

CRISIS AS A CATALYST OF MARKET SHAPING: THE ROLE OF LEADERSHIP AT DIFFERENT STAGES OF BUSINESS

KRIZA KAO KATALIZATOR OBLIKOVANJA TRŽIŠTA: ULOGA VODSTVA U RAZLIČITIM FAZAMA POSLOVANJA



Market-Tržište
Vol. 36, No. 1, 2024, pp. 43-58
UDK 005.22:339.13
005.334-057.17
DOI <http://dx.doi.org/10.22598/mt/2024.36.1.43>
Preliminary communication

Jan Wegert

Prague University of Economics and Business, W. Churchill Sq. 1938/4, 130 67 Prague 3 – Žižkov, CZECH REPUBLIC, e-mail: wegj00@vse.cz

Abstract

Purpose – The objective of this research study is to examine how businesses navigate crises by leveraging market shaping and embracing transformational and transactional leadership. Specifically, the study aims at investigating the behavioral responses of companies during the COVID-19 crisis, exploring their market-shaping practices, the challenges encountered, and the leadership styles employed.

Design/Methodology/Approach – Qualitative research is employed in this study, using in-depth, semi-structured interviews conducted with managers of large companies and SMEs.

Findings and Implications – The extent to which companies engage in market shaping depends on the stage of their business, with crises as one of several determining factors. In the early stages of business, companies seem to engage in market shaping, with leaders driving teams to gain market position. As they become better established, companies tend to become more reactive due to blockers stemming from transactional leadership, so they focus on core business. The crisis stage acts as a catalyst for market shaping, prompting companies to adopt a more transformative leadership style and foster a culture of change.

Sažetak

Svrha – Cilj je istraživanja ispitati kako poduzeća upravljaju krizom djelovanjem na oblikovanje tržišta i prihvaćanjem transformacijskog i transakcijskog vodstva. Konkretno, želi se istražiti bihevioralne odgovore poduzeća tijekom krize izazvane bolešću COVID-19, i to istražujući njihove prakse oblikovanja tržišta, izazove s kojima su se susretala i korištene stilove vodstva.

Metodološki pristup – Primijenjeno je kvalitativno istraživanje uz pomoć polustrukturiranih dubinskih intervjua s menadžerima iz velikih te malih i srednjih poduzeća.

Rezultati i implikacije – Mjera u kojoj su poduzeća uključena u oblikovanje tržišta ovisi o fazi poslovanja, s krizom kao jednim od nekoliko odlučujućih čimbenika. U ranim fazama poslovanja čini se da su poduzeća uključena u oblikovanje tržišta, s vodstvom koje pokreće timove za zauzimanje pozicije na tržištu. Kako poduzeća postaju uhodana, imaju tendenciju postati sve reaktivnijim zbog prepreka koje proizlaze iz transakcijskog vodstva i usredotočenosti na osnovnu djelatnost. Stadij krize djeluje kao katalizator u oblikovanju tržišta potičući poduzeća na usvajanje transformativnijeg stila vodstva i njegovanje kulture promjene.

Ograničenja – Istraživanje je ograničeno na percepcije 11 menadžera iz Srednje Europe. Daljnje istraživanje pri-

Limitations – The study is limited to the perceptions of 11 managers from the Central Europe region. Further investigation using quantitative research methods would provide a more comprehensive understanding of the topic.

Originality – The study highlights how companies engage in market shaping at different business stages. It emphasizes the role of crises as catalysts for market shaping. The study underscores how companies embrace transformational leadership and foster a culture of change during crises to adapt to new market conditions.

Keywords – market shaping, transformational & transactional leadership, crisis

mjenom kvantitativnih istraživačkih metoda omogućilo bi cjelovitije razumijevanje teme.

Doprinos – U radu se naglašava način na koji se poduzeća uključuju u oblikovanje tržišta u različitim fazama poslovanja. Označava se uloga krize kao katalizatora u oblikovanju tržišta. Dodatno, ističe se da poduzeća prihvaćaju transformacijsko vodstvo i njeguju kulturu promjene usred krize kako bi se prilagodila novim tržišnim uvjetima.

Ključne riječi – oblikovanje tržišta, transformacijsko i transakcijsko vodstvo, kriza

1. INTRODUCTION

In the midst of the COVID-19 pandemic, rising inflation, and economic downturn, management teams faced multifaceted crises, requiring them to navigate their businesses through a volatile and uncertain environment (Armantier et al., 2021). Crises influence market behavior of companies, encompassing their market approach, innovation activities, and adoption of technological progress (Kottika et al., 2020). Moreover, crises have implications for the behavior of leaders, who may respond either through directive and inflexible conduct (Stoker, Garretsen & Soudis, 2019) or through the application of transformational leadership, characterized by the cultivation of a change-oriented culture (Greimel, Kanbach & Chelaru, 2023).

While crises act as external change factors impacting the market, scholars have increasingly emphasized the active role that companies have in shaping the market (Nenonen, Storbacca & Frethey-Bentham, 2019). Markets are complex, dynamic systems created and influenced by market structures, the roles of different players, and their behaviors. Markets should not be viewed as an entirely exogenous construct, as suggested by market orientation theory. Market change can occur both unconsciously through companies' behavior and consciously through their efforts to influence the market (Baker, Storbacca & Brodie, 2018).

The concept of market orientation has paved the way for the emergence of market shaping. Companies possessing the ability to influence the market, whether consciously or unconsciously, can adopt two different approaches (Kaartemo & Nyström, 2021). A reactive approach is driven by the market, focusing on internal operations whereas a proactive approach enables market-shaping companies to gain a competitive advantage by identifying new trends and latent needs ahead of customers, involving radical innovations or new business models (Stathakopoulos, Kottikas, Painesis, Theodorakis & Kottika, 2022).

