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Transcending Adaptation: Toward an Examination of Market-Shaping Capabilities as a Sub-Capability of Organizational Agility

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Abstract: *This paper explores and revisits a systematic impediment to the more detailed examination of market-shaping capabilities as a sub-capability of organizational agility. By reconstructing underlying premises about the firm–environment relationship in which much of the extant literature on organizational agility is embedded, we reveal that scholars in this field mostly treat markets as an exogenous, hardly moldable context factor that induces seemingly unescapable adaptation pressures. Based on the "entrepreneurial view" of the firm–environment relationship, we expand the widely-held understanding of organizational agility as an adaptation-oriented set of capabilities by reconceptualizing the firm–environment relationship as one in which firms both adapt their resource base to and shape changes in the environment.*

Keywords: organizational agility, dynamic capabilities, shaping markets, firm–environment relationship, market exogeneity, market endogeneity, organizational adaptation

1. Introduction

"Organizational agility" has received growing attention as a more widely observable phenomenon in recent years (Volberda, Khanagha, Baden-Fuller, Michalache, & Birkinshaw, 2021). In times of seemingly ever-greater environmental turbulence, practitioners are increasingly interested in building and leveraging organizational agility as "a constant ability to effectively change [a firm's] course of action in order to sustain its competitive advantages" (Weber & Tarba, 2014, p. 6). Scholars have repeatedly drawn on the concept of "dynamic capabilities", i.e., a firm's ability to sense and shape changes in the environment, as well as to align a firm's resource base with these changes by transforming the firm's resource base (Teece, 2007, 2014a), in conceptualizations of organizational agility (e.g., Bresciani, Ferraris, Romano, & Santoro, 2021; Felipe, Roldán, & Leal-Rodríguez, 2016; Kock & Gemünden, 2016; Park, El Sawy, & Fiss, 2017; Queiroz, Tallon, Sharma, & Coltman, 2018; Teece, Peteraf, & Leih, 2016). Therefore, dynamic capabilities have become an important conceptual foundation for gaining a theoretical understanding of the underlying processes and mechanisms of organizational agility (Teece et al., 2016).

Leveraging dynamic capabilities as a conceptual foundation for understanding organizational agility draws attention to "market-shaping capabilities" (e.g., Augier & Teece, 2009; Eisenhardt & Martin, 2000; Schmidt & Keil, 2013; Teece, 2007, 2014a). Market-shaping capabilities are a firm's abilities to create, form, and modulate markets. As leading scholars have highlighted, they are a main, if not the most important sub-capability of dynamic capabilities: market-shaping capabilities constitute an important route to gaining and sustaining a competitive advantage (Teece, 2007). In addition, they are a fundamental source of growth in capitalist societies (Augier & Teece, 2009), an important driver of innovation (Teece, 2007), and some firms' very reason to exist (Pitelis & Teece, 2010). In light of the importance of market-shaping capabilities as a sub-capability of dynamic capabilities, Schilke, Hu, and Helfat (2018, p. 392) "see opportunities for researchers […] to pay greater attention to the role of [this sub-capability] in shaping markets […], an area that is noticeably underdeveloped".

If market-shaping capabilities are a key sub-capability of dynamic capabilities, and if dynamic capabilities serve as a conceptual foundation for understanding organizational agility, it follows that market-shaping capabilities are an important sub-capability of organizational agility. Yet, despite these insights, we lack in-depth and more systematic examinations of this sub-capability of organizational agility (Hartmann & Wenzel, 2020; Pontikes & Rindova, 2020; Rindova & Martins, 2021; Teece, 2014a). This is problematic for at least two reasons. First, given the important role of market-shaping capabilities in gaining and sustaining a competitive advantage (Teece, 2007), generating a deeper and more systematic understanding of these capabilities opens up opportunities to explore how firms are able to achieve a competitive advantage through organizational agility. Such explanations are required to increase the usefulness of the concept of organizational agility as a presumed guarantor of competitive advantage (Weber & Tarba, 2014). Second, conceptualizing organizational agility as a dynamic capability may import many of the long-standing challenges engrained in dynamic capabilities (Wenzel, Danner-Schröder, & Spee, 2020), including an underappreciation of market-shaping capabilities (Schilke et al., 2018). In order to avoid such unreflective imports, it is important to reflect on the deeper reasons for circumventing research on market-shaping capabilities as a sub-capability of organizational agility.

