

The Decision Criteria for the International Entry Mode for Badan Pengelola Keuangan Haji: an Application of Analytical Hierarchy Process

Medina Azzahra Hadar, Yos Sunitiyoso

Institut Teknologi Bandung, Indonesia

Email: medina_hadar@sbm-itb.ac.id, yos.sunitiyoso@sbm-itb.ac.id

ABSTRACT

Badan Pengelola Keuangan Haji (BPKH), a government agency mandated to manage hajj funds, is authorized to invest abroad under Law No. 34 of 2014. In 2023, BPKH established its first subsidiary in Saudi Arabia through Sole Ownership (Greenfield) as its chosen international entry mode. However, the organization currently lacks a formal framework for selecting the optimal mode. This study aims to determine and prioritize decision criteria for BPKH's international entry mode selection and to develop a decision-making model to support future investments. Using the Analytic Hierarchy Process (AHP), the study systematically evaluates qualitative and quantitative criteria derived from the Eclectic Paradigm framework and expert interviews with seven key BPKH decision-makers. Expert pairwise comparisons indicate that Location Advantage is the most influential criterion (0.519). Among sub-criteria, Organizational Capability (0.175), Part of the Hajj Ecosystem (0.170), and Market Potential (0.154) rank highest in influence. The analysis of four alternative entry modes shows the following ranking: (1) Sole Ownership (Acquisition) with a score of 68.82; (2) Majority Joint Venture (58.06); (3) Sole Ownership (Greenfield) (57.75); and (4) Minority Joint Venture (52.94). The findings provide a structured model enabling BPKH to make better-informed and accountable international expansion decisions aligned with its mission to optimize hajj fund management for the benefit of Indonesian pilgrims.

KEYWORDS

Analytic Hierarchy Process (AHP), BPKH, Eclectic Paradigm, foreign investment, Hajj funds, international entry mode, strategic decision-making.



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International

INTRODUCTION

According to the *Global Islamic Economy Report 2023*, the global Muslim travel market was valued at approximately USD 155 billion in 2022, with *hajj* and *umrah* representing a significant portion of this expenditure (DinarStandard, 2023). Saudi Arabia alone received over 1.8 million pilgrims for *hajj* in 2023, with Indonesia contributing the largest national contingent (Brouthers dan Dikova, 2010;

Cheumar et al. 2024; Cuypers et al., 2018). Globally, several Muslim-majority countries have established specialized institutions for *hajj* fund management, including Malaysia's *Tabung Haji* (established 1963) and Turkey's *Diyanet Foundation*, both of which have developed sophisticated investment strategies, including international portfolio diversification (Hasan & Siong, 2020; Yusof et al., 2021). However, Indonesia's approach through BPKH represents a unique institutional model that combines regulatory oversight separation from operational management, creating distinct opportunities and challenges in international investment decision-making (Ahsan et al. 2024).

The management of *hajj* funds in Indonesia has undergone significant transformation in line with the increasing need for transparency and professionalism in the implementation of the *hajj*. Indonesia, as one of the countries with the largest number of prospective pilgrims in the world, faces challenges in managing the large initial deposit funds of pilgrims while the departure quota remains limited and involves long waiting periods (Zhang et al., 2022). For this reason, in 2014 the government issued Law Number 34 of 2014 on *Hajj Fund Management*, which became the basis for the establishment of *Badan Pengelola Keuangan Haji* (BPKH). The institution began its operations in 2017, taking over the responsibility of managing *hajj* funds from the Ministry of Religious Affairs so that the ministry could focus more on its regulatory function. As a government agency, BPKH operates based on the principles of *sharia*, prudence, benefit, non-profit orientation, transparency, and accountability. Additionally, fund management must be conducted effectively and efficiently to optimize the use of the funds (Sahoo & Goswami, 2023).

One of BPKH's mandates is to invest *hajj* funds from prospective pilgrims according to *sharia* principles and provide optimal value for the pilgrims and benefit the people (Li et al., 2025). This is based on the characteristics of the *hajj* fund, in which the assets are held in local currency but the liabilities are mostly in foreign currencies such as the US dollar and Saudi riyal. Therefore, an investment strategy that is geographically and currency-diversified is required (Cheumar et al. 2024; Cuypers et al., 2018). To optimize these returns, BPKH began exploring direct investment through the establishment of new subsidiaries (*greenfield*) and the acquisition of existing companies as part of its corporate strategy. As of 2025, BPKH has two subsidiaries. *Bank Muamalat Indonesia* (BMI), the first *sharia* bank in Indonesia, was BPKH's first venture into direct investment, which was acquired at the end of 2021. Meanwhile, *BPKH Limited* was established in the Kingdom of Saudi Arabia in 2023 as BPKH's first foreign subsidiary (De Felice dan Petrillo, 2025; Meyer et al., 2019; Muneeza et al. 2018; Sayyidah et al. 2020).

However, currently, there are no formal models or frameworks within BPKH for selecting international entry modes. The international business literature

indicates that the choice of entry mode into foreign markets is strongly influenced by various internal and external variables and does not always require full ownership. Therefore, this study is crucial to formulating a decision-making model for determining the most appropriate international entry mode for BPKH in the context of *haji* fund sustainability.