In this volatile environment, strategic decisions are the domain of leadership teams. The manner in which companies approach the market is decided by their management and adopted leadership philosophy (Knight et al., 1999). Transformational leadership has the potential to play a crucial role in enabling businesses to adopt a more effective market-shaping approach. By inspiring and motivating their followers, transformational leaders can significantly influence a company's external behavior and ability to shape the market (Mackenzie, Podsakoff & Fetter, 2001). However, comprehensive research investigating the relationship between transformational and transactional leadership and market shaping is still lacking (Uhl-Bien & Arena, 2018).

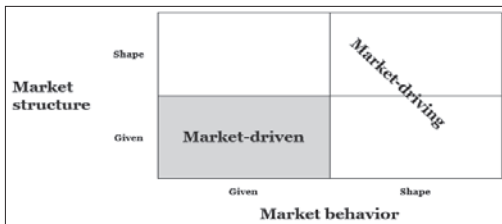
Therefore, the present qualitative research study is aimed at examining the relationship between market shaping and transformational and transactional leadership during the COVID-19 crisis, providing practical insights into their application in the current volatile business environment, with a focus on crisis as a driving force. Through in-depth interviews with 11 managers, it explores the market-shaping efforts undertaken by companies and investigates the specific leadership approaches employed during the COVID-19 crisis. By contributing to the existing literature on market shaping and leadership approaches during crises, the author of this study aims to offer relevant insights and practical applications that can assist practitioners in navigating challenging market conditions.

2. MARKET SHAPING IN CONTEXT OF CRISIS

Market shaping by companies can be described as specific activities that influence the market environment, encompassing aspects such as market structure, the roles of market players, and their behavior. The market is a dynamic and living system that is constantly shaped by individual market actors with different roles, individual or joint activities, relationships, coalitions, or

hostile competitive attacks. A company practices market shaping if it is proactive, pursues opportunities through latent customer needs, implements radical innovations, or exploits new business models (Stathakopoulos et al., 2022). Market actors have different roles and levels of impact that may change over time based on corporate strategies and activities relating to the current market status and vision. By following their vision, companies reshape themselves and the market as a whole (Flaig & Ottoson, 2022). In contrast, they can also be market-driven, following current market vision and perceiving market structures and roles of individual players as more or less a given (Wilden, Gudergan & Lings, 2019).

FIGURE 1: Forms of Market Orientation



Source: Author's own research, based on Jaworski, Kohli & Sarin (2000).

The COVID-19 crisis brought about unprecedented disruptions to market conditions and traditional business models (Parmelee & Greer, 2023). In this context, market shaping may emerge as a crucial strategy to guide companies through challenging times of crisis. By strategically manipulating market conditions, companies can actively shape the market to create new opportunities for growth (Kaartemo & Nyström, 2021). By doing so, they are not only able to survive in times of crises but also thrive, positioning themselves as market innovators and navigating their way out of a crisis with market share growth (Kottika et al., 2020). However, market shaping and the subsequent building of resources needed for its implementation are the determining force for the life cycle of any company and times of crisis are not an exception (Hasan & Cheung, 2018).

Market shaping, through the strategic manipulation of market conditions, can create a competitive advantage over other players that are slower to change or struggle to respond to a crisis in any way. It can also generate new opportunities for growth while others are simply fighting for bare survival in the market (Schoemaker, Khexenberger & Rauch, 2018). Nevertheless, market shaping alone may not be enough to achieve higher performance, as demonstrated by previous research conducted by Wilden et al. (2019). Despite numerous studies demonstrating a positive relationship between market shaping and performance (Stathakopoulos et al., 2022), some studies suggest that market shaping in isolation may not suffice to achieve the desired performance (Wilden et al., 2019), or else, may involve only indirect or non-significant relationships (Correia, Dias & Teixeira, 2020). A research study by Vlašić, Keleminić, and Dropljić (2022) found that market shaping is more effective for achieving long-term performance while short-term performance is powered by a market-driven approach. However, it is still unclear how market shaping can help companies navigate through crises. This study addresses this research gap and explores the impact of transformational and transactional leadership on market shaping in times of crisis.

3. LEADERSHIP'S ROLE IN MARKET SHAPING DURING A CRISIS

Transformational leadership is characterized by the ability to inspire employees, create a compelling vision, stimulate creativity, and understand employee needs. It transcends existing norms and practices, emphasizing change and achieving higher performance outcomes (Hartog, Ferris & Hirstet, 1997). In contrast, transactional leadership operates on a give-and-take basis, using rewards or punishments to shape subordinate behavior within established rules and norms (Hartog et al., 1997). While transactional leaders focus on maintaining existing

practices, transformational leaders reshape culture and behavior to align them with a shared vision and values (Bass & Avolio, 1994). The key distinction lies in the approach taken by leaders: transformational leaders take a proactive stance, while transactional leaders react to follower performance (MacKenzie et al., 2001).

During a crisis, the behavior of market participants is shaped by the decisions of their leaders, who play a pivotal role in driving organizational responses (Garretsen, Stoker, Soudis & Wendt, 2022). A crisis may prompt leaders to respond with a rather transactional leadership approach that reflects rigidity (Stoker et al., 2019). On the other hand, Greimel et al. (2023) assert that transformational leadership drives adaptability and resilience in times of crisis, and that the effectiveness of the transformational leadership style extends to all cultures and business stages. According to Shamir, House, and Arthur (1993), transformational leadership becomes more relevant than transactional leadership during crises because of uncertainty and the inability to specify and measure performance goals easily. The differences in the findings of those recent studies indicate that further investigation is warranted.

