutionally distant markets, this chain is incomplete: intention is necessary but not sufficient, and its conversion into a definite path is gated by the target market. That the unconditional indirect effects were non-significant while the interaction was strongly significant is exactly the signature of moderated mediation, and it recommends that future internationalisation models specify the market

contingency explicitly rather than assuming an unconditional intention–behaviour link (Zhao et al., 2010).

The result does not make intention irrelevant — the significant interaction shows that intention matters *when* the market is favourable — but it does make intention insufficient. This conditional reading also reconciles two strands of prior evidence that have sat uneasily together, studies finding that intention predicts entry behaviour and studies finding the link weak or absent (Karami & Tang, 2019; Kalinic & Brouthers, 2022; Zhou, 2007): if the market moderates the link, samples dominated by favourable markets will report a strong link and samples dominated by unfavourable ones a weak link. However, the underlying structure is the same.

The distinct reach of heritage resources

The direct effect of traditional wisdom resources on strategic path choice, in contrast to the non-significant direct effects of enterprise capabilities and environmental factors, indicates that heritage resources reach strategic action through two routes—an intention route and a more direct route. In contrast, the other antecedents influence path choice principally through intention and its market-contingent activation. This is intuitive in the TCM context: a firm's specific formulations, certifications, and cultural positioning materially constrain which internationalisation routes are viable, shaping path selection somewhat independently of general expansion motivation (Xia, 2023; Kadier et al., 2025; Lin et al., 2018). The result also extends the RBV to a resource class it has under-theorised. Heritage resources are valuable and inimitable not because they are technologically advanced but because they are culturally embedded, and their direct effect on path choice suggests that such resources shape not only *whether* a firm competes abroad but *how* it can do so (Wang & Chen, 2023). This distinguishes heritage resources from the more generic capabilities and environmental conditions that the model shows to work through intention.

The asymmetry also has a practical reading. Because heritage resources shape path choice both directly and through intention, they are doubly consequential: a firm rich in distinctive traditional wisdom is not only more motivated to internationalise but also more constrained and enabled in *how* it can do so, since its specific formulations and cultural positioning make some routes viable and others not (Xia, 2023; Chen et al., 2025). Enterprise capabilities and environmental factors, by contrast, appear to matter for path choice largely insofar as they first raise intention and a favourable market then activates that intention. This pattern suggests that heritage resources function partly as a structural determinant of the opportunity set — they define the space of feasible paths — whereas capabilities and environment function more as motivational and enabling inputs. Recognising this distinction refines the RBV's treatment of culturally embedded resources, which have often been discussed as sources of differentiation in marketing terms without attention to how they constrain the firm's strategic-entry options (Wang & Chen, 2023; Kadier et al., 2025).

Target-market characteristics as the decisive boundary condition

That target-market characteristics both directly predict strategic path choice ($\beta = 0.379$) and significantly amplify the effect of intention ($\beta = 0.210$) positions the target market as the study's

decisive contingency. The finding aligns with the entry-mode and market-selection literatures, which consistently show that market attractiveness, institutional distance, and demand fit govern entry decisions and their outcomes (Ozturk et al., 2015; Brouthers, 2002; Tihanyi et al., 2005; Hollender et al., 2017). What the present study adds is the interaction: the target market does not merely exert an independent pull on path choice; it changes the very degree to which a firm's internationalisation intention becomes consequential. Under favourable target-market conditions, an intending firm can identify and commit to a viable route; under unfavourable conditions, even a strongly intending firm cannot, and its intention remains latent. This is a more precise account of the market's role than either a pure main-effect or a pure moderating story would provide, and it is consistent with process-theoretic arguments that market knowledge and outsidership shape the pace and form of internationalisation (Johanson & Vahlne, 2009; Rumyantseva & Welch, 2023).

The dual role of the target market also bridges two literatures that have developed in parallel: the intention and entrepreneurial-orientation stream, concerned with the motivational antecedents of going abroad (Kalinic & Brouthers, 2022; Karami & Tang, 2019; Yoon et al., 2018), and the entry-mode and market-selection stream, concerned with the destination's institutional and demand characteristics (Brouthers, 2002; Ozturk et al., 2015; Hollender et al., 2017). These are two halves of one story — motivation is built firm-side but becomes action only through market-side conditions — and the moderated-mediation structure offers a template for modelling them jointly.

