

## MARKET EXPANSION TO MYANMAR : ENTRY STRATEGY FORMULATION FOR PT.TELEKOMUNIKASI INDONESIA

Bungzio Leony and Priyantono Rudito  
School of Business and Management  
Institute Teknologi Bandung, Indonesia  
Bungzio@sbm-itb.ac.id

**Abstract**—Globalization in the telecommunications industry has been growing rapidly and drastically overcome geographical barriers between the domestic and international markets. Telecommunications company needs to survive and achieve growth encourages them to compete not only in the domestic market but also in overseas markets. To enter foreign markets, companies must choose the most suitable strategy which influenced by the condition of the company, the company's home country conditions, the following conditions of the destination country industry. PT.Telkom Indonesia itself has begun to enter foreign markets since 2006. In recent years, along with the shift towards openness in Myanmar in the political and economic systems, PT.Telkom Indonesia is planning to expand the market to Myanmar. This final project will focus on assessing Myanmar country and telecommunication industry attractiveness, suitability of Myanmar to the objective of PT.Telkom and formulate appropriate entry mode to enter Myanmar for PT.Telkom target market expansion. The assessment process will use several theoretical framework, Porter Diamond framework to analyze advantage of doing business in Myanmar, Porter's Five Forces framework to analyze the competitiveness of the telecommunications industry and Franklin.R.Root models to formulate an appropriate entry mode. This theoretical framework will guide the collection and analysis of empirical data. The method of research using qualitative methods. Primary data collect using the instrument via an email interview with management of PT. Telkom. Secondary data using material from group discussion forum with Indonesian Ambassador to Myanmar, published articles in the internet, company annual reports, government report, books, and other related research. Based on the results of the qualitative analysis, authors concluded that Myanmar as a country and the telecommunications industry is favourable and attractive market. Appropriate mode to entering the market for PT. Telkom Indonesia is a sequential approach the first step is to open a branch office as "listening port" and then move towards capital investments either on its own or jointly with local companies (regulation consideration). To penetrate Myanmar market, author recommends PT.Telkom to offer cellular product with broadband capability in a selected area. As a controlling mechanism, PT.Telkom shall combine parenting system as a combination of planning control and financial control

*Keywords: International Business, Target Country Attractiveness, Telecommunication Industry Attractiveness, Objective of PT.Telkom, Preferable Entry Strategy*

### 1. Introduction

PT. Telekomunikasi Indonesia (Telkom) is the largest full service and network provider in Indonesia. Telkom offers a broad range of network and telecommunication services, including domestic and international basic telecommunication services, using cable, fixed wireless ("CDMA") and Global System for Mobile Communication ("GSM") as well as interconnection services used among other license operators ("OLO"). Besides telecommunication services, Telkom also operates Multimedia businesses such as content and applications, completing business portfolio called Telecommunication, Information, Media and Edutainment ("TIME"). As mandated in its Corporate Strategic Scenario, PT.Telkom is actively seeking international business opportunity. Monetizing product synergy, new revenue engine, leverage its strong cash position and business diversification are several reason for PT.Telkom to go international.

Myanmar now is in the period of transforming the country political system from military dictatorship system into civilian democratic system. The first democratic election held on April 2010, appointed Mr. Thein Sein as the first President. On June 2012, as reported by Myanmar News Paper (see Appendix D), President Thein Sein said the new government projected :

1. 1.7 fold per capita GDP increase in the fiscal 2015- 2016
2. 7.7% annual GDP growth

The report also said that, government aspired goal is a triple increase in per capita GDP. Achieving a triple national economic growth within a five-year period, the government actively enlist the combined force of human capability, financial capital, and technology. The President also said that the main issue of Myanmar current financial investments reveals the following main factors:

1. Limits in the State budget (the government budget)
2. A requirement of more aids, grants and loans from abroad
3. A requirement of a robust increase in the flow of domestic and foreign investments into the country