Why are examinations of market-shaping capabilities underrepresented in research on organizational agility, given the relevance that leading scholars attribute to them? We explore one key reason for this puzzling observation by reconstructing and revisiting the underlying assumptions in which dynamic capabilities as a conceptual foundation for understanding organizational agility are embedded (Foss & Hallberg, 2014). As we will show, these assumptions are organized in such a way that firms seem to have little if any choice but to adapt to market changes in order to achieve and sustain their survival. Hence, the under-representation of market-shaping capabilities might not be a fleeting oversight but systematic in nature. Despite the recognition of firms' potentials for shaping markets in seminal studies, conceptualizations grounded in dynamic capabilities still mostly treat markets as an exogenous context factor that firms can barely influence. In light of the prevalent premise of market exogeneity, prior uses of dynamic capabilities as a conceptual foundation have generated insightful contributions to a better understanding of organizational adaptation, even in disruptive, ever-accelerating, turbulent markets (Vogel & Güttel, 2013), but they seem to have excluded deeper and more systematic examinations of market-shaping capabilities as a sub-capability of organizational agility.

To render market-shaping capabilities accessible to investigation, we revisit the prevalent assumption of market exogeneity by drawing on insights from the entrepreneurship literature and Smith and Cao's (2007) "entrepreneurial view" of the firm–environment relationship. In doing so, we argue that markets are endogenous to firm activity, i.e., that firms not only adapt to market change, but may also be able to *shape* markets under certain conditions and to a certain extent. We then apply this insight to a consistent conceptualization of the firm–environment relationship as a two-way relationship in which firms may both adapt to, and shape, market change.

The purpose of this paper is neither to provide a systematic review and assessment of the literature on organizational agility, nor to provide a full-fledged conceptual framework of how firms shape markets by leveraging market-shaping capabilities. Overviews of this literature exist (e.g., Peteraf, Di Stefano, & Verona, 2013; Vogel & Güttel, 2013; Weber & Tarba, 2014), and a conceptualization of market-shaping capabilities as a sub-capability of organizational agility requires further theoretical insights from empirical research (Grant & Verona, 2015; Hartmann & Wenzel, 2020). Instead, this paper follows Foss and Hallberg's (2014) suggestion to advance theory by offering a reflective account of the central underlying premises of dynamic capabilities as a conceptual foundation for understanding organizational agility. In particular, this paper highlights and revisits the widely-held premise of market exogeneity as a systematic impediment to research on the important but underrepresented sub-capability of market-shaping capabilities by juxtaposing it with the "entrepreneurial view" of the firm–environment relationship. In doing so, this paper renders market-shaping capabilities accessible to investigation. The revision of this central assumption, then, allows us to rethink the set of premises about organizational agility such that not only adaptation-related, but also market-shaping capabilities receive an irreducible status within this concept.

Therefore, the main contribution of this paper is to offer a modified understanding of the firm–environment relationship in the field of research on organizational agility, one that transcends market exogeneity and organizational adaptation. In doing so, we strengthen the position of

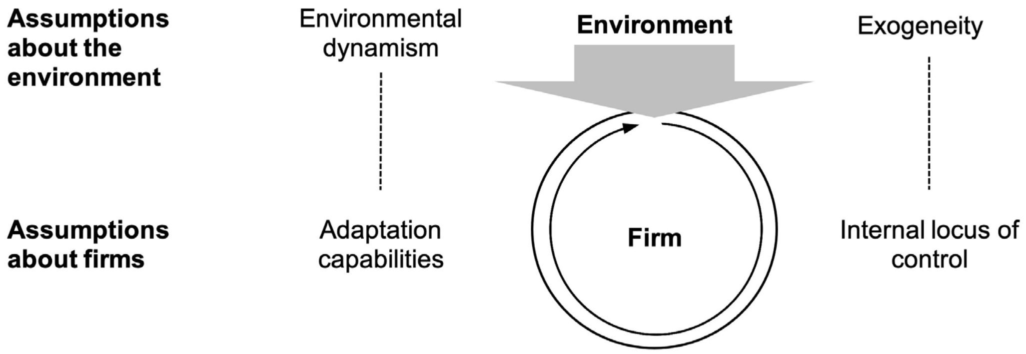

Figure 1: Assumptions about the Firm–Environment Relationship

market-shaping capabilities as an important but underrepresented sub-capability of organizational agility. Our paper, thus, expands the dominant understanding of organizational agility as a mostly adaptation-oriented set of capabilities (Teece et al., 2016) by reconceptualizing the firm–environment relationship as a two-way relationship in which firms both adapt their resource base to and shape changes in the environment.