Theoretical contributions

The study makes three contributions. First, it demonstrates that the intention–choice relationship in this domain is conditional rather than direct, integrating a moderation logic into what is often modelled as a simple mediation chain and thereby offering a moderated-mediation account of internationalisation decision-making that future work can test in adjacent contexts (Paul & Rosado-Serrano, 2019). Second, it differentiates traditional wisdom resources from the other antecedents by identifying a direct heritage-to-path effect, refining the RBV's account of how heterogeneous, culturally embedded resources reach strategic action (Barney, 1991; Kadier et al., 2025). Third, by isolating target-market characteristics as the decisive moderator, it specifies a concrete boundary condition for the intention–choice relationship and supplies a structure that connects the internationalisation-intention literature to the entry-mode and market-selection literatures, which have largely developed apart (Ozturk et al., 2015; Amankwah-Amoah et al., 2022). Collectively, these contributions move the conversation from *whether* heritage-intensive firms internationalise toward *how* and *under what market conditions* their intention becomes a definite strategic path.

Methodologically, the study illustrates the value of specifying and testing moderated mediation explicitly rather than inferring a mediation chain from separate regressions. Had the analysis stopped at the simple mediation model, it would have concluded — wrongly — that intention does not transmit the antecedents' influence to path choice, because the unconditional indirect effects were non-significant. Only by adding the interaction did the true, conditional structure become visible: the indirect influence is real but operates through a market-contingent path (Zhao et al., 2010; Sarstedt et al., 2019). This is a cautionary illustration for internationalisation researchers, who frequently test

simple mediation of intention or orientation effects; where the true structure is moderated mediation, a simple-mediation test will understate or miss the mechanism entirely. The PLS-SEM two-stage interaction approach used here, combined with careful common-method and discriminant-validity diagnostics (Kock, 2015; Henseler et al., 2015), offers a practical template for such tests in firm-level internationalisation research.

Social, cultural-heritage, and developmental implications

Read only as an entry-mode study, the model describes how firms choose routes into foreign markets. Read in its own setting, it describes something with wider social stakes: the terms on which a body of collective cultural knowledge crosses a border. Traditional wisdom resources are not simply proprietary assets in the way a patent or a production technology is. They are the codified residue of a medical tradition maintained over centuries by practitioner lineages, pharmacopoeias, and everyday household practice, and the firms in this sample are the commercial custodians of that inheritance rather than its authors (Lin et al., 2018; Xia, 2023). That is why the direct heritage-to-path effect reported here matters beyond strategy: it indicates that the cultural content of the resource, and not only the firm's motivation, is shaping the route by which the tradition is carried abroad.

The Southeast Asian corridor makes the transnational dimension explicit. Demand there is sustained in substantial part by long-settled Chinese diaspora communities for whom TCM is a continuing everyday practice rather than an imported novelty, and by regulatory regimes that, unlike many Western jurisdictions, already accommodate herbal medicine as a recognised category (Xiang et al., 2022; Fang et al., 2025). Target-market characteristics, in this reading, are not a neutral index of market attractiveness; they measure how far a destination society is prepared to recognise a foreign medical tradition as legitimate. The study's central result — that intention becomes a committed path only where those characteristics are favourable — therefore carries a social interpretation alongside the strategic one: cultural legitimacy in the destination society, not firm motivation, is the binding constraint on how far a heritage tradition travels.

Two consequences follow. First, the social-legitimacy stakes cut both ways. Where a market recognises TCM, entry can sustain the tradition by financing practitioner training, supply chains, and quality standards; where it does not, firms that enter regardless are pushed toward reclassifying their products as supplements or wellness goods, a route that secures access at the cost of stripping the therapeutic and cultural claims that constitute the heritage in the first place (Chen et al., 2025; Xia, 2023). The finding that intending firms withhold commitment in unfavourable markets is, in that light, not only a prudent strategy but a form of custodianship. Second, the developmental reading is more specific than a generic export-promotion argument: for an emerging economy whose comparative advantage in this sector is cultural rather than technological, the returns to internationalisation depend on institutional work — mutual recognition of standards, evidentiary frameworks that can accommodate a different therapeutic logic, and protection of traditional knowledge against appropriation — that individual firms cannot perform for themselves (Tang et al., 2018; Kadier et al., 2025).