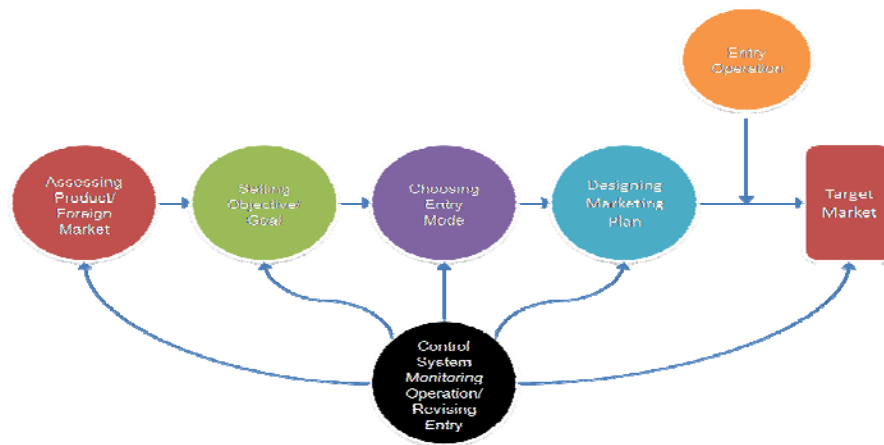
Privatization is one of the strategy that will choose by the government in order to increase efficiency and to attracted foreign investment. The privatization commission already set up and led by the vice president. The priority for privatization is in an area where government ownership is majorly such as telecommunication, electricity, energy, forestry, education, health and financial sectors. Government plan to privatized its telecommunication industry in order to achieved 70-80% penetration in 2016, almost 10 times from 7.5 % penetration in year 2012.

## **2. Business Issue Exploration**

Company become committed to the international market only when they are no longer believe that they can attain their strategic objective by remaining at home. Most of all business firms whether they are large or small, domestic or international – must strive for profit and growth in a world economy characterized by enormous flow of product, technology, capital and enterprises among countries. No market will be save from foreign competition. According to Thompson-Peteraf-Gamble-Strickland on their book *Crafting and Executing Strategy* (2012), there five foremost reason a company may decide to expand outside its domestic market : 1) To gain access to a new customer.2)To Achieved lower cost through economies of scale, experience and increased purchasing power.3)To Further exploit its core competencies.4) To gain access to resources and capabilities located in foreign markets. 5)To spread its business risk across a wider market base.

Not all company should go international but rather that all company should plan for growth and survival in the world of global competition. Entry strategy for the international market is a comprehensive plan. It sets the objectives, goal, resources and policies that will guide a company's international business operations over a future period long enough to achieve sustainable growth in world markets. Base on Franklin.R.Root on his book *Entry Strategies for International Markets* (1987) there are five element involved in the international market entry strategy:

- 1.Assessment of products/foreign market before deciding to choose the target product/market.
- 2.Define the objectives and goals in the target market.
- 3.Choose the appropriate entry mode to penetrate the target country.
- 4.Design the marketing plan to penetrate the target market.
- 5.Established corporate control system to monitor performance in the target market.



Source : Franklin.R.Root International Market Entry Strategy

Figure.2 Element of International Market Entry Strategy

Assessing the attractiveness of Myanmar as a country and its telecommunication industry is a first element before choosing suitable entry mode.

*Nation Attractiveness of Myanmar.*

According to Thompson-Peteraf-Gamble (Crafting and Executing Strategy, 2012), a nation where company can beneficially get advantage in conducting particular business activity fulfill some basic requirements. Base on Michael.E.Porter theory, there are four variable plus government role in a nation that will determine advantageous for a company to conduct business. These attributes are factors condition, demand condition, related/supporting industries and role of the government. These factors are fundamentally interrelated and give portion to competitive advantage of Myanmar as a nation.

*Telecommunication Industry Attractiveness of Myanmar*

Beside the country it self, specific industry to enter also have to be evaluated. Measuring the strength and nature of the competitive pressure within the industry will help a company to determine picture of competition inside the industry. Attractive and unattractive industry then will determine company profitability in that industry. Rivalry in the industry, bargaining power of supplier and buyer, threat from a new entrance and availability of substitute products from different industry in the market is factors that contribute to industry competitive pressure. Porter then formulated these five factors to measure the attractiveness of an industry with his Five Forces Framework theory.

*Company Objective*

Instead of getting the license as the main goal, there are other four main basic criteria for Telkom that being use as guidelines for international expansion: 1) Strategic fit 2) Strategic impact, 3) Potential synergy, 4) Knowledge acquisition (or new competency).

