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# Guest editorial

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## Market shaping and systemic innovation

In this special section of the *Journal of Business & Industrial Marketing*, we introduce the five accepted papers that all present their own perspectives on the connection between systemic innovation and market shaping. The papers build on an amalgamation of extant literature and empirical research and collectively provide a basis for a research agenda on market-shaping strategies, especially regarding business and industrial marketing.

### Introduction

The idea that market actors can use their agency to shape markets first emerged in work on market-driving strategies (Jaworski *et al.*, 2000; Narver *et al.*, 2004). This literature distinguished between the proactive efforts of firms to deliberately drive market change and the more typical reactive market orientation.

However, since the early 2000s, conceptualizations of markets have advanced a good deal, along two interrelated trajectories. First, building on economic sociology (Granovetter, 1992), markets are increasingly viewed as socially constructed (Araujo, 2007; Geiger *et al.*, 2012; Kjellberg *et al.*, 2012) and, therefore, plastic and malleable (Nenonen *et al.*, 2014). Second, various research streams recognize markets as networks, systems or ecosystems governed by institutions and institutional logics (Vargo and Lusch, 2016). Examples of such streams that are relevant to business and industrial marketing are as follows: markets-as-networks (Mattsson and Johanson, 2006; Johanson and Vahlne, 2011); stakeholder marketing (Hult *et al.*, 2011; Hillebrand *et al.*, 2015); managing and mobilizing business networks (Aarikka-Stenroos and Ritala, 2017; Möller and Halinen, 2017; Nordin *et al.*, 2018; Van Bockhaven and Matthyssens, 2017); and actor engagement (Brodie *et al.*, 2019; Kleinaltenkamp *et al.*, 2019; Storbacka, 2019).

If markets are viewed as malleable value-creating systems governed by institutions, they can no longer be viewed as a given and deterministic context, exogenous to the firm (Priem *et al.*, 2013). Instead of sense-and-respond, i.e. analysing markets to find opportunities, firms need to adopt an agentic view as active creators of market opportunities (Alvarez and Barney, 2007; Sarasvathy, 2008). The outcome is that markets (and opportunities) are not precursors to strategy, but rather outcomes of deliberate and designed actions (Nenonen and Storbacka, 2018), thus inviting firms to engage in *market-shaping strategies* (Gavetti *et al.*, 2017; Kindström *et al.*, 2018; Nenonen *et al.*, 2019).

Systemic market-shaping-related innovation draws on insights from three main literatures:

- 1 *market creation* (O'Connor and Rice, 2013), *niche construction* (Luksha, 2008; Patvardhan and Ramachandran, 2020) and *market formation* (Lee *et al.*, 2018; Struben *et al.*, 2020) related to *radical technology innovation*;
- 2 *business model innovation* (Amit and Zott, 2012; Foss and Saebi, 2017); and
- 3 *institutional innovation* (Battilana *et al.*, 2009) and *institutional work* (Lawrence *et al.*, 2013; Baker *et al.*, 2019).

Hence, the outcome of successful market shaping can be viewed as a market innovation, defined as “the emergence and institutionalization of new solutions” (Vargo *et al.*, 2015, p. 64), or “the successful change of existing market structure, the introduction of new market devices, the alteration of market behavior, and the reconstitution of market agents” (Kjellberg *et al.*, 2015, p. 6).

In sum, these advances in conceptualizations and broadening of perspectives toward a more systemic view of markets and market shaping, open completely new opportunities for firms to engage in activities aimed at influencing the market to improve value creation. Simultaneously, the need for more research on the processes and outcomes of market-shaping activities, and the roles that various market actors can play in this context, have emerged. This special section provides both insights into these topics and highlights the need for further examination of the complex process of market shaping.

### Articles in the special section

The five articles in the section all take different perspectives on the systemic innovation and market-shaping phenomenon: analysing contemporary *market-scanning tools* used in managerial practice; applying a *systems theory approach* to understanding the viability of shaped market systems; using strategic *design thinking* to improve systemic understanding and collective collaboration in market-shaping; analysing how collective action leading to market shaping occurs through the interplay between market shapers' *institutional work and engagement* by other market actors; and exploring the effects of *reducing the effort* required by market actors other than the market shaper as a means to facilitate market shaping.

