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Corporate Response to Global Financial Crisis: A Knowledge-Based Model

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Abstract

This paper highlights the need for the emerging market firms to take a strategic approach to build capabilities for resiliency in the face of frequent macro economic crises, even if each crisis is anticipated to be temporary and short-term in nature. A knowledge-based model is developed to highlight the dynamics of interaction between the emerging market vendors and the industrial market clients, as the latter restructure their offshoring contracts in the face of a financial crisis. The model shows the strategic solutions that the emerging market vendors have to transform the situation of crisis into a window of opportunity. In addition, the model provides insights into how the industrial market firms may also moderate the effects of an economic crisis by adopting a strategic knowledge exchange approach (i.e., appropriate capability development), instead of the common reliance on a strategic compensation approach (i.e., lower prices or profits).

KEYWORDS: emerging markets, financial crisis, strategic restructuring, knowledge-based model, sustainable competitive advantage