*Entry Mode*

Once the country and the market potential have been assessing and positive result has been found, the company can plan a suitable entry strategy as a next step. When a firm decide to enter a foreign market, the question arises as to the best mode of entry. Based on Franklin.R.Root framework, firms can use three different modes to enter foreign markets: (1) *Export Entry Modes*.(2) *Contractual Entry Mode* (3) *Investment Entry Modes*. The optimal choice of entry mode then will depends on firm internal and external factor. The factors named into two different classes namely external and internal factors. Franklin.R.Root then formulated 43 factors that mostly will influence company preferable entry mode into the foreign country. Entry mode with the highest score base on factor situation will be a preferable entry mode for the company where it should focused on. Below the table shows the factors and it relation with preferable entry mode :

Table.1 Franklin.R.Root Factors Influence Entry Mode

	Favourable Entry Mode				
	Indirect and Agent /Distributor Exporting	Licensing	Branch /Subsidiary Exporting	Equity Investment/ Production	Service Contracts
<b>External Factor :</b>					
<b>Foreign Country</b>					
<b>High Sales Potential</b>			•X	•X	
<b>Low Sales Potential</b>	•X	•X			
<b>Acrobatic Competition</b>	•X		•X		
<b>Oligopolistic Competition</b>				•X	
<b>Poor Marketing Infrastructure</b>			•X		
<b>Good Marketing Infrastructure</b>	•X				
<b>Low Production Cost</b>				•X	
<b>High Production Cost</b>	•X		•X		
<b>Restrictive Import Policies</b>		•X		•X	•X
<b>Liberal Import Policies</b>	•X		•X		
<b>Restrictive Investment Policies</b>	•X	•X	•X		•X

Sambungan (Table.1 Franklin.R.Root Factors Influence Entry Mode)

Miscellaneous Investment Policies				•X
Small Geographic Market	•X		•X	
Great Geographic Market		•X		•X
Dynamic Economy			•X	
Stagnant Economy	•X	•X		•X
Restriction Exchange Control	•X	•X		•X
liberal Exchange Control			•X	
Exchange Rate Appreciation	•X		•X	
Exchange Rate Depreciation			•X	
Small Cultural Distance			•X	•X
Great Cultural Distance	•X	•X		•X
Low Political Risk			•X	•X
High Political Risk	•X	•X		•X
Internal Factor :				
Standard Product	•X		•X	
Differentiated Product	•X		•X	
Service Intensive Product			•X	•X
Service Product		•X		•X
Technology Intensive Product		•X		
Low Product Adaptation		•X		
High Product Adaptation		•X	•X	•X
Limited Resources		•X	•X	
Substantial Resources			•X	•X
Low Commitment	•X	•X		•X
High Commitment			•X	•X
External Factor :				
Home Country				
Large Market				•X
Small Market	•X		•X	
Atomistic Competition	•X		•X	
Oligopolistic Competition				•X
Low Production Cost	•X		•X	
High Production Cost		•X		•X
Strong Export Promotion	•X		•X	
Restrictions on Investment Abroad	•X	•X		•X

This table will be use as a reference to analyze preference entry strategy for a company considering the internal and external factors.

*Marketing Plan, Business Initiatives Development*

After element of choosing entry mode, the next element in International Business Entry Strategy is defining marketing plan. One of the marketing plan that need to be assessed is defining which products to sell in which markets. According to Anshoff growth strategy tools, the options are to sell existing products in existing markets (market penetration), sell new products for existing markets (product development), sell existing products in new markets (market development) and sell a new product for new markets (diversification).

*Control System, Parenting Style*

PT.Telkom as a parent company has to control the performance of subsidiary company in Myanmar. The role of parenting strategy that shall adopt by PT.Telkom analyze through Goold and Campbell framework

*A. Conceptual Framework*

As mandated on it's CSS, PT.Telkom is actively scanning opportunity to invest in international business opportunity. At the other side as a new democracy country Myanmar required foreign investment to accelerate its development including telecommunication services penetration. To determine whether Myanmar telecommunication industry fit with the objective of PT.Telkom international expansion, both Myanmar and PT.Telkom condition need to be assess. Assessing Myanmar will cover assessment of Myanmar as a country and the telecommunication industry. Assessing PT.Telkom will cover assessment of internal company and home country condition.