Transformational leadership plays a crucial role in fostering market shaping by creating a supportive culture, promoting innovation and empowerment, and facilitating decentralization (Menguc & Auh, 2008). By aligning their followers' values with the company's vision and providing intellectual stimulation, transformational leaders cultivate an environment that encourages innovation, shaping the market through the development and implementation of novel ideas and solutions (Jung, Chow & Wu, 2003). In the times of crises such as COVID-19, transformational leaders use their influence and communication skills to inspire a sense of purpose aligned with new market realities, empowering individuals and teams to work toward common

goals (Uhl-Bien & Arena, 2018). Adopting a market-shaping mindset facilitated by transformational leadership may thus enable companies to adapt successfully and emerge stronger amid crises, such as the one caused by the pandemic.

4. METHODOLOGY

For the purposes of this study, in-depth interviews with 11 managers of both large companies and SMEs in Central Europe were conducted to explore the relationship between market shaping and transformational and transactional leadership during crises. The sample size was determined based on the guidelines proposed by Sim and Maier (2018) for qualitative studies. The interviewed managers represented diverse industries, including consumer packaged goods (CPG), information technology (IT), travel, fashion, pharmaceuticals, and consulting. Of the 11 participants, two were founders occupying management positions, eight held local managerial positions in large organizations, and one worked as a consultant, primarily for large organizations. The summary of the facts about the respondents and their companies is presented in Table 1.

The selection of managers from various industries was based on purposive sampling, a common approach used in qualitative research (Palinkas et al., 2013). The industries represented by the interviewed managers allowed for the exploration of different perspectives, experiences, and practices related to market shaping and leadership styles in the times of crisis. This approach also facilitated the identification of commonalities and differences in the strategies and challenges faced by managers across industries. The inclusion of various industries thus served to gain in-depth insights and understanding of the phenomena of market shaping, transformational and transactional leadership during the COVID-19 crisis.

TABLE 1: Respondents and companies

Companies	Industry	Size	Department	Reporting abroad
Company A	CPG	Large	Sales	Yes
Company B	CPG	Large	Sales	Yes
Company C	CPG	Large	Sales	Yes
Company D	CPG	Large	Sales	Yes
Company E	CPG	Large	Sales	Yes
Company F	CPG	SME	Founder, CDO	No
Company G	IT/Real estate	SME	Business Dev.	No
Company H	Pharmaceuticals	Large	Marketing	Yes
Company I	Travel	Large	COO	Yes
Company J	Fashion	SME	Founder, COO	No
Company K	Consulting	Large	Consultant	Yes

Source: Author's own research.

The interviews took place in Q1 2021 during the COVID-19 pandemic, which adds relevance to the topic of transformational and transactional leadership's influence on market shaping. The duration of the interviews ranged between 50 minutes and 90 minutes. An interview guide was developed and used, following the research of Avolio and Bass (1999) and Narver, Slater, and MacLachlan (2004). At the beginning of each interview, the interviewer asked identification questions to establish a rapport with the participant. Subsequent questions focused on the market-shaping and market-driven approach of each company, including a discussion of the specific examples of each during the COVID-19 crisis. The final set of questions explored the relationship between transformational and transactional leadership and market shaping during the pandemic.

The interviews were conducted through the Webex video platform, with backup copies made using a mobile recording device. The recordings were transcribed verbatim and subsequently anonymized to protect the confidentiality of the participants. The data were analyzed following Spiggle's (1994) systematic analytical approach and recommendations to categorize, abstract, compare, and iterate. This

approach allowed for the generation of logical and methodical inferences while minimizing potential distortion stemming from the selective use of the data. The main categories were identified after six interviews, with the saturation point achieved at the eleventh interview.

5. RESULTS

Companies seem to manifest distinct behaviors contingent, upon their particular stage of business in which crises represent merely one facet. These findings are shown in Figure 2, illustrating the market shaping, leadership approaches, and key highlights across the three stages of business.

In the initial stage of the business, companies seem to put an emphasis on market shaping and scaling of their operations, which is underpinned by the adoption of transformational leadership and the implementation of a test-and-learn approach. During this phase, they introduce innovative products, disruptive business models, and also venture into new markets. The emphasis on market shaping during this stage suggests that crises may have a relatively limited impact on the behavior of companies or decision making of their managers.

FIGURE 2: Summary of findings

Stage I.	Stage II.	Stage III.
Business at start	Established business	Business in crisis
Market-shaping orientation is naturally supported by transformational leadership and test and learn approach.	Companies are market-driven and practice a transactional leadership. The blockers of market shaping are:	Market-shaping orientation is supported by transformational leadership.
Companies concentrate on gaining market position and scaling their business. They introduce:	1. Too much focus on core business and existing needs	Companies are forced to change the status quo. The crisis is forcing them to transform. The key is:
1. Innovative products	2. Lack of resources and skills	1. Sponsorship of change and culture of tolerating mistakes
2. Disruptive business models	3. Change not sponsored by management teams	2. Clear vision translated into real actions
3. New markets	4. Internal bureaucracy, large companies make decisions at the corporate level	3. Adoption of key attributes for transformative leadership

Source: Author's own research.

However, in the next stage of business, established companies appear to become market-driven and practice transactional leadership. This type of behavior was observed by a number of managers prior to the COVID-19 crisis. Several blockers impede market shaping at this stage, including an excessive focus on core business and existing needs, resource and skill constraints, lack of support from management teams for change initiatives, and internal bureaucracy, which is particularly prevalent in large organizations with centralized decision making at the corporate level.