The selection of international entry modes has been extensively studied in international business literature. Dunning's (1988, 2001) Eclectic Paradigm, or OLI framework (Ownership-Location-Internalization), remains the dominant theoretical foundation for understanding foreign direct investment decisions. Pan and Tse (2000) conducted a comprehensive review of entry mode research, identifying firm-specific, country-specific, and industry-specific factors as key determinants. More recently, Canabal and White (2008) synthesized entry mode literature, emphasizing the importance of strategic fit between organizational capabilities and host-country characteristics.

Specifically regarding financial institutions' international expansion, several studies have examined entry mode decisions. Focarelli and Pozzolo (2005) analyzed the determinants of cross-border bank mergers and acquisitions, finding that banks tend to invest in countries with better growth opportunities and more efficient banking sectors. Claessens and Van Horen (2014) investigated foreign bank presence patterns, revealing that institutional quality and bilateral trade relationships significantly influence entry decisions. In the Islamic finance context, Bakar and Yusof (2020) examined international expansion strategies of Islamic banks, noting unique considerations such as *sharia* compliance infrastructure and Muslim population demographics.

However, a critical gap exists in the literature regarding entry mode selection for sovereign or quasi-sovereign Islamic financial institutions with specific mandates such as *haji* fund management. While studies have examined Malaysia's *Tabung Haji* investment strategies (Hasan & Siong, 2020), no research has specifically addressed a systematic decision-making framework for international entry mode selection in this unique institutional context. Furthermore, the application of Multi-Criteria Decision-Making (MCDM) methods, particularly the Analytical Hierarchy Process (AHP), to entry mode decisions for Islamic financial institutions managing religious funds remains unexplored in academic literature.

The novelty of this research lies in formulating a comprehensive decision-making model for international entry mode selection specifically designed for *haji* fund management institutions, which has not been available in either academic literature or institutional practice in Indonesia. This study uniquely combines the Eclectic Paradigm framework with institution-specific criteria (such as "Part of *Haji Ecosystem*") and applies the AHP methodology to create a structured, replicable decision model. Unlike previous studies focusing on conventional

financial institutions or general foreign direct investment, this research addresses the distinct characteristics of BPKH as a sovereign Islamic financial institution with dual objectives: financial returns and religious service fulfillment. The model developed provides both theoretical contributions to international business literature and practical utility for similar institutions globally.

Therefore, this study aims to: (1) identify and validate the decision criteria and sub-criteria relevant for BPKH's international entry mode selection; (2) determine the relative importance of each criterion and sub-criterion through expert assessment; (3) develop a comprehensive AHP-based decision model that can systematically evaluate alternative entry modes; and (4) provide prioritized recommendations for optimal entry mode selection based on BPKH's organizational capabilities, host-country characteristics, and strategic objectives.

The benefits of this research are threefold. First, it provides BPKH with a formal, structured framework for making international entry mode decisions, enhancing decision quality, transparency, and accountability. Second, it contributes to academic literature by extending entry mode theory to Islamic financial institutions with sovereign characteristics and religious mandates. Third, it offers a replicable model that can be adapted by similar institutions globally, such as Malaysia's *Tabung Haji* or other national *hajj* fund management bodies, thereby facilitating knowledge transfer and best practice development in this specialized domain. The research ensures that international investment decisions align with both financial prudence and the fundamental mandate of serving Indonesian pilgrims.

RESEARCH METHOD

This study uses mixed-method approach that combines both qualitative and quantitative methods to answer business issues related to decision-making in the selection of international entry mode by BPKH. The research process begins with an exploration of business issues related to international entry mode decisions made by BPKH. Based on the identification of these issues, the formulation of the problem and the objectives of the research are systematically prepared. The qualitative component involves semi-structured expert interviews and literature review to identify relevant criteria, while the quantitative component employs AHP methodology with pairwise comparisons to prioritize criteria and evaluate alternatives systematically.

The research process begins with an exploration of business issues related to international entry mode decisions made by BPKH, including the challenges faced in the absence of a formal decision framework. Based on the identification of these issues, the formulation of the problem and the objectives of the research are systematically prepared. Furthermore, a literature review was conducted from

various sources such as books and scientific journals that discuss the topic of international entry mode and the Multi Criteria Decision Making (MCDM) method, especially the Analytic Hierarchy Process (AHP), to build a decision-making model framework. Figure 1 shows the Research Design in this research.