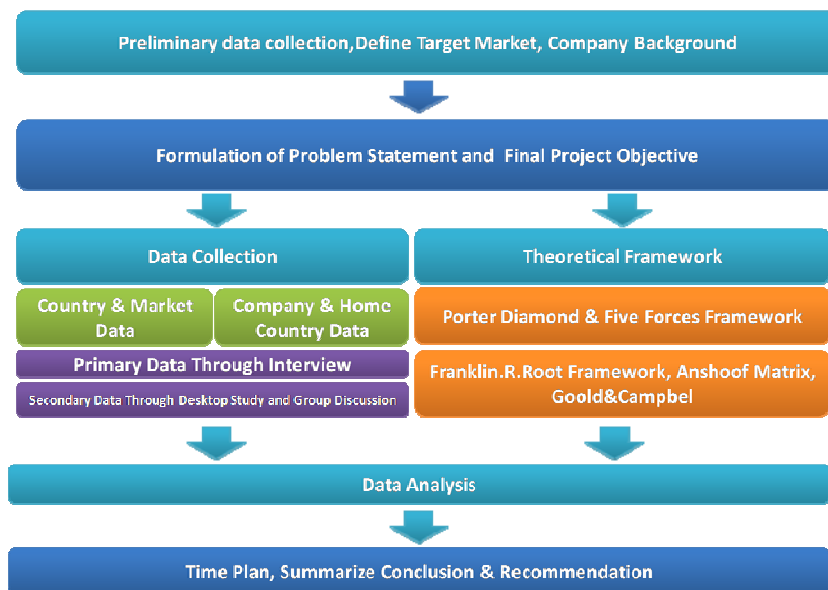


Figure.2 Conceptual Framework

*B. Method of Data Collection and Analysis*

To answer questions raised in this study about attractiveness of Myanmar as a country and telecommunication industry for foreign investment and preferred entry strategy for PT.Telkom to enter Myanmar market. Those question answer through analyzing data about Myanmar that collected from primary and secondary sources. Primary data about Myanmar and PT.Telkom collected from direct and email interview with a related person. Secondary data then collected from related web sites, other academic research, consultant report a, newspaper and etc. All the data then analyzed using three common framework which are Porter Diamond Theory, Porter Five Forces Theory and Franklin.R.Root theory.

### C. Analysis of Business Situation

To know whether Myanmar will give advantage for a foreign company to conduct business and its telecommunication industry attractive or not some data finding will be analyze. Assessing of Myanmar as a country covering assessment on supporting factors condition, demand condition, structure of rivalry, readiness of related industry and government role. Assessment of Myanmar telecommunication industry will cover assessment on bargaining power of buyer, bargaining power of supplier, threat from new entrant, availability of substitute product and rivalry from existing firm within the industry. Once the assessment result meet the objective of a firm, the next process is to determine what entry mode will be choose to enter Myanmar market. PT.Telkom internal and external condition situation will determine preferred entry mode to enter Myanmar market. Internal factors will include assessment of product, service and resources of PT.Telkom. External factor will cover assessment of home country Indonesia and foreign country Myanmar (list of factors in Table.1). The most favourable entry mode is the one with the highest preferences (score) and PT.Telkom shall focusing on it.

## 3. Business Solution

### *Myanmar country attractiveness*

*Factors Conditions.* Factors condition in Myanmar considers as moderate instead of favourable. Myanmar labour cost is low, but the other factor such as readiness of supporting infrastructure such as electricity is not yet favourable for the industry. Electrification rate in Myanmar is the lowest among emerging country and with penetration only 22% in year 2011.

*Demand Conditions.* Myanmar with 60 Million people and low density of telecommunication services creating favourable demand condition. Between 2011 and 2012, the growth of new additional telecommunication subscriber is more than 100 per cent. With 7.5% per cent telecommunication teledensity in 2012, there are still a lot of unserved demand in the market.

*Related and Supporting Industries.* The presence of leading global telecommunication infrastructure vendor such as Ericsson, Alcatel Lucent, Huawei and ZTE is remarkably favourable for telecommunication sector in Myanmar. Availability of a supplier that are internationally competitive will increase competitiveness of this industry at the supply chain process that will be impacted to the overall production cost.

*Firm Strategy, structure, and rivalry.* Large cultural distance between Myanmar and Indonesia means that there will also a different on the style of company management and structure. Nature of rivalry in the telecommunication sector in Myanmar also favourable since only one company serving the market. *Government* also plays a significant role on providing suitable investment arena for the investor by reforming regulation on investment and labour in year 2012.

