International Business Strategies

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Profitability is the actual rate of return that a firm makes on its capital investment, whereas profit growth refers to the net increase in profits overtime. Factors playing an important role to enhance the profitability of the firm includes differentiation strategies, cost minimization and international expansion (Understanding the difference between profitability and rate of return n.d.).

The global market expansion provides a floor for the companies to boost profitability and profit growth rates. By operating globally, firms can capture an extensive market for its local products, recognize location economies to disperse the activities of value creation where they can be performed proficiently (The Three Principles of Marketing n.d.). It also helps them to identify the greater cost economies, so as to serve an expanded global market from the central location (How to Go Global: Challenges, Considerations and Tips n.d.). Moreover, it leads the company to leverage valuable skills developed in operating at international level, and transfer them elsewhere in the firm for maximizing the rate of return (Twarowska and Kąkol 2013).

## Leverage product and competencies

The next step towards developing the competencies is to leverage the product and competencies of the company. The factors leading the firm going internationally profitable and leverage the products and competencies includes change in customer interference, technological advancement and competitor’s positioning (Core Competencies | An Overview 2014). Leveraging resources and the development of core competencies requires investment in governance process, technology and collective learning (Pitt and Clarke 1999). The profitability of firms that is operating internationally depends up on the quantity and quality of goods and services sold and the firm’s core competencies. It allows the firms to cut the minimize the cost of value creation and premium pricing is possible by creating perceived value (Hill 2008).

The other factors leading the firm to leverage its product and core competencies includes location economies, experience effects which refers to an efficient decrease in production costs that incurred throughout the life of the product, and learning effects for cost saving from learning by doing, and leveraging subsidiary skills (Leveraging Products And Competences Marketing Essay n.d.).s

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