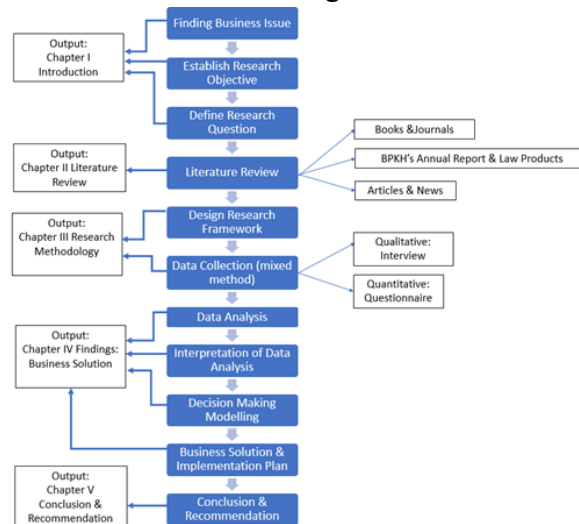


Figure 1. Research Design

Data collection is carried out through primary and secondary data as shown in Figure 2. Data Collection Method. Primary data was obtained through semi-structured interviews with seven expert sources, consisting of six internal BPKH experts in the fields of risk management, legal, compliance, and investment, as well as one senior consultant from DinarStandard who previously served as a foreign investment manager at BPKH. Interviews were conducted in-person (face-to-face) for five respondents and virtually (Zoom) for two respondents. The principle of triangulation is applied to ensure a multidimensional perspective of the various functions of the organization. The main purpose of the interview was to confirm the suitability of the criteria and subcriteria obtained from the literature study to the context of BPKH entry mode decisions, as well as to explore additional relevant factors that have not been covered.

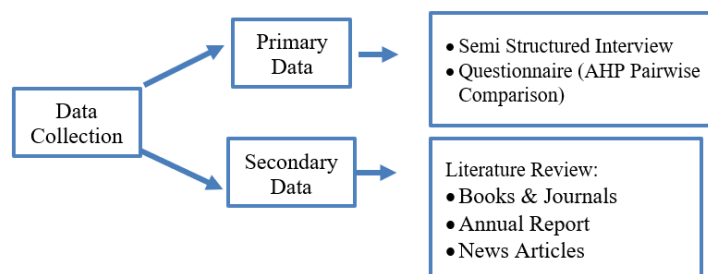


Figure 2. Data Collection Method

In addition, quantitative data were collected through a questionnaire based on the AHP method with pairwise comparison, which asked respondents to compare the level of importance between criteria and subcriteria. The Scale of Pairwise Comparison (Saaty, 1980) describes the scale of 1–9 used to express the level of relative importance in pairwise comparisons. This scale allows the preparation of a comparison matrix as a basis for calculating priority weights.

Data analysis was carried out using the AHP method, which began with the identification of goals, alternative international entry mode strategies to choose, criteria and subcriteria that form the hierarchical structure of decision-making (Figure 3. Goal, Criteria, and Alternatives on AHP). The next stage is to conduct a pairwise comparison and calculate the priority weight, then test the consistency of the respondent's assessment through the Consistency Ratio (CR). According to the guidelines from Saaty (1980), the results are considered consistent if the CR is within the threshold, with score less than 10%. The CR calculation is carried out through the stages of determining the maximum eigenvalue (λ_{max}), calculating the Consistency Index (CI), and dividing CI by the Random Index (RI). The final step of the AHP method is to perform weight and rating multiplication, which is multiplying the weight of the criteria by an alternative assessment to obtain a final score. This score is used to rank alternatives and determine the entry mode option that best suits BPKH's strategic objectives as well as BPKH's resources and capabilities.

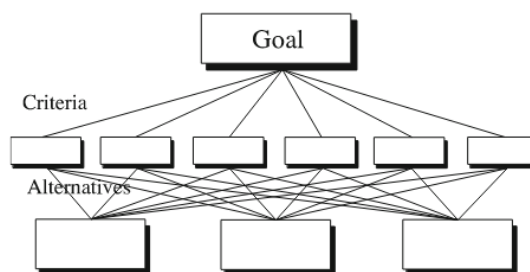


Figure 3. Goal Criteria And Alternatives on AHP (Saaty & Vargas, 2012, p. 3)

RESULTS AND DISCUSSION

Development of AHP Model For Entry Mode Selection

The development of the AHP model is the result of a synthesis between theories about international entry modes and the results of interviews with experts. Based on this process, an AHP model was prepared to choose the appropriate international entry mode for BPKH. This model considers four alternative forms of equity-based investment that are in accordance with the type of BPKH investment as regulated in Law Number 34 of 2014. These alternatives include: (1) Sole Ownership (Greenfield), where BPKH establishes a subsidiary from scratch, as has been done in the establishment of BPKH Limited; (2) Sole Ownership –

(Acquisition), which is the process of takeover of a company that has been operating in the host country; (3) Majority Owned Joint Venture, i.e. BPKH has majority ownership and control in the joint venture that established together with other strategic partners; and (4) Minority Owned Joint Venture, which is a form of joint venture in which BPKH has a portion of minority ownership, which, although it reduces strategic control, also limits risk exposure. Figure 4 shows the selected International Entry Mode AHP Model.