### *Myanmar telecommunication industry attractiveness*

In Myanmar Telecom industry, there is only single player own by the government that dominate the industry. Under this monopolistic market, the **bargaining power of buyer** is remarkably low. Buyer has no other choices except using MPT product to fulfill their need for telecommunication services. This condition also create a situation where customer cannot switch or **substitute** to another telecommunication product. Only one company offering telecommunication product without **rivalry** within the industry. There have been several global telecom equipment operate in Myanmar such as Huawei and ZTE. The presence of China telecommunication equipment supplier creates more competition to other telecom equipment supplier especially from Europe and United State. High competition among supplier makes the **bargaining power of the suppliers** weak. The monopolistic market will reform soon. Myanmar Government in the process to pass a new telecommunication law. The Government wants to invite foreign company to operate in Myanmar by providing several

new telecommunication license. It means, in the near term, there will be several new telecommunication company entrant Myanmar market. The incumbent will face an increasing **threat from new entrants**. The following table is showing the summary of Porter's five force for Myanmar telco industry at a glance.

*Objective of PT.Telkom*

As PT.Telkom Vision to be the dominant player in TIME business in the region, PT.Telkom market expansion to Myanmar still related to its resources and capabilities mainly in Telecommunication services. PT.Telkom for as long as 156 years has been developing its specialized resources and capabilities in the domestic market in delivering Telecommunication services.

There is several valuable opportunity to transfer its resources in the domestic market to related business in Myanmar market. Base on interview with PT.Telkom high level management, Myanmar meet all criteria as a target market expansion for PT.Telkom. :



Figure.3 Objective Fit to Myanmar Market

*Analysis of Prefer Entry Mode*

After analyzing Myanmar country advantage and industry attractiveness, preferred entry mode for PT.Telkom Indonesia will be analyze. Analysis of preferred entry mode is base on PT.Telkom internal and external factor condition. Each factor will be analyze one by one in order to provide clearly insight about the situation.

External Factor- Foreign Country-Myanmar.

*Market Factor* the present and projected size of the Myanmar market is a crucial influence on the entry mode. With 60 Million people and 7.5% telecommunication density, Myanmar market is a tremendous market with high sales potential. Competitive Structure. Market can range from atomistic (many non dominant competitors) to oligopolistic (a few dominant competitors) to monopolistic (a single firm). Myanmar market is an oligopolistic market where MPT and Yatanarpon take control of the whole market.

*Marketing Infrastructure* Availability and quality of local marketing infrastructure in Myanmar is poor. MPT itself only have two local agents or distributors Yatanarpon and E-Lite Tech. The handset price is high, high SIM card activation cost, limited SIM card offer to the market and a limited number of SIM card reseller allowed.



*Production.* The quality, quantity, and cost of raw materials, labor, energy, and other production cost in Myanmar as well as the quality and cost of the economic infrastructure (transportation, communication, port facilities and similar considerations) have an evident bearing on entry mode decision. Limited supply of electricity and availability of adequate road become a critical issue except for the main area such as Yangoon, Mandalay and Nay Pyi Daw. This situation will contribute to higher production cost to deliver telecommunication services throughout Myanmar even when the labour cost is cheaper and tax exemption policy. Without electricity, the cost of the solar system or generator as a source of power for base station are very expensive. Instead of availability of world class telecommunication infrastructure and low labour cost, limitation of electricity supply and transportation will contribute to higher production cost in the telecommunication industry.

*Import and Investment Policies.* Restrictive import policies (high tariff, tight quotas, and other barriers) obviously discourage an export entry mode in favour of other modes. A restrictive foreign investment policy discourage equity investment in favor of joint venture or acquisition or new establishment. Myanmar FDI policy still restricted the investment and export import activity in several industry such as fisheries, livestock, agriculture, services and telecommunication. Even the government already make a statement reform telecommunication law base on international standard, but still the investor do not have information how open the industry will become. Until August 2012, telecommunication sector in Myanmar still prohibited from foreign investor according to Myanmar State Own Economic Enterprises Law.

*Geographic Distance.* Since Myanmar located in the same ASEAN region with Indonesia it consider to have small geographic distance. *Economy.* From the economic statistics of Myanmar, it shows that theeconomy is growth. One of the Indicators is the GDP is growing at 5.5 per cent rate in year 2011 and expected to growth at 6.25 per cent in 2012.

*Exchange Control.* Exchange control that limit the repatriation of income and capital tend to discourage equity entry more than other modes. Myanmar exchange money system controlled by Central Bank of Myanmar (CBM) under Foreign Exchange Rate Act. Dealings in foreign exchange only permitted at the rates of exchange authorised by the CBM. Any transaction must get permission and control by CBM.