Market shaping, supported by transformational leadership, seems to reemerge in the third stage during crises. The exigencies of the crisis compel companies to challenge the status quo, with the crisis itself serving as an opportunity for transformative change. The key drivers of success during this period are likely to include management support for change initiatives, a culture that embraces tolerance for mistakes, the translation of a clear vision into tangible actions, and the incorporation of essential attributes associated with transformative leadership.

5.1. Stage 1: Market shaping seems to be critical at the start of business

Most of the interviewed managers emphasized the necessity of market shaping, particularly in the initial stage of business development. Companies seem to engage in market shaping in order to achieve scalability and establish a strong foothold in the market. Moreover, it was revealed that some managers draw inspiration from diverse markets, utilizing innovative approaches to disrupt existing markets through the introduction of novel products and services. By embracing a disruptive mindset, such companies aim to challenge conventional market dynamics and introduce transformative offerings that have the potential to reshape the competitive landscape.

"We found inspiration in the US market, and the producer was inactive in Europe. We created prototypes and tested the product for six months. We asked users in focus groups. Then we began with manufacturing."

Companies exhibit a tendency to align with emerging trends and adopt innovative business

models, which they endeavor to introduce within local markets.

"In Germany and the Netherlands, most of the business in our industry is done online, in Scandinavia almost 100% of the business is online. Here, in the local market, we have 10% of the business online, it is coming gradually, and we need to be the one who drives it."

Market shaping is widely acknowledged among managers as an essential requirement for achieving success at the time of market entry. They recognize that the introduction of innovations and product enhancements is crucial for establishing a robust market position. Interestingly, some managers have expressed a relatively dismissive stance regarding the impact of the COVID-19 crisis, emphasizing their primary focus on driving business growth and expansion through ongoing developments.

"We are at the beginning, we do not focus on the current pandemic situation [...] We need to implement changes that will allow us to further scale our business and growth. Every organization must implement changes to grow."

"We were not disrupted much by COVID-19 as we were still building the position on the market and focusing on the main project to develop."

"A company can only be successful at the start of its business if it has a proactive approach and drives the market. If it is only responsive, it cannot succeed."

Market shaping at an early stage of business seems to be an essential prerequisite for success. However, there appears to be a gradual shift in the approach toward a market-driven orientation. Companies tend to become more internally focused, relying on the past successes that have contributed to their current market position. The following examples demonstrate the dynamic in the approach. Once they get established, companies tend to follow the market, and their activities may gravitate toward optimization and a more transactional approach, focusing on short-term goals and optimization.

"At the start of our business 10 or 15 years ago, we drove change through technological innovation in the industry [...] Subsequently, we made only minor adjustments to the business model, finetuned our operations; however, a major transformation was no longer done. For the last three years, we could see it is no longer enough, the competition is starting to get stronger, and we need to undertake another transformative change."

"It depends on the time. Our firm was super market shaping 10 years ago at the beginning of its existence. But when we look at our last years, we are more like an 'incumbent' organization, that does it its way. [...] There is no big innovation anymore."

In a market with few players or where a company holds a dominant market position, possessing strong operational capabilities can be adequate to sustain that position temporarily. However, competitors may also acquire similar operational capabilities over time. Consequently, it becomes crucial for companies to continuously adapt and evolve in order to maintain a competitive advantage. Established ones may experience a slowdown in their innovative efforts and shift their focus toward the core business.

"Every attractive market will be saturated over time. It is important to focus on the core business, but at the same time to be constantly innovative and to build extreme ownership in employees."

"From my experience, organizations that fail to constantly evolve have the problem in focusing too much on operational, day-to-day matters, and doing what has worked for them in the past."

Unfortunately, companies appear to fall short in effectively implementing necessary changes even though their managers acknowledge the importance of challenging the status quo. The focus on core business activities tends to divert their attention from potential opportunities.

"Sometimes it seems to me that our firm knows about trends, but waits for the trend to be confirmed or for the opportunity to grow to such a size that it can reactively enter."

5.2. Stage 2: Established companies appear to embrace a market-driven approach

The approach companies take toward the market is dynamic in nature. Initially, as they enter the market, companies seek actively to establish their market position. However, once they become established, their focus tends to shift toward optimizing the factors that have contributed to their success. This state of inertia often persists until an external crisis disrupts their complacency. Managers have identified certain obstacles that hindered their ability to engage in market shaping prior to the COVID-19 crisis.

One prominent blocker to market shaping, as previously mentioned, arises when companies achieve a comfortable market position and shift their attention to optimization endeavors. A company becomes preoccupied with safeguarding its core business, driven partly by the apprehension of making missteps or pursuing unfruitful paths. Consequently, efforts to market shaping can encounter internal resistance within established enterprises, fostering a perception that the company is resistant to transformation.

"Often, an organization focuses too much on core business, or else, it fails to communicate the strategy or change projects well and encounters organizational resistance."

"Sometimes, it seems to me that our firm knows about trends but waits for the trend to be confirmed or for the opportunity to grow to such an extent that it can reactively enter."

The process of market shaping can be a challenging and sometimes unsuccessful endeavor. It may be due to a limited capacity of company resources and skills encountered by companies when they attempt to innovate or change. As the magnitude of the required changes intensifies, the limitations in resources and skills may become more pronounced. This can be attributed to a tendency among companies to allocate their resources to their core business, which is perceived as less risky compared to

ventures that entail greater uncertainty. Consequently, the prioritization of resource allocation for established and proven endeavors may limit their capacity to engage in transformative market shaping activities.