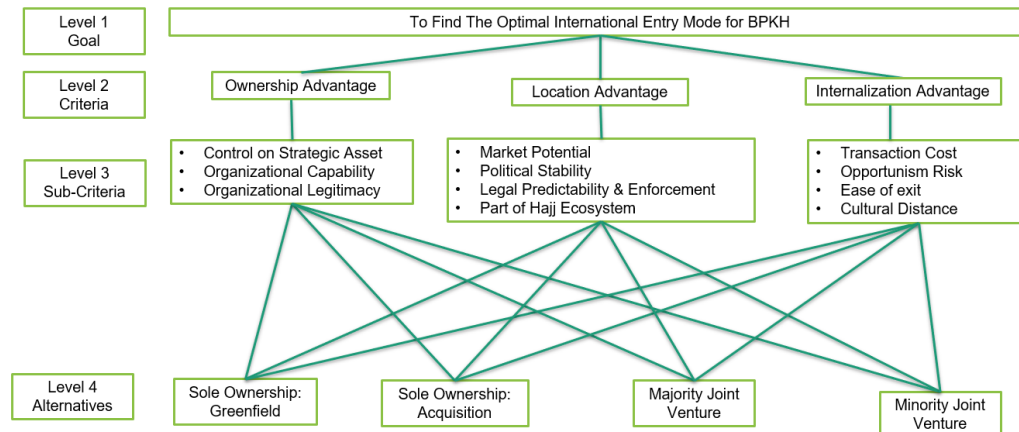


Figure 4. The selected International Entry Mode AHP Model

The structure of this AHP model is built on the framework of the Eclectic Paradigm, which includes three main dimensions: Ownership Advantage, Location Advantage, and Internalization Advantage. Each dimension is broken down into sub-criteria. The table show the summary of criteria and sub-criteria on this AHP model.

Table 1. Summary of Criteria & Sub-Criteria Description		
No	Criteria & Sub-Criteria	Description
1.	Ownership Advantage (Dunning, 2001)	When firm from one country possess the (net) competitive advantages when compared to another nationality in supplying any particular market
2.	Control on Strategic Asset (Root, 1998), (Kim & Hwang, 1992), (Hill et al., 1990) and (Agarwal & Ramaswami, 1992)	The extent to which the entry mode allows the investor to fully control and protect strategic resources such as capital, intellectual property, religious branding, or core operations.
3.	Organization Capability (Gunhan & Arditi, 2005), (Amit & Schoemaker, 1993), (Madhok, 1997)	The degree to which the investor's existing resources and management capabilities can support and sustain the chosen entry mode, including administrative, operational, and financial strengths.
4.	Organizational Legitimacy	The perception in stakeholders that the action and direction of organization are appropriate.

No	Criteria & Sub-Criteria	Description
	(Freeman, 1984a), (Freeman, 1984b), (Bretas et al., 2024), (Chan & Makino, 2007; Lu, 2002)	
5.	Location Advantage (Dunning, 2001)	Assesses how attractive the host country is, so firms would choose to locate these value-adding activities outside their home country
6.	Market Potential (Agarwal & Ramaswami, 1992), (Pla-Barber et al., 2010)	The size and growth of the target market in accordance with investor's goals.
7.	Political Stability (Lee et al., 2014), (Jensen, 2008), (Chan & Makino, 2007), (Kwon & Konopa, 1993), (Green & Cunningham, 1975) (Pla-Barber et al., 2010)	The level of political predictability in the host country.
8.	Legal Predictability & Enforcement (Buckley & Casson, 1976; Dunning, 1988), (Henisz, 2000; Peng, 2001, 2004; Seno-Alday, 2010)	How consistent and enforceable the laws are, especially for foreign investors.
9.	Part of Hajj Ecosystem (based on interview)	Whether the country plays a direct or indirect role in supporting Hajj-related services or infrastructure.
10.	Internalization Advantage (Dunning, 2001)	Focuses on the benefits of managing investment internally versus through external partnerships.
11.	Transaction Cost (Williamson, 1981), (Anderson & Gatignon, 1986)	Costs related to dealing with external partners (for example negotiation, oversight the subsidiary, enforcement of contract).
12.	Opportunism Risk (Hill et al., 1990), (Anderson & Gatignon, 1986)	The risk of local partners acting in self-interest, harming investment goals.
13.	Ease of Exit (Chang & Singh, 1999), (Harrigan, 1981).	How easy it is to withdraw or adjust the investment if needed.
14.	Cultural Distance (Buckley & Casson, 1976), (Barkema et al., 1996), (Hofstede, 2002), (Hofstede, 2011), (Kogut & Singh, 1988)	Differences in values, communication styles, or work culture that may affect operations.

Ownership Advantage includes control over strategic assets, organizational capabilities, and organizational legitimacy. Control over strategic assets relates to the extent to which BPKH can protect and direct critical resources such as capital and intellectual property. Organizational capability refers to the readiness of

internal resources to support an entry mode strategy, including administrative, operational, and financial capabilities. Meanwhile, organizational legitimacy underscores the importance of positive perceptions from internal and external stakeholders of organizational direction and actions.

The Location Advantage dimension is also broken down into sub-criterias, including market potential, political stability, legal predictability & enforcement, and whether the venture are part of the hajj ecosystem. This is important because investment decisions are heavily influenced by the attractiveness of the destination country.

The Internalization Advantage highlights the benefits that companies get from managing investments internally compared to through external partnerships. Sub-criteria in this category include transaction costs, opportunism risk from local partners, ease of exiting investments, and cultural distance between Indonesia and destination countries. All of these criteria and sub-criteria were obtained from a review of the strong literature and the results of interviews with experts, to ensure that the AHP model developed is contextual, applicable, and relevant to BPKH's strategic needs.