The first article focuses on a managerially relevant topic, relating to how commonly used market-scanning frameworks, in this case the five-forces analysis and PESTEL environmental scanning tool, may impact firms' readiness to anticipate market-shaping acts. In the paper, “*Market-scanning and market-shaping: Why are firms blindsided by market-shaping acts?*”, the authors Diaz Ruiz, Baker, Mason and Tierney, interrogate the underlying assumptions and “blindspots” of two market-scanning frameworks frequently used by managers in their strategy development processes. They find that marketing strategists can be “blindsided” as often-used market-scanning frameworks have either too narrow an interpretation of market change or are too broad to anticipate specific types of market-shaping acts. The assumptions about markets that underpin these market-scanning frameworks contribute to incumbents being slow to realize market-shaping acts are taking place. The authors use three illustrative vignettes in which non-industry actors catalyzed market change in ways that these market-scanning frameworks would not be able to anticipate.

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The key outcome of the study is that relying on such frameworks can create a type of managerial myopia that fails to register the socially embedded, systemic nature of complex contemporary markets. To improve managerial practice, the paper provides an “actors-agendas-outcomes” scanning framework that offers awareness of market-shaping acts.

The second paper takes a broader perspective of systemic markets and examines the mechanisms at play when emergence happens in such market systems. In the paper, “*Viability mechanisms in market systems: Prerequisites for market-shaping*”, the authors, Peters, Nenonen, Polese, Frow and Payne, identify the “viability mechanisms” that enable the emergence of a viable market: one able to adapt to the changing environment over time while remaining stable enough for market actors to benefit from it. Drawing substantively on the systems literature, the authors develop a conceptual framework that incorporates four viability mechanisms: presence of dissipative structures; consonance among system elements; resonance among system elements; and reinforcing and balancing feedback loops. The article includes a case illustration to show how a viable market for Finnish timber high-rise buildings was created. The resultant framework illuminates the workings of the non-linear relationship between actor-level market-shaping actions and system-level market changes. The framework highlights the following:

- market-shaping actors should look for, or foster, viability mechanisms within their market-shaping strategies; and
- given that failure rates in innovation are extremely high, managers should avoid premature commercialization of innovations by identifying or influencing viability mechanisms.

In doing so, the framework provides an important “missing link” in the scholarly and managerial discourse on market-shaping strategies.

The third paper takes a contemporary strategic design perspective in conceptualising the interplay between strategic design and market-shaping capabilities. The paper by Windahl, Karpen and Wright, “*Strategic design: orchestrating and leveraging market-shaping capabilities*”, merges a contemporary view of markets and market-shaping capabilities with a conceptual exploration of strategic design. The research proposes that the strategic design process can shape markets through orchestrating and leveraging market-shaping capabilities.

Specifically, the study highlights how these capabilities trigger and facilitate purposeful intent; situated and systemic understanding; and collective collaboration. The paper’s contribution relates to identifying strategic design as an innovative approach for creating future value-creating systems or markets. In so doing, the authors develop a process framework for market-shaping capabilities, thereby addressing the “how” of market-shaping.

In the fourth article, “*Market-shaping dynamics: Interplay of actor engagement and institutional work*”, Fehrer, Conduit, Plewa, Li, Jaakkola and Alexander combine institutional work and actor engagement literature to elucidate how the collective action of market shaping occurs through the interplay between market shapers’ institutional work and engagement by other market actors. The paper develops a dynamic, iterative framework of market shaping through increased resource density, revealing the interplay between seven types of market shapers’ institutional work and changes in other market actors’ engagement

dispositions, behaviors and the diffusion of actor engagement through the market. The framework is illustrated by a case study of a blockchain-based, decentralized travel marketplace named Winding Tree, which engages in market shaping by decoupling existing resource linkages, creating new ones and stabilizing others through a dynamic iterative process. The paper fundamentally illustrates how the engagement of market actors is necessary for market shaping to happen in systemic markets.

In the fifth and final article, “*How much is enough? The role of effort in market-shaping*”, Lipnickas, Conduit, Wilkie and Plewa correctly argue that for market shaping to happen, actors other than the market-shaping actor must also exert effort in the value co-creation process. Therefore, the authors explore the effects of reducing this effort as a mechanism to facilitate market shaping. The conceptual paper develops a framework and five propositions that explicate the role of effort reduction when achieving market-shaping outcomes. Effort reduction can be achieved by reducing the level of resource input required, and/or by reducing the activities required when accessing, transforming, and combining resources to co-create value. The core contribution of the study is that it highlights resource integration does not just “happen”, and in so doing, advances understanding of resource density as a focal construct in market shaping.

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