"We did not embark on some projects due to financial capacities, human resources, insufficient knowledge, or logistical possibilities."

"We decided to introduce a new service and we failed – from the point of view of management, procedurally, financially, know-how ... and we had to end it."

"We often try to change the strategy with existing capabilities. However, this does not work and it would be more appropriate to transform, for example, the organizational structure or acquire new capabilities – distributional, new knowledge, new product formats. But that is not happening or the change is too slow."

Companies naturally tend to prioritize their attention to current customer needs and prevailing market trends. However, this could paradoxically act as another blocker to market shaping. While this approach may be effective in maintaining competitiveness and satisfying existing customers, focusing only on current customer needs and trends may hinder a company's ability to identify and pursue new opportunities, disrupt the industry, and create a new market. To overcome this blocker, companies should balance their market-driven approach with a proactive approach that focuses on identifying unmet needs, experimenting with new ideas, and creating new markets.

"We ask customers what they want. We give them a list of options for what our product should look like, and we do what they choose."

"We monitor new products. [...] We visit trade fairs, monitor our customers, and ask them about their needs [...] we visit stores, we also look inside delivery vans when they stop somewhere [laughter]."

Large enterprises may face additional market shaping blockers due to their corporate-level decision-making processes. Managers at a local

business unit often have limited control over the allocation of organizational assets, hindering their ability to shape the market. Furthermore, the lengthy approval process required to obtain resources at corporate level may result in missed market opportunities or delayed market-shaping initiatives. Despite their strong understanding of the local markets, the inability to act quickly or obtain necessary resources may prevent large companies from capitalizing on market opportunities. It may also lead to reduced competitiveness.

"We are strong in getting information from the market, we know how to react or what to do but often we do not have locally the resources needed and we simply cannot act. And the process to get the resources and the time and energy invested either does not pay off or it takes so long it does not make sense at all."

"Regarding product innovations, I experienced many times that we could not launch some innovation because we did not get approval from the regional team to do it. The reason can be low margin or low volume to reach minimum production quantity."

The present research has highlighted the need for greater leadership support of market-shaping initiatives as another potential blocker to market shaping. Management appears to focus on transactional leadership, achieving short-term goals while neglecting long-term vision. When leadership is focused solely on current operations or is resistant to change, it could hinder the implementation of market shaping, thus preventing companies from achieving their strategic objectives.

"Unless management pushes and supports change, it is very difficult for a business to dictate the shape of the market."

"Top managers often pursue short-term goals and ignore the long-term horizon. Especially in large companies, the managers know that in 2-3 years they will be in a different position."

"Everything in the firm is moved and decided by people. And if the management focuses on current

business or is scared of change, there is no way to do anything."

5.3. Stage 3: Crisis as a catalyst of market shaping

Managers contend that external disruptions in the form of a crisis bring about changes in company attitudes, illustrating it with the example of the COVID-19 crisis. Additionally, disruptions can take the form of new technologies, changes in consumer behavior, or demand. These crises and external changes can cause a shift in the company approach to the market and boost market-shaping activities. Established businesses might overlook their environment and concentrate on operational management or rely on past successes. However, as managers shared, the massive disruption in the form of COVID-19 crisis changed company attitudes and accelerated their initiatives for change.

"Due to the COVID-19, we lost most of our demand. But we still have staff in our call center. We need to be more flexible. We are now trying to reduce the call center by allowing the customers to place an order themselves online. This would have a significant impact on profitability. [...] We worked on the transition to the digital environment before COVID-19 to finetune our bottom line, but it was the pandemic that accelerated the whole process of change."

The following example illustrates the evolving dynamics of a company's market approach across different stages of its lifecycle, encompassing market entry, establishment, and response to external crises.

"At the beginning of our business, we were very market-shaping. In the last years, we were rather market-driven, riding on a wave of success as customers returned to us. Now, with COVID-19 on our backs, we're proactive, but because we have to – we needed the trigger."

According to interviews with managers, the practice of market shaping is often accompanied by the display of transformational leadership by their management. Clear support for

change and active involvement of leaders are deemed crucial for a company's market-shaping endeavors. This entails management emphasizing the necessity of continuous change, fostering a mindset for seizing opportunities, and actively pursuing the acquisition of new customers.

"Our CEO comes up with ideas and puts a lot of pressure on how to change the business model or how to innovate to match the trends we see, for example, abroad. This approach is important because it brings about transformation."

During the COVID-19 crisis, management teams demonstrated an outward focus, recognizing the importance of the market once again. According to the insights gathered from interviewed managers, the crisis has served as a catalyst for market shaping. Companies cultivated a culture in which individuals exhibited a willingness to explore new ideas and embrace a mindset that is unafraid of making mistakes. The crisis also reactivated transformational leadership, motivating individuals to proactively seek out new opportunities and actively engage in a test-and-learn approach.

"When our customers want something or we see that a particular product or innovation might work, we try it. We apply the try-fast-fail-faster approach."

The following example concerns a company that took the opposite direction by not actively engaging in market shaping due to a lack of transformational leadership within its management. However, remarks by the interviewed manager suggest that the COVID-19 crisis has the potential to prompt a change in the approach toward market shaping, indicating a possible shift in their leadership style and strategic orientation.

"Our competition is bigger than us, they have been here for a long time, started in the 90s. The owners get older and do not follow trends or consciously ignore them. Now, during the pandemic crisis, they got a brutal electric shock – so they will probably start focusing on what can be done differently."