Data Collection Process

To determine the optimal number of experts in the Analytical Hierarchy Process (AHP) method, the researcher referred to a study conducted by the developer of AHP itself, namely Thomas L. Saaty. In his research with Özdemir (2014), it was found that the number of experts who produced the lowest weighted sum of errors value, i.e., the expected optimal conditions, was between six and eight people, with the ideal number being seven people. Based on these findings, Saaty concluded that the optimal panel size for unanimous decision-making is seven experts. Therefore, this study also involves seven experts to develop the AHP model in determining the most appropriate international entry mode for the Hajj Financial Management Agency (BPKH).

Table 2. Respondent Data and Position

No	Respondent	Position	Respondent's Weight	Experience
1	R1	Chief Executive Officer	3	25 years
2	R2	Chief Investment Officer (Direct & Other Investment)	3	23 Years
3	R3	Chief Risk Legal & Compliance Officer	3	40 years
4	R4	Deputy of Direct & Other Investment	2	22 Years
5	R5	Head of Portfolio Management	2	24 years
6	R6	Head of Compliance	2	15 years
7	R7	Senior Consultant on DinarStandard (Previously Foreign Investment Manager in BPKH 2020-2022)	1	10 years

The selection of experts in this study was carried out purposively, taking into account the competence and relevance of experience to BPKH's international investment decision-making process (Table 1). The experts come from various strategic backgrounds within the BPKH organization, including senior decision-makers, middle management, and a former foreign investment manager who is currently working as an international business consultant. The seven experts consist of: Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Legal & Compliance Officer (CRO), Deputy of Direct & Other Investment, Head of Portfolio Management, Head of Compliance, and a Senior Consultant who previously served as Foreign Investment Manager at BPKH. This multidisciplinary background allows for more holistic decision-making in formulating criteria and alternatives to the AHP model, as well as the implementation of triangulation.

The experts in the study have a very diverse level of experience, ranging from 10 to 40 years, with a focus on finance, investment, risk management, and compliance. Respondent 1 (R1), as the CEO of BPKH, has 25 years of experience in financial institutions, including BPJS Kesehatan and asset management companies. Respondent 2 (R2), Chief Investment Officer, has 23 years of experience in the Ministry of Religion and academia. Respondent 3 (R3), Chief Risk Legal & Compliance Officer, has a 40-year background in the banking and social insurance sectors (PT Jamsostek). Respondent 4 (R4) serves as a Deputy for Direct Investment and has experience as the Head of a Branch of a State-Owned Bank as well as the Head of Compliance and the Head of Foreign Relations in BPKH. Respondent 5 (R5) is the Head of Direct Investment Portfolio Management, with 24 years of experience in banking, corporate strategy and portfolio management. Respondent 6 (R6), Head of Compliance, has 15 years of experience in investment management and compliance across various types of instruments. Meanwhile, Respondent 7 (R7), a Senior Consultant at DinarStandard, has 10 years of experience, including as a Foreign Investment Manager at BPKH (2020–2022), and is now focused on developing international strategies for companies that expand abroad. These compositions provide a strong and diverse foundation for producing comprehensive and contextual AHP models.

Data Analysis of Entry Mode Model

After the International Entry Mode model was determined, all respondents were asked to fill out a questionnaire containing a pairwise comparison matrix based on their experience and expertise. The data was then entered into an Excel sheet from bpmsg.com to calculate the weight and consistency of the answers, according to the AHP method with the Aggregated Individual Priority (AIP) approach. This approach is used because the respondents have different functions, such as compliance, risk management, portfolio management, and foreign investment. Respondents were grouped into three levels: Level 1 (external BPKH), Level 2 (internal non-director), and Level 3 (BPKH Directors).

The results of each respondent showed a variation in priorities. The majority, including CEOs and CIOs, place Location Advantage as the main criterion, especially the sub-criteria of Market Potential and Part of Hajj Ecosystem. This reflects the importance of market potential and alignment with BPKH's mandate in

providing benefits for Hajj and Umrah pilgrims. Meanwhile, respondents from the compliance and risk divisions tended to place more emphasis on aspects of the Internalization Advantage such as the risk of opportunism and transaction costs, in line with their professional roles and perspectives. All respondents had a consistency ratio below 10%, indicating the reliability of the data. Table 2 shows Combination of All Questionnaire's Result.

Table 3. Combination of All Questionnaire's Result

Level 1 Criteria	Local Weight	Level 2 Sub-criteria	Local Weight	Global Priorities
Ownership advantage	0,289	Control on Strategic Asset	0,285	0,082
		Organization Capability	0,607	0,175
		Organization Legitimacy	0,108	0,031
Location Advantage	0,519	Market Potential	0,296	0,154
		Political Stability	0,186	0,097
		Legal Predicability & Enforcement	0,191	0,099
		Part of Hajj Ecosystem	0,327	0,170
Internalization Advantage	0,192	Transaction Cost	0,16	0,031
		Opportunism Risk	0,45	0,086
		Ease of exit	0,303	0,058
		Cultural Distance	0,088	0,017

Location Advantage was the most important criterion with an average weight of 0,519. The most important sub-criteria are Organization Capability (0,175), Part of Hajj Ecosystem (0,170), and Market Potential (0,154). These findings confirm that in choosing the international expansion mode, BPKH strongly considers the suitability of the hajj ecosystem and the market potential of the destination country. On the contrary, Cultural Distance is the lowest priority criterion, possibly due to the cultural similarities between Indonesia and Arab countries that are BPKH's main partners, so that it is not a significant obstacle in the foreign investment process.