2. Organizational agility as a dynamic capability: central underlying premises

If organizational agility can be understood as a dynamic capability, and if market-shaping capabilities are an important sub-capability of dynamic capabilities, it follows that market-shaping capabilities constitute an important sub-capability of organizational agility. In fact, although influential studies have advanced different understandings of dynamic capabilities (Di Stefano, Peteraf, & Verona, 2014; Peteraf et al., 2013), they concede a central role to firms' abilities to shape markets. For instance, by defining dynamic capabilities as "[t]he firm's processes that use resources […] to match and create market change", Eisenhardt and Martin (2000, p. 1107) contributed the idea that firms may shape markets to the concept. Similarly, Teece (2007, p. 1321) considered market-shaping capabilities as a sub-capability of dynamic capabilities with the clarification that "[d]ynamic capabilities assist in achieving evolutionary fitness, in part by helping to shape the environment". Helfat et al. (2007) also complemented their much-cited definition of dynamic capabilities as "the capability of an organization to purposefully create, extend, or modify its resource base" (p. 4) with the notion that "managers shape markets as much as markets shape the business enterprise" (p. 26).

Given the relevance of market-shaping capabilities, it may seem surprising that there have been only limited, if any, systematic attempts to examine this sub-capability of organizational agility (Rindova & Courtney, 2020; Schmidt & Keil, 2013; Schilke et al., 2018; Teece, 2014b). As we will show, the logic behind this underrepresentation can be traced back to a number of central premises with which dynamic capabilities as a conceptual foundation for understanding organizational agility are often associated (see Figure 1). Here, it is important to note that dynamic capabilities are based on several assumptions that have been contested (see Di Stefano et al., 2014 and Peteraf et al., 2013 for an overview). Since the deployment of market-shaping capabilities relates to an interaction of firms with their environment (Pitelis & Teece, 2010), we focus on the reconstruction of underlying assumptions that relate to the firm–environment relationship, with markets being an important part of the environment (Helfat et al., 2007).

First, scholars drawing on dynamic capabilities mostly treat the environment as an *exogenous context factor* (Felin, 2012; Felin & Foss, 2011; Giudici & Reinmöller, 2012; Lavie, 2006; Schilke, 2014). Treating the environment as an exogenous factor implies that firms must cope with the environmental conditions in which they operate and cannot change anything about them. Yet, to be able to shape markets, firms must have some scope for influencing the environment (Keyhani, Lévesque, & Madhok, 2015). Thus, although even central studies on dynamic capabilities emphasize that firms may shape their markets, scholars drawing on this concept rarely ascribe this potential to firms. Therefore, extant research on organizational agility predominantly views firms as "facing new developments" in the environment (Weber &

Tarba, 2014, p. 1) without being able to change much about them.

Second, the salience of dynamic capabilities often presupposes *environmental dynamism*, typically characterized by technological change that entails market change (Ambrosini & Bowman, 2009; Schilke, 2014; Vogel & Güttel, 2013). Therefore, prior literature on organizational agility articulates that firms with organizational agility "operate in an environment characterized by rapid and unpredictable change" (Weber & Tarba, 2014, p. 6). Such interest in the contexts of environmental change can be traced back to the origins of the dynamic capabilities concept: whereas other theoretical perspectives in strategy research fell short of a dynamic view of the environment, the dynamic capabilities concept aimed to explain why some firms survive in dynamic environments while so many others perish (Teece, Pisano, & Shuen, 1997). In their attempt to correct misconceptions about dynamic capabilities, Helfat and Winter (2011, p. 1249) emphasized that "many quintessential examples of dynamic capabilities […] occurred in a relatively placid external environment". However, the insight that firms must operate in environments with a certain degree of dynamism to reap the benefits of developing and using dynamic capabilities seems to have become well-established (Schilke, 2014; Teece, 2014a).