During the COVID-19 crisis, transformational leadership that enables market shaping requires a solid and compelling vision to unite employees and inspire them to demonstrate it in their job roles. For a vision to be successful, it should instill confidence in everyone involved in its implementation. Management teams translate their vision into tangible market-shaping actions that are aligned with business operations. Failure to do so can lead to a lack of trust among employees, who may question the relevance and feasibility of the proposed vision.

"The management must have a vision for the employees to follow and play their important role in it. At the same time, everyone must have confidence in that vision."

"Leadership and its vision must be translated into real actions. The worst thing is when a vision is created without being reflected in business operations and it only raises questions."

It was imperative, during the COVID-19 crisis, for company leadership to ensure their vision was effectively communicated and integrated into all aspects of the corporate strategy and operations.

"During COVID-19, we started with weekly meetings talking about information from the market. Our CEO used to send regular video messages to talk about the desired business behavior, underlining the need to be resilient and help our trade partners using new ways of working."

Managers also indicated that a change in the leadership team is sometimes necessary to provide the company with a new vision so that it can navigate through the crisis. Changes in leadership teams can be reinvigorating, enabling companies to perceive things from a different perspective. Sometimes, companies can even outgrow the capabilities of their original leadership teams.

"The old management still lived in the past a bit and were reluctant to change things that worked before. It took new people from the outside to crack it and show a vision of what our business might

look like. But, also, to be able to drive this agenda internally.”

Transformational leadership entails a range of qualities essential for achieving market shaping in the times of crisis. Management teams who embody these qualities can inspire their companies to work together toward a common goal and create a market-shaping culture. In the context of a crisis, the significance of these leadership qualities becomes even more pronounced. Based on the insights from the interviews, managers consistently highlighted the following leadership attributes as vital for successful market-shaping endeavors.

“Leadership goes beyond self-interest; emphasizes the collective mission; raises awareness about important issues; seeks different views and angles; individualized attention; teaches and coaches.”

6. DISCUSSION

Although this qualitative research study focuses primarily on investigating the impact of crises on market shaping and different leadership styles, it reveals that crises represent just one among several stages in the business lifecycle that can influence market shaping and leadership approaches. Furthermore, this study provides insights into the pre-COVID-19 behavior of companies and examines how the crisis influenced their subsequent behavior. The idea that enterprises exhibit different behaviors, depending on the stage of their business, is in line with the concept of the “life cycle theory” (Hasan & Cheung, 2018), proposing that companies go through different stages with their own challenges and opportunities. The findings about different stages that companies go through is also contained in the “dynamic capabilities theory” which suggests that companies are able to develop new capabilities over time and drive their life cycle to a different stage.

In the early stages, when companies are at the start of their business, they follow a vision and act entrepreneurially while becoming more fo-

cused on rules and formalization in later stages (Quinn & Cameron, 1983). New businesses demonstrated a limited impact of the COVID-19 crisis, which can be attributed to their inherent market-shaping nature. This finding is consistent with the research conducted by Stathakopoulos et al. (2022), highlighting the propensity of emerging enterprises to actively shape the market landscape. The findings of this study suggest that transformational leadership is essential in the first stage of business. This is in line with the existing literature that highlights the importance of transformational leadership in fostering innovation and change (Bass & Avolio, 1994; Uhl-Bien & Arena, 2018). Nevertheless, it seems that the leadership approach changes over time once companies become established.

Transactional leadership seems to be prevalent in the next stage of established business, as found by previous research that has linked transactional leadership with a more task-oriented and goal-focused approach. In this stage, companies tend to focus on optimizing their operations and achieving short-term goals, which may require more transactional leadership. The phenomenon of established enterprises focusing on their core business and neglecting market-shaping initiatives is not new either. Scholars have pointed to the tendency of established companies to focus on optimization initiatives rather than innovation, and to oppose change due to internal resistance and fear of failure (Birkinshaw & Gibson, 2004; Henderson & Clark, 1990).

The findings of this qualitative research highlight multiple barriers that impede market shaping beyond the previously discussed emphasis on core business. These barriers encompass internal bureaucracy, limited resources, and a narrow focus on current needs and trends, which is in line with the existing literature (Harris, 1999). Additionally, this study confirmed the significant role of limited resources and skills as hindrances for established companies seeking to innovate or enact change, reflecting the resource-based view of the firm (Barney, 1991). Interviews with

managers further identified risk aversion, resistance to change, and resource constraints as obstacles to innovation and market shaping within their companies (Stathakopoulos, Kottikas, Theodorakis & Kottika, 2019). Moreover, this study reinforces the literature on market orientation by discussing the paradoxical effects of focusing solely on current customer needs and trends. While this approach may maintain competitiveness and satisfy existing customers, it may hinder the ability of a company to identify new opportunities, disrupt the industry, and create new markets (Jaworski & Kohli, 1993). Consequently, achieving a balance between a market-driven approach and a proactive orientation that focuses on identifying unmet needs and experimenting with new ideas becomes crucial for effective market shaping. Furthermore, the findings pointed to additional barriers to market shaping encountered by large companies due to their corporate-level decision-making processes, which can impede their ability to shape the market. This finding is in line with the existing literature on the challenges of implementing corporate strategy within large, complex organizations (Guth & MacMillan, 1986).