After the author got the weights of each criterion and sub-criteria, consistency tests have been run to check the level of consistency of the answer from all the respondents. The result of the consistency ratio is shown in Table IV. is in the range of 0,3%-1,4%, which is within the threshold of 10%. It could be concluded that all the answers of the 7 (seven) respondents are reliable and consistent.

Table 4. Consistency Ratio Result

No	Item	Matrix Order	N	Lambda	CR	GCI	CR Calculation	Conclusion
1	Criteria	3	7	3,012	0,37	0,04	1,3%	Consistent
2	Ownership advantage	3	7	3,011	0,37	0,03	1,1%	Consistent
3	Location Advantage	4	7	4,008	0,37	0,01	0,3%	Consistent
4	Internalization Advantage	4	7	4,037	0,37	0,05	1,4%	Consistent

The next step is to do alternative quantitative analysis to determine which alternative is the most appropriate, with scoring that has a maximum score of 100 that is assigned on each of subcriteria. The source of the data to assign scoring are from various sources such as World Bank Indicator, Michigan State University Market Potential Index (MPI), and Kogut Singh Cultural Distance Index. The process of quantification and normalization that has been done previously gives as the rating of alternatives. The result of each alternative will be converted to a quantitative number based on the scoring above. The quantitative number then multiplied with the global priorities which resulted in a normalized score. The total of this normalized score represents the international entry mode decision rating. This calculation is based on investment intention in one of the countries in Asia with the financial industry as the line of business. The result of each alternative is as follows:

Table 5. Sole Ownership (Greenfield) Result

Aspect	Result	Quantitative	Global Priorities	Normalized
Control on Strategic Asset	Absolute Control and no other existing stakeholder such as existing employees	100	8,2%	8,24
Organization Capability	Significant Gap on capability to run financial company	25	17,5%	4,39
Organization Legitimacy	BPKH as Controlling Shareholder	100	3,1%	3,12
Market Potential	MPI's score 51	100	15,4%	15,36
Political Stability	World Bank Political Stability Indicator +1,42	50	9,7%	4,83
Legal Predictability & Enforcement	WB Enforcing Contract Indicator 84,5	50	9,9%	4,96
Part of Hajj Ecosystem	Indirectly support hajj	50	17,0%	8,49
Transaction Cost	WB Doing Business Score 86,2	100	3,1%	3,07
Opportunism Risk	WB Protecting Minority Investor Indicator 86	25	8,6%	2,16
Ease of exit	finding buyer and shareholder approval	25	5,8%	1,45
Cultural Distance	Kogut Singh Index 0,79	100	1,7%	1,69
				57,75

Table 6. Sole Ownership (Acquisition) Result

The Decision Criteria for the International Entry Mode for Badan Pengelola Keuangan Haji: an Application of Analytical Hierarchy Process

Aspect	Result	Quantitative	Global Priorities	Normalized
Control on Strategic Asset	Major influence	75	8,2%	6,18
Organization Capability	Significant Gap on capability to run financial company but has other partner	100	17,5%	17,54
Organization Legitimacy	BPKH as Controlling Shareholder	100	3,1%	3,12
Market Potential	MPI's score 51	75	15,4%	11,52
Political Stability	WB Political Stability Indicator +1,42	50	9,7%	4,83
Legal Predicability & Enforcement	WB Enforcing Contract Indicator 84,5	50	9,9%	4,96
Part of Hajj Ecosystem	Indirectly support hajj	50	17,0%	8,49
Transaction Cost	WB Business Doing Score 86,2	100	3,1%	3,07
Opportunism Risk	WB Protecting Minority Investor Indicator 86	50	8,6%	4,32
Ease of exit	finding buyer and shareholder approval	50	5,8%	2,91
Cultural Distance	Kogut Singh Index 0,79	100	1,7%	1,69
				68,62

Table 7. Majority Owned JV

Aspect	Result	Quantitative	Global Priorities	Normalized
Control on Strategic Asset	Major influence	75	8,2%	6,18
Organization Capability	Significant Gap on capability to run financial related financaial company but has other partner	50	17,5%	8,77

Aspect	Result	Quantitative	Global Priorities	Normalized
Organization Legitimacy	BPKH as Controlling Shareholder	50	3,1%	1,56
Market Potential	MPI's score 51	50	15,4%	7,68
Political Stability	WB Political Stability Indicator +1,42	50	9,7%	4,83
Legal Predicability & Enforcement	WB Enforcing Contract Indicator 84,5	50	9,9%	4,96
Part of Hajj Ecosystem	Indirectly support hajj	50	17,0%	8,49
Transaction Cost	WB Doing Business Score 86,2	100	3,1%	3,07
Opportunism Risk	WB Protecting Minority Investor Indicator 86	75	8,6%	6,48
Ease of exit	finding buyer and shareholder approval	75	5,8%	4,36
Cultural Distance	Kogut Singh Index 0,79	100	1,7%	1,69
				58,06