Practical and policy implications

For managers, cultivating internationalisation intention is necessary but insufficient. Because intention converts into a strategic path choice only under favourable target-market conditions, decision-makers should pair intention-building with disciplined assessment and selection of target markets, concentrating commitment where market characteristics — regulatory receptivity, diaspora demand, institutional proximity — are favourable (Ozturk et al., 2015; Fang et al., 2025). The direct heritage-to-path effect further suggests that leveraging distinctive traditional wisdom resources can shape strategic direction even before intention fully crystallises, so firms should treat their heritage assets not merely as marketing narratives but as strategic determinants of feasible entry routes (Wang & Chen, 2023; Xia, 2023). For policymakers and trade-support organisations, programmes aimed at encouraging TCM internationalisation should not stop at raising intention; support that helps firms identify and enter favourable markets — market intelligence, regulatory navigation, matchmaking, and entry facilitation — is likely to have disproportionate value, because it operates on the very condition that allows intention to become strategic action (Lin et al., 2018; Tang et al., 2018; Xiang et al., 2022). Given the regulatory heterogeneity that TCM products face across destination markets, capacity to assess and adapt to target-market institutions may be the single highest-leverage investment for both firms and support agencies.

Two practical corollaries follow. Committing prematurely — acting on intention in an unfavourable market — is precisely the error the moderation result warns against, because intention there does not translate into a viable path and resources are dissipated. And for support organisations, intention-raising interventions and market-enabling interventions are complements rather than substitutes: the first without the second raises motivation that cannot be acted upon, while the second without the first improves conditions that no firm is yet motivated to exploit.

Limitations

Several limitations qualify the findings. The design is cross-sectional, so the causal ordering among the constructs is inferred from theory rather than established temporally (Johanson & Vahlne, 2009). All measures were self-reported by a single respondent; although the common-method diagnostics were reassuring, method variance cannot be fully excluded (Kock, 2015; Lindell & Whitney, 2001). The firm-characteristics moderator (H11, H13) could not be estimated because its measure did not yield sufficient reflective indicators for a stable interaction; firm size, international experience, and resource endowment are plausibly consequential for whether intention is converted into a committed path (Laufs et al., 2016; Rahman et al., 2021), and their omission leaves open whether the target-market contingency documented here is itself conditioned by firm-side characteristics. A further boundary concerns the dependent construct: strategic path choice was measured as degree of commitment to a definite route rather than as selection among discrete entry modes (Brouthers, 2002; Blomstermo et al., 2006). Because the data are perceptual and cross-sectional, the model captures managers' contemporaneous assessments rather than realised entry outcomes. The sample is drawn from a single empirical corridor—Chinese TCM firms oriented toward Southeast Asia—which limits generalisability (Kadier et al., 2025; Rumyantseva & Welch,

2023). Two further limitations follow from the sampling design. Recruitment combined purposive selection with referral, so the sample is not a probability sample of the population, and no response rate is computable. Because the instrument did not record firm location, the geographic spread of the 360 firms cannot be characterised, leaving open whether the results are weighted toward particular producing regions.

Suggestions for Future Research

Five directions follow directly from the limitations above. First, longitudinal designs would establish the causal ordering the present data can only infer, and would allow the intention-to-path conversion to be observed as it happens rather than reconstructed from contemporaneous assessments. Second, multi-informant or objective entry-outcome data — realised entry mode, export volume, regulatory approvals obtained — would relieve the single-respondent constraint and permit a test of whether market-contingent path commitment in fact yields superior internationalisation results. Third, re-specifying and re-measuring firm characteristics so that H11 and H13 can be estimated is a priority; researchers doing so should anticipate the estimation fragility that arises when several interactions compete to explain one endogenous construct, and plan sample size and specification accordingly. Fourth, complementing the present continuous treatment of path choice with categorical entry-mode analyses would test whether the target-market contingency operates similarly across the choice between, say, exporting and joint venturing. Fifth, replication in other heritage-intensive sectors and other destination regions, ideally with firm location recorded so that regional variation can be examined, would test how far the target-market contingency generalises; qualitative inquiry into managers' market-assessment and route-selection processes would in turn open the mechanism by which favourable market conditions convert intention into a definite path.