*Exchange Rate.* When the exchange rate is allow to depreciate, the effect is to discourage export entry and at the same time encourage equity investment entry. Myanmar exchange rate is continue to appreciated against US \$ since 2001 in the unofficial market.

*Cultural Distance.* Socio cultural factors also influence a company’s choice of entry mode. To get a general idea about cultural distances between Indonesia and Myanmar, author used exploratory study about Myanmar culture by Charles Rarick and Inge Nickerson (An Exploratory Study of Myanmar Culture Using Hofstede’s Value Dimension, 2006) as reference because the study also using Hofstede value dimension. The distance between Myanmar culture and Indonesia culture (referring to Hofstede’s cultural dimension as given below :

Table.2 Myanmar – Indonesia Cultural Distance

<b>Country</b>	<b>Power Distance</b>	<b>Individualism/ Collectivism</b>	<b>Uncertainty Avoidance</b>	<b>Masculinity /Femlnimity</b>
<b>Myanmar</b>	<b>26</b>	<b>51</b>	<b>89</b>	<b>24</b>
<b>Indonesia</b>	<b>78</b>	<b>14</b>	<b>48</b>	<b>46</b>
<b>World Average</b>	<b>58.4</b>	<b>49.0</b>	<b>64.5</b>	<b>50.2</b>

Only at masculinity/femininity index that Indonesia and Myanmar relatively have small cultural gap. Both are tend to be feminine rather than masculine. In three other cultural index, the score is quite contrast. Compare to Indonesian culture, Myanmar cultural member tend to avoid risky situation, more individualist and de-emphasize differences in a group. This immense cultural difference required appropriate strategy from PT. Telkom to minimize potential cultural conflict in the organization. Appropriate strategy has to be made for example in leadership system, organizational design and performance system to bridge the gap between Indonesian and Myanmar cultural member.

*Political Risk.* High political risk in a target country, such as general political instability or the threat of nationalism, favor entry modes that limit the commitment of company resources. Report from AON analyst said Myanmar still considered as a high political risk zone. To lessen the political risk some country has made investment protection agreement with Myanmar Government. For Indonesian company, the political risk is higher since no investment protection agreement with Myanmar government established.

#### *External Factors - Home country – Indonesia*

*Market Size.* Big domestic market allow a company to grow to a large size before it turns to foreign market. Indonesian market is bigger than Myanmar market, with 240 million population size of the market can be said 4 times Myanmar market When a large company go abroad they are more inclined to use equity modes of entry then small company.

*Competition.* Competitive structure of the home market also affect the entry mode. Firms in oligopolistic industries tend to imitates the actions of rival domestic firms. Indonesia domestic market dominate by 11 telecommunication operator where PT.Telkom market share in cellular is 43%.

#### *Internal Factors – Company PT.Telkom*

*Product & Service Type.* PT.Telkom core product is a standard product with low differentiation. PT.Telkom core product consist of cellular, fixed wireline, fixed wireless, and broadband. Main basic services that delivered to the end user is voice, messaging and data services just like any other telecommunication operator. Local operator in Myanmar already delivering those basic services even though with limited coverage. As a services company PT.Telkom must find a way to perform the service in foreign target country, because service cannot be produced in one country for export to another. Telecommunication basic services have to produce locally otherwise the services cannot be deliver to the end user. At a certain level, product deliver to Myanmar market may also have to adopt local characteristic.

*Technology Role.* In the telecommunication industry, any product delivers to customer required support and readiness of the supporting technology. For example, PT.Telkom cellular broadband services will be impossible to deliver without invention and development of 3G technology. Technology plays a highly significant role in this industry instead of regulation(license) and capital.

*Resources Allocation and Degree of Commitment.* Findings shows that, PT.Telkom already can be consider as a multinational company who is seeking opportunity in region market. They are currently doing their business in Singapore, Hongkong, Malaysia and Timor Leste. PT.Telkom operating revenue year 2011 Rp 36.4 Trillion in 2011 compare to its sales revenue Rp 71.3 Trillion shown well balanced cost and substantial economies scale to establish themselves in a market where they might need to invest with substantial resources.

Base on the analysis above, author then narrow down the table formulated by Franklin as mentioned in Table 1. Some rows have been deleted from the original table. The rows that are not

telling the true current situation of factors have been deleted. For example, under foreign country factors, the market is showing high sales potential. The row belongs to “low sales potential” has been deleted. Again, since “oligopolistic competition” has find , so row corresponding to that has been keep and the row belongs to “atomistic competition” has been deleted. The purpose of doing this is to see which entry mode will be preferable entry mode (the highest score) under factor situation describe above.