Table 8. Minority Owned JV

Aspect	Result	Quantitative	Global Priorities	Normalized
Control on Strategic Asset	BPKH as minority shareholder	25	8,2%	2,06
Organization Capability	Significant Gap on capability regarding to run financial company	50	17,5%	8,77
Organization Legitimacy	BPKH as minority shareholder	25	3,1%	0,78
Market Potential	MPI's score 51	25	15,4%	3,84
Political Stability	WB Political Stability Indicator +1,42	50	9,7%	4,83
Legal Predictability & Enforcement	WB Enforcing Contract Indicator 84,5	50	10,2%	4,96
Part of Hajj Ecosystem	Indirectly support hajj	50	16,7%	8,49

Aspect	Result	Quantitative	Global Priorities	Normalized
Transaction Cost	WB Doing Business Score 86,2	100	3,1%	3,07
Opportunism Risk	WB Protecting Minority Investor Indicator 86	100	8,6%	8,64
Ease of exit	finding buyer and shareholder approval	100	5,8%	5,82
Cultural Distance	Kogut Singh Index 0,79	100	1,7%	1,69
				52,94

Based on the result above, the optimal international entry mode for BPKH is sole ownership (acquisition), which has the total score of 68,82. The next recommendation is Majority Owned JV with score 58,06, sole ownership (greenfield) with score 57,75 and the least score is Minority Owned JV with score 52,94.

Discussion

The AHP model developed in this study is the result of an integration between international entry mode theory and empirical input from investment experts at BPKH. This model was prepared to choose the most appropriate equity-based investment alternative for BPKH, in accordance with the mandate of Law No. 34 of 2014. The four main alternatives analyzed are Sole Ownership (Greenfield), Sole Ownership (Acquisition), Majority Owned Joint Venture, and Minority Owned Joint Venture. The structure of the model is based on the framework of the Eclectic Paradigm (Dunning, 2001), which assesses three main dimensions: Ownership Advantage, Location Advantage, and Internalization Advantage. Each dimension is broken down into 11 (eleven) sub-criterias such as control on strategic asset, organizational capability, organizational legitimacy, market potential, political stability, legal predicability & enforcement, part of hajj ecosystem, transaction cost, opportunism risk, ease of exit and cultural distance, resulting in a comprehensive and contextually relevant decision-making model.

To ensure the validity of the model, seven experts who were purposively selected, representing strategic functions at BPKH were included in the AHP assessment process. The multidisciplinary composition of respondents, consisting of directors, senior managers, and international consultants, ensures rich and diverse perspectives in assessing criteria and alternatives. The data collection process was carried out through a questionnaire based on pairwise comparison, which was analyzed with the Aggregated Individual Priority (AIP) approach using Excel AHP software. The results showed that all respondents provided consistent assessments ($CR < 10\%$), so that the resulting priority weights could be relied upon as a basis for decision-making.

Data analysis shows that Location Advantage is the most influential dimension, especially the sub-criteria of Market Potential and Part of Hajj Ecosystem, confirming that BPKH prioritizes the linkage of investment with the

mandate of Hajj services and the market attractiveness of the destination country. Meanwhile, aspects such as the Internalization Advantage are prioritized by those who handle risk and compliance. In contrast, Cultural Distance gained the lowest weight, reflecting the assumption that cultural similarities between Indonesia and major investment destination countries (such as Arab countries) reduce the complexity of international expansion. These findings provide a strategic basis for BPKH in formulating measurable expansion policies, in accordance with institutional mandates and global market conditions.

As Organization Capability is chosen as the most influential factor with global priorities 17,5%, this give sole ownership (acquisition) as the most appropriate entry mode because when BPKH acquire the existing company in host country, the information and capability of BPKH could be combined with the information and capability of the acquired company, particularly on host country regulation and operation side while has absolute control to decide on strategic direction of company.

Regarding the international entry mode alternatives, the analysis revealed that Sole Ownership (Acquisition) is the most optimal international entry mode for BPKH with a total score of 68,82. This is followed by Majority Owned Joint Venture (58,06), Sole Ownership (Greenfield) (57,75), and Minority Owned Joint Venture (52,94).

CONCLUSION

This research, applying the Analytic Hierarchy Process (AHP), identifies Sole Ownership via Acquisition as the optimal international entry mode for *Badan Pengelola Keuangan Haji* (BPKH), achieving a score of 68.82. Location Advantage (0.519) emerged as the most critical decision criterion, followed by Ownership Advantage (0.289) and Internalization Advantage (0.192), with the most influential sub-criteria being Organizational Capability (0.175), Part of the *Hajj* Ecosystem (0.170), and Market Potential (0.154). The findings highlight BPKH's emphasis on strategic control, rapid market access, and integration into the *Hajj* service ecosystem to optimize fund management for Indonesian pilgrims. For future research, empirical validation of this AHP model in diverse host countries is suggested to test its robustness and adjust sub-criteria weightings. Expanding the scope to include non-equity modes, conducting longitudinal or Fuzzy AHP analyses to address uncertainty, and comparing results with other sovereign Islamic financial institutions, such as Malaysia's *Tabung Haji*, could strengthen the framework and inform best practices for international expansion.