In the third stage, we may perceive a crisis to be a catalyst for change. Research on organizational change highlights the role of external triggers, such as crisis and disruption, in driving change within companies (Pettigrew, Woodman & Cameron, 2001). In the case of the COVID-19 crisis, companies were forced to adapt rapidly to changing market conditions, leading to a shift toward market-shaping activities. This is consistent with the concept of “strategic agility,” which refers to the ability of organizations to quickly and effectively respond to changing market conditions. The finding that crises can serve as a catalyst for market shaping is in line with the research conducted by Kottika et al. (2020), which highlights the manner in which enterprises leverage new technologies and introduce product innovations in response to crisis situations. Additionally, the present findings suggest that transformational leadership is particularly

crucial in times of crisis, when companies need to adapt quickly to changing circumstances through the ability to inspire and motivate their followers to work toward a shared vision, which is in line with the existing management literature (Yukl, 1999). The findings also provide support for the research by Greimel et al. (2023), suggesting that crises strengthen transformational leadership and promote adaptability. This is consistent with the results of previous studies indicating that transformational leadership fosters innovation as well as the generation of new ideas (Jung et al., 2003), enabling leaders to effectively navigate through times of crisis. However, in contrast to the study authored by Stoker et al. (2019), the current findings do not support the notion that crises compel leaders to react in a transactional and inflexible manner.

7. MANAGERIAL IMPLICATIONS

For companies in the early stage of business, it is important to adopt the transformational leadership style that fosters innovation and change. Leaders should communicate a clear vision that inspires and motivates their followers to work toward a shared goal. This can be achieved by promoting creativity, encouraging risk-taking, and rewarding experimentation. In addition, leaders should provide their employees with the necessary resources and skills to support their innovation and market shaping.

Leaders in the second phase of an established business should not rely on crises as the catalyst for market shaping or adoption of transformational leadership. They need to be mindful of the potential drawbacks of focusing solely on the core business, as it may hinder market-shaping initiatives. Operational optimization and market shaping can be balanced by adopting a proactive approach that encourages experimentation and innovation. By addressing potential barriers such as internal bureaucracy, risk aversion, resistance to change, and resource limitations, leaders can create an environment con-

ductive to market shaping. Furthermore, leaders may foster a culture that encourages their teams to think beyond the current market landscape, exploring new ideas and identifying untapped opportunities. Integrating market-shaping initiatives alongside operational optimization efforts can enhance the company's long-term competitiveness and drive sustainable growth.

Finally, leaders should recognize that crises and disruptions can serve as catalysts for change within their organizations. They should embrace the concept of strategic agility and develop the ability to quickly and effectively respond to changing market conditions. Transformational leadership becomes crucial particularly in times of crisis for its potential to inspire and motivate employees to adapt quickly to changing circumstances.

8. LIMITATIONS AND FUTURE RESEARCH

The fact that this research study was based on a sample of 11 managers from the Central Europe

region may not make it representative of the broader population of managers and companies in different countries. The sample consisted of participants from the CPG, IT/real estate, travel, fashion, pharma, and consulting industry, limiting the scope to a specific set of industries. This limits the generalizability of the findings and calls for additional studies to replicate this on a larger sample size and across multiple industries.

While the study identified the crisis as a catalyst for change toward market shaping within companies, it did not explore the long-term effects of the crisis on their market shaping. Researchers could examine the lasting impact of crisis on companies' market-shaping activities and leadership, and whether these changes are sustained over time. The study did not investigate the potential negative consequences of market shaping. Future research could examine the potential drawbacks of market shaping to provide a better understanding of its impact on companies and industries.

REFERENCES

1. Armantier, O., Koşar, G., Pomerantz, R., Skandalis, D., Smith, K., Topa, G., & van der Klaauw, W. (2021). How economic crises affect inflation beliefs: Evidence from the COVID-19 pandemic. *Journal of Economic Behavior & Organization*, 189, 443-469.
2. Avolio, B. J., & Bass, B. M. (1999). Re-examining the components of transformational and transactional leadership using the Multifactor Leadership Questionnaire. *Journal of Occupational & Organizational Psychology*, 72(4), 441-462.
3. Baker, J. J., Storbacka, K., & Brodie, R. J. (2018). Markets changing, changing markets: Institutional work as market shaping. *Marketing Theory*, 19(3), 301-328.
4. Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
5. Bass, B. M., & Avolio, B. J. (1994). Leadership and Organizational culture. *International Journal of Public Administration*, 17(3/4), 541-554.
6. Birkinshaw, J., & Gibson, C. B. (2004). Building ambidexterity into an organization. *MIT Sloan Management Review*, 45(4), 47-55.
7. Correia, R. J., Dias, J. G., & Teixeira, M. S. (2020). Dynamic capabilities and competitive advantages as mediator variables between market orientation and business performance. *Journal of Strategy and Management*, 14(2), 187-206.
8. Flaig, A., & Ottoson, M. (2022). Market-shaping roles: Exploring actor roles in the shaping of the Swedish market for liquefied gas. *Industrial Marketing Management*, 92, 58-68.