The result is clearly visible that Branch/ Subsidiaries exporting entry mode has got the highest preference (11), the second is an equity investment entry mode has got 10 preferences, indirect and agent/distributor exporting has got 8 preference, licensing has got 7 preference and service contract has got 5 preference.

*Marketing Plan, Business Initiatives Development in Myanmar*

In the domestic market PT.Telkom main telecommunication product categorized into cellular, fixed wireline, fixed wireless, and broadband. This product delivered to three main domestic market segment which are enterprises, wholesale and retail. In each of product category market share of PT.Telkom in the domestic market is as below :

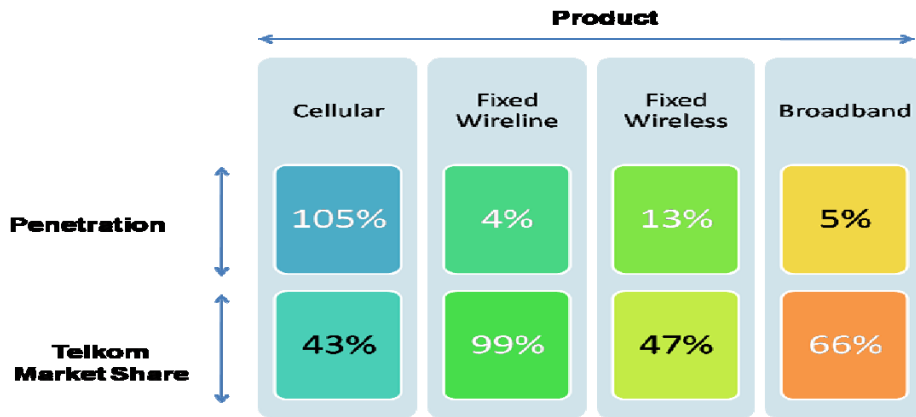
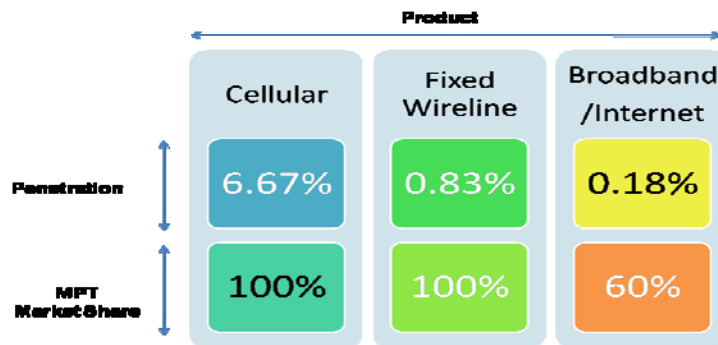


Figure. 4 PT. Telkom domestic competitive landscape as of Dec 2011

The penetration level of cellular product is more than the number of the population, these can be consider as a mature market where opportunity to increase market share need to restructure a mature market by driving out competitors. For others product, PT.Tekom still have the opportunity to increase its market share in the domestic market since the penetration level is still low.

In Myanmar, the competitive landscape can be figured out as below :



Source : Indonesian Embassy, Myanmar Analyst, WTA/Amrta, Telekomunikasi Telekom 2010-2012

Figure.5 Myanmar competitive landscape as of Dec 2011

Penetration level of all product categories is under 10% where the highest penetration level is in cellular product. There are a lot of potential opportunity to growth in Myanmar market relative to PT.Telkom domestic market, under this competitive landscape, using Anshoff matrix, author suggest businesses growth strategy of PT.Telkom in Myanmar as below:

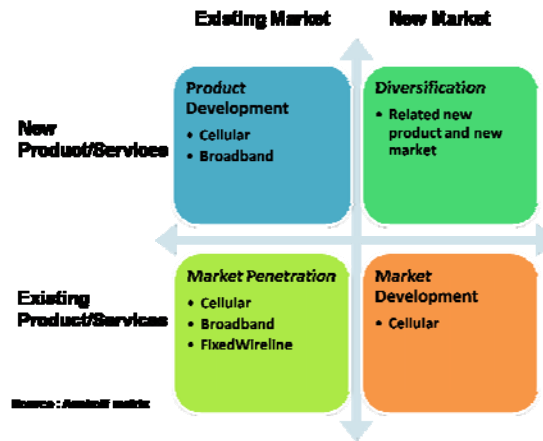


Figure 6. Propose PT.Telkom Business Initiative in Myanmar

- A. Giving more attention on product development for cellular and broadband product in the existing market through:
  - o Add feature and refinement relatively to existing cellular and broadband product.
  - o Develop new services on top of cellular and broadband product. In the big city, MPT already provides broadband access with limited coverage using cellular (3G) access, Fixed Wireline (FTT-x), Wimax and Wifi access.
- B. Giving more attention on market penetration for cellular, broadband and fixed wireline product in the existing market with cellular as the first priority:
  - o Increasing market share by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling.
- C. Related diversification through offering new product to new market product. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. This strategy not relevant considering the competitive landscape of Myanmar market.
- D. More attention on market development for cellular product :
  - o Expand Geographically to other district outside Yangoon, Mandalay and Nay Pyi Daw.
  - o Establishing new distribution channel since the existing marketing infrastructure is poor.

*Control System, Parenting Strategy*

Entering Myanmar market, PT.Telkom as a parent will bring a lot of resources and capabilities since the business is related to its core business competencies. PT.Telkom will highly involve in the planning of the new subsidiary in Myanmar. From formulating the plan, making decisions until provide a clear direction on developing strategies and take the lead on selected corporate development initiatives. Under these circumstances, PT.Telkom will effectively implementing Strategic Planning as its parenting style. In addition to that, PT.Telkom also required to measure objectively performance of its subsidiary in Myanmar. One among other tools that can be used is using accounting-based tools such as return on investment (ROI) and return on assets (ROA). According to that, author also recommends PT.Telkom to adopt Financial Control as its parenting style. Finally, author recommend PT.Telkom to balance between strategic planning and financial control as parenting strategy to manage its subsidiary in Myanmar.

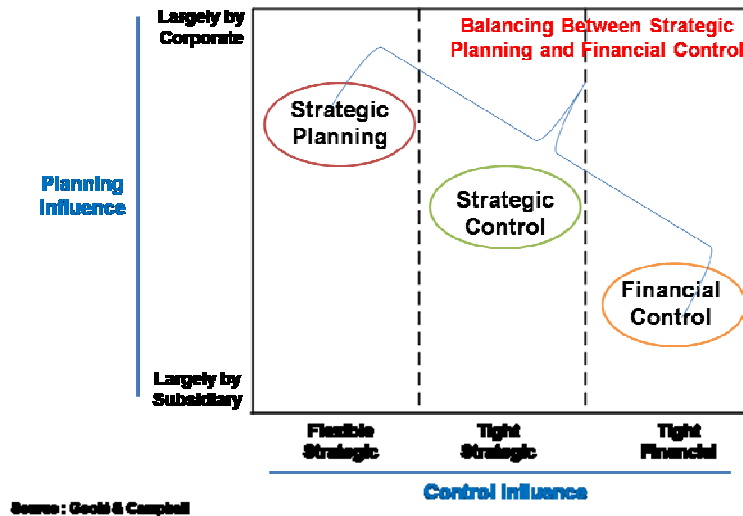


Figure 7. Propose PT.Telkom Parenting Strategy to Myanmar

### Conclusion and Implementation Plan

In brief, Myanmar as a country and its telecommunications industry is favourable and attractive market. Myanmar also strategically fit with PT.Telkom objective and value chain activities. Appropriate mode to entering the country for PT.Telkom Indonesia is a sequential approach, the first step is to immediately open a branch office as “listening port” and then move towards equity investments either on its own or jointly with other companies (regulation consideration). Business initiation that shall develop in Myanmar is cellular product and broadband product in selected urban area. PT.Telkom to balance between strategic planning and financial control as parenting strategy to manage its subsidiary in Myanmar

The Implementation Plan to Enter to Myanmar are as below :

Table 3. Implementation Plan

No	Activities	Time								
		W1	W2	W3	W4	W5	W6	W7	W8	W9
1	Assessing Potential Target Market	█								
2	Filtering Potential Target Market		█							
3	General Analysis of Potential Target Market		█	█						
4	Preliminary Approval from BOD				█					
5	Detail Analysis of Potential Target Market					█	█			
6	Final Approval from BOD							█	█	
7	Project Implementation								█	█
8	Monitoring and Evaluation									█

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