REFERENCES

- Ahsan, F. M., Popli, M., & Kumar, V. (2024). Formal institutions and cross-border mergers and acquisitions: A systematic literature review and research agenda. *International Business Review*, 33(5), Article 102232. <https://doi.org/10.1016/j.ibusrev.2024.102232>

- Bretas, V. P. G., Galetti, J. R. B., Alon, I., & Rocha, T. V. (2024). Do stakeholders matter in entry mode decisions? An investigation of international franchise governance mode choice. *Journal of Business Research*, 178, 114673. <https://doi.org/10.1016/j.jbusres.2024.114673>
- Brouthers, K. D., & Dikova, D. (2010). Acquisitions and real options: The greenfield alternative. *Journal of Management Studies*, 47(6), 1048–1071. <https://doi.org/10.1111/j.1467-6486.2009.00875.x>
- Cheumar, M., Haji-Othman, Y., & Abbas, S. I. (2024). Adapting Malaysia's Tabung Haji model: A strategic proposal for Thailand's hajj fund as a case study possibility. *International Journal of Academic Research in Business and Social Sciences*, 14(12), 4016–4032. <https://doi.org/10.6007/IJARBS/v14-i12/23654>
- Cuypers, I. R. P., Ertug, G., & Hennart, J. F. (2018). The making of a construct: Lessons from 30 years of the Kogut and Singh cultural distance index. *Journal of International Business Studies*, 49(9), 1138–1153. <https://doi.org/10.1057/s41267-018-0181-7>
- Davies, R. B., Desbordes, R., & Ray, A. (2015). Greenfield versus merger & acquisition FDI: Same wine, different bottles? *Canadian Journal of Economics*, 48(4), 1244–1290. <https://doi.org/10.1111/caje.12146>
- De Felice, F., & Petrillo, A. (2025). Building the analytics hierarchy process (AHP) framework. In F. De Felice & A. Petrillo (Eds.), *The art of decision making: Applying AHP in practice* (pp. 1–28). IntechOpen. <https://doi.org/10.5772/intechopen.1199917>
- Hofstede, G. (2011). Dimensionalizing cultures: The Hofstede model in context. *Online Readings in Psychology and Culture*, 2(1). <https://doi.org/10.9707/2307-0919.1014>
- Karolyi, G. A., & Taboada, A. G. (2015). Regulatory arbitrage and cross-border bank acquisitions. *The Journal of Finance*, 70(6), 2395–2450. <https://doi.org/10.1111/jofi.12262>
- Lee, H., Biglaiser, G., & Staats, J. L. (2014). The effects of political risk on different entry modes of foreign direct investment. *International Interactions*, 40(5), 683–710. <https://doi.org/10.1080/03050629.2014.899225>
- Li, C., Luo, Y., & De Vita, G. (2025). Climate risk and foreign direct investment entry mode. *International Journal of Finance & Economics*, 30(1), 856–879. <https://doi.org/10.1002/ijfe.3120>
- Meyer, K. E., Wright, M., & Pruthi, S. (2019). Managing knowledge in foreign entry strategies: A resource-based analysis. *Strategic Management Journal*, 30(5), 557–574. <https://doi.org/10.1002/smj.756>
- Muneeza, A., Sudeen, A., Nasution, A., & Nurmallasari, R. (2018). A comparative study of hajj fund management institutions in Malaysia, Indonesia and Maldives. *International Journal of Management and Applied Research*, 5(3), 120–134. <https://doi.org/10.18646/2056.53.18-009>
- Pla-Barber, J., Sanchez-Peinado, E., & Madhok, A. (2010). Investment and control decisions in foreign markets: Evidence from service industries. *British Journal of Management*, 21(3), 736–753. <https://doi.org/10.1111/j.1467-8551.2010.00698.x>

- Saaty, T. L., & Özdemir, M. S. (2014). How many judges should there be in a group? *Annals of Data Science*, 1(3–4), 359–368.
<https://doi.org/10.1007/s40745-014-0026-4>
- Saaty, T. L., & Vargas, L. G. (2012). *Models, methods, concepts & applications of the analytic hierarchy process* (Vol. 175). Springer US.
<https://doi.org/10.1007/978-1-4614-3597-6>
- Sahoo, S. K., & Goswami, S. S. (2023). A comprehensive review of multiple criteria decision-making (MCDM) methods: Advancements, applications, and future directions. *Decision Making Advances*, 1(1), 25–48.
<https://doi.org/10.31181/dma1120237>
- Sayyidah, S. U., Harto, P. P., Baehaqi, A. B., & Suprpato, E. (2020). Factors affecting the performance of hajj fund investment in Malaysia. *Airlangga International Journal of Islamic Economics and Finance*, 3(1), 1–14.
<https://doi.org/10.20473/aijief.v3i1.20160>
- Seno-Alday, S. (2010). International business thought: A 50-year footprint. *Journal of International Management*, 16(1), 16–31.
<https://doi.org/10.1016/j.intman.2009.08.001>
- Zhang, W., He, X., Wang, T., & Wang, K. (2022). Institutional distance and the international market entry mode: A meta-analysis. *International Business Review*, 31(5), Article 102016.
<https://doi.org/10.1016/j.ibusrev.2022.102016>