9. Garretsen, H., Stoker, J. I., Soudis, D., & Wendt, H. (2022). The pandemic that shocked managers across the world: The impact of the COVID-19 crisis on leadership behavior. *The Leadership Quarterly*, In Press, Corrected Proof. Advance online publication. <https://doi.org/10.1016/j.leaqua.2022.101630>
10. Greimel, N. S., Kanbach, D. K., & Chelaru, M. (2023). Virtual teams and transformational leadership: An integrative literature review and avenues for further research. *Journal of Innovation & Knowledge*, 8(2), 100351.
11. Guth, W. D., & MacMillan, I. C. (1986). Strategy Implementation Versus Middle Management Self-Interest. *Strategic Management Journal*, 7, 313-327.
12. Harris, L. C. (1999). Barriers to developing market orientation. *Journal of Applied Management Studies*, 8(1), 85-101.
13. Hartog, D. N., Ferris, G. R., & Hirst, G. (1997). Transactional versus transformational leadership: An analysis of the MLQ. *Journal of Occupational and Organizational Psychology*, 70(1), 1-17.
14. Hasan, M. M., & Cheung, A. (2018). Organization capital and firm life cycle. *Journal of Corporate Finance*, 48, 556-578.
15. Henderson, R. M., & Clark, K. B. (1990). Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative Science Quarterly*, 35(1), 9-30.
16. Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing*, 57(3), 53-70.
17. Jaworski, B. J., Kohli, A. K., & Sarin, S. (2020). Driving markets: A typology and a seven-step approach. *Industrial Marketing Management*, 91, 142-151.
18. Jung, D., Chow, C., & Wu, A. (2003). The Role of Transformational Leadership in Enhancing Organizational Innovation: Hypotheses and Some Preliminary Findings. *Leadership Quarterly*, 14, 525-544.
19. Kaartemo, V., & Nyström, A. G. (2021). Emerging technology as a platform for market shaping and innovation. *Journal of Business Research*, 124, 458-468.
20. Knight, D., Pearce, C. L., Smith, K. G., Olian, J. D., Sims, H. P., Smith, K. A., & Flood, P. (1999). Top management team diversity, group process, and strategic consensus. *Strategic Management Journal*, 20, 445-465.
21. Kottika, E., Özsoymer, A., Rydén, P., Theodorakis, I. G., Kaminakis, K., Kottikas, K. G., & Stathakopoulos, V. (2020). We survived this! What managers could learn from SMEs who successfully navigated the Greek economic crisis. *Industrial Marketing Management*, 88, 352-365.
22. Mackenzie, S. B., Podsakoff, P. M., & Fetter, R. (2001). Transformational and transactional leadership and salesperson performance. *Journal of the Academy of Marketing Science*, 29(1), 115-134.
23. Menguc, B., & Auh, S. (2008). Conflict, leadership, and market orientation. *International Journal of Research in Marketing*, 25(1), 34-45.
24. Narver, J. C., Slater, S. F., & MacLachlan, D. L. (2004). Responsive and Proactive Market Orientation and New-Product Success. *Journal of Product Innovation Management*, 21(5), 334-347.
25. Nenonen, S., Storbacka, K., & Frethey-Bentham, C. (2019). Is your industrial marketing work working? Developing a composite index of market change. *Industrial Marketing Management*, 80, 251-265.
26. Parmelee, S. D., & Greer, C. F. (2023). Corporate responses to the COVID-19 pandemic by Fortune 500 companies. *Public Relations Review*, 49(1), 102285.
27. Pettigrew, A. M., Woodman, R. W., & Cameron, K. S. (2001). Studying organizational change and development: Challenges for future research. *Academy of Management Journal*, 44(4), 697-713.
28. Palinkas, L. A., Horwitz, S. M., Green, C. A., Wisdom, J. P., Duan, N., & Hoagwood, K. E. (2013). Purposeful Sampling for Qualitative Data Collection and Analysis in Mixed Method Implementation Research. *Administration and Policy in Mental Health and Mental Health Services Research*, 42(5).

29. Quinn, R. E., & Cameron, K. (1983). Organizational life cycles and shifting criteria of effectiveness: Some preliminary evidence. *Management science*, 29(1), 33-51.
30. Schoemaker, P. J. H., Khexenberger, M., & Rauch, A. (2018). Innovation, dynamic capabilities, and leadership. *California Management Review*, 60(3), 5-28.
31. Shamir, B., House, R. J., & Arthur, M. B. (1993). The motivational effects of charismatic leadership: A self-concept based theory. *Organization Science*, 4(4), 577-594.
32. Sim, J., & Maier, H. R. (2018). Can sample size in qualitative research be determined a priori? *International Journal of Social Research Methodology*, 19(3), 195-207.
33. Spiggle, S. (1994). Analysis and interpretation of qualitative data in consumer research. *Journal of Consumer Research*, 21(2), 271-294.
34. Stathakopoulos, V., Kottikas, K. G., Theodorakis, I. G., & Kottika, E. (2019). Market-driving strategy and personnel attributes: Top management versus middle management. *Journal of Business Research*, 104, 529-540.
35. Stathakopoulos, V., Kottikas, K. G., Painesis, G., Theodorakis, I. G., & Kottika, E. (2022). Why shape a market? Empirical evidence on the prominent firm-level and market-level outcomes of market-driving strategy. *Journal of Business Research*, 139, 1240-1254.
36. Stoker, J. I., Garretsen, H., & Soudis, D. (2019). Tightening the leash after a threat: A multi-level event study on leadership behavior following the financial crisis. *Leadership Quarterly*, 30(2), 199-214.
37. Uhl-Bien, H., & Arena, M. J. (2018). Leadership for organizational adaptability: A theoretical synthesis and integrative framework. *Leadership Quarterly*, 29(2), 263-282.
38. Vlašić, G., Kelemenić, K., & Dropulić, B. (2022). The Impact of Market-Driven vs. Market-Driving Strategies on Products' Short-Term and Long-Term Sales Growth. *Market-Tržište*, 34(2), 205-217.
39. Wilden, R., Gudergan, S. P., & Lings, I. (2019). The interplay and growth implications of dynamic capabilities and market orientation. *Industrial Marketing Management*, 83, 21-30.
40. Yukl, G. (1999). An evaluation of conceptual weaknesses in transformational and charismatic leadership theories. *Leadership Quarterly*, 10(2), 285-305.