Conclusion

Internationalisation intention among Chinese TCM enterprises is built by traditional wisdom resources, enterprise capabilities, and environmental factors, but it becomes a definite strategic path choice only under favourable target-market conditions. Traditional wisdom resources additionally shape strategic path choice directly, distinguishing their reach from that of the other antecedents. Recognising the target-market contingency — rather than assuming a direct intention-to-action link — offers a more accurate account of how heritage-intensive firms internationalise and a more actionable guide for practice and policy. The study's central lesson is that intention and market assessment are complementary and jointly necessary: neither the motivation to expand nor a favourable market alone determines the strategic path; their conjunction turns intent into action. Stated in social rather than strategic terms, the lesson is that how far a medical tradition travels is governed less by the ambition of the firms that carry it than by whether the destination society is prepared to recognise it — which makes the institutional work of mutual recognition, evidentiary accommodation, and protection of traditional knowledge a precondition for, not a consequence of, successful heritage-intensive internationalisation.

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Conflict of interest

The authors report there are no competing interests to declare.

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Appendix A. Measurement instrument

All substantive items were answered on a seven-point Likert scale (1 = completely disagree, 7 = completely agree). Items were developed in English, translated into Chinese, and back-translated (Brislin, 1970). The source scale for each construct is given with the construct.

Traditional Wisdom Resources (TWR) – adapted from Barney (1991); Lin et al. (2018); Xia (2023).

TWR1. Our products embody distinctive traditional Chinese medicine cultural heritage. TWR2. Our traditional formulas or know-how are difficult for competitors to imitate. TWR3. Our products carry strong cultural value recognised by customers. TWR4. Our firm possesses unique traditional resources rooted in Chinese medicine. TWR5. Our firm has a solid base in the domestic traditional-medicine market.

Enterprise Capabilities (EC) – adapted from Teece (2007); Hoque et al. (2021); Keskin et al. (2021).

EC1. Our firm has sufficient resources to support international expansion. EC2. Our firm possesses advanced production and R&D technology. EC3. Our management team has strong strategic decision-making capability. EC4. Our firm can quickly adapt its capabilities to new market conditions. EC5. Our firm effectively integrates internal and external resources for growth.

Environmental Factors (EF) – adapted from Xu and Shenkar (2002); Chen et al. (2022).

EF1. Government policies support TCM enterprises expanding into overseas markets. EF2. There is strong market demand for TCM products in target Southeast Asian markets. EF3. The cultural acceptance of TCM in target markets favours our expansion. EF4. Regulatory conditions in target markets are favourable to TCM products. EF5. Industry associations and intermediaries facilitate our internationalisation.

Internationalisation Intention (II) – adapted from Clark et al. (2025); Karami and Tang (2019).

II1. Our firm intends to actively expand into Southeast Asian markets. II2. Our firm is willing to commit substantial resources to internationalisation. II3. Our firm is prepared to accept the risks of entering foreign markets. II4. International expansion is a clear strategic priority for our firm. II5. Our firm is determined to pursue internationalisation despite uncertainty.

Strategic Path Choice (SPC) – adapted from Brouthers (2002); Acikdilli et al. (2020); Li et al. (2023). Sub-dimension in parentheses.

SPC1. Our firm commits to a high-control entry mode (e.g., subsidiary or joint venture) in target markets. (entry mode) SPC2. Our firm adapts its entry mode to the conditions of each target market. (entry mode) SPC3. Our firm adapts its products to local preferences and regulations. (product localisation) SPC4. Our firm modifies product formulation or packaging for target markets. (product

localisation) SPC5. Our firm uses modern and digital channels to reach overseas customers. (channel modernisation) SPC6. Our firm develops localised distribution networks in target markets. (channel modernisation) SPC7. Our firm adapts its brand image to local culture. (brand localisation) SPC8. Our firm builds brand recognition tailored to overseas consumers. (brand localisation)

Target-Market Characteristics (TMC) – adapted from Kogut and Singh (1988); Xu and Shenkar (2002); Ozturk et al. (2015).

TMC1. The target market is economically well developed. TMC2. The target market has significant growth potential for TCM products. TMC3. The cultural distance between China and the target market is large. TMC4. The institutional and regulatory environment differs greatly from China's. TMC5. Business practices in the target market differ substantially from ours.

Marker items – used only for the common-method check and not modelled as a focal construct.

MK1. Our firm pays close attention to the visual design of its workplace environment. MK2. Our firm's office facilities are modern in appearance. MK3. The physical layout of our firm's premises is well organised.