It is the combination of market exogeneity and environmental dynamism that, then, evokes the need for firms to adapt their resource base: if markets are perceived to be exogenously given and changing, firms seem to have no alternative other than to adapt their resource base to these changes. Therefore, thirdly, scholars drawing on dynamic capabilities mostly ascribe surviving firms with *abilities to sense and adapt* their resource base appropriately to exogenous changes in the environment rather than abilities to shape markets (Ambrosini & Bowman, 2009; Teece, 2012), as does the field of research on organizational agility (Teece et al., 2016). The field's over-emphasis on firms' sensing and adaptation capabilities is consistent with the conception of the environment prescribed by dynamic capabilities as a conceptual foundation: if firms find themselves in exogenously changing environments, it seems that the only way to sustain firm survival is to sense these trends, and to seize and realize opportunities to make adjustments in the firm's resource base (Romme, Zollo, & Berends, 2010).

Fourth, in keeping with there being no alternative to positioning adaptation, the salience of dynamic capabilities mostly presupposes a withdrawal from complex, partly uncontrollable processes, such as shaping markets, by focusing attention on adaptation as a process that is supposedly under firms' control. Consequently, despite competing evidence on the controllable nature of innovation processes in strategy-making (e.g., Burgelman, 2002; Mintzberg & Waters, 1985), scholars drawing on the dynamic capabilities concept largely presume that firms use these capabilities in a controlled way (e.g., Felin & Foss, 2009; Helfat et al., 2007; Schreyögg & Kliesch-Eberl, 2007; Winter, 2003; Zollo & Winter, 2002; Wollersheim & Heimeriks, 2016). This focus on *controllable processes* can also be traced back to central assumptions about the environment. If firms' environments are viewed as exogenously given and mostly unmanageable, the focus is on the remaining elements that firms can supposedly control: their abilities to sense and appropriately adapt the resource base to exogenous changes in the environment (Giudici & Reinmöller, 2012; Schilke, 2014; Wohlgemuth, Wenzel, Berger, & Eisend, 2019). Accordingly, research informed by dynamic capabilities has particularly shed light on phenomena within firm boundaries in light of environmental change (Di Stefano et al., 2014; Wilhelm, Schlomer, & Maurer, 2015; Wohlgemuth & Wenzel, 2016), and the field of research on organizational agility largely presumes a high degree of controllability of a firm's flexible adaptation in response to changes in the environment (Weber & Tarba, 2014).

Taken together, these assumptions constitute an internally consistent set of premises that "builds mainly on the idea that organizations need to […] *adapt* their capabilities to novel situations and thus keep pace with environmental development" (Vogel & Güttel, 2013, p. 439, emphasis in original). In this view, there seems to be no alternative to adaptation: if consumers' needs change, the market seems to prescribe a new portfolio of products and services (Danneels, 2002). Any deviation from this prescription seems to be of little use, as adaptation seems to be essential for firm survival (Ambrosini & Bowman, 2009; Sirmon, Hitt, & Ireland, 2007). This "primacy of the environment" (Felin & Hesterly, 2007, p. 202) seems to impose adaptation pressures on firms that they must follow to ensure their survival (Romme et al., 2010).

3. From exogeneity to endogeneity: an entrepreneurial perspective on the firm–environment relationship

While the internally consistent set of assumptions constituting the predominant adaptation logic has inspired much insightful research on firms' adaptive capabilities (Vogel & Güttel, 2013), it seems to systematically produce an underrepresentation of market-shaping capabilities in research on organizational agility. Given that the field mainly views the market environment as a context factor that is exogenously given, it does not seem to concede any market-shaping potential to firms. Contrarily, by highlighting adaptation to environmental change pressures as the main—perhaps the only—route to firm survival, the field mostly gives precedence to firms' adaptive capabilities and, thereby, underemphasizes market-shaping capabilities as another important sub-capability of organizational agility through which firms engage with their environment.

To enable "box-breaking research" on market-shaping capabilities that extends beyond the established set of underlying assumptions, it is necessary to revisit the central assumption (Alvesson & Sandberg, 2014, Wenzel et al., 2020) of the field of research on organizational agility, which drives the prevalent adaptation logic and, thereby, precludes a focus on market-shaping capabilities: market exogeneity. This predominant assumption excludes the possibility that firms shape markets by definition. Given that firms can use market-shaping capabilities to slow down or even inhibit market change (Wenzel, 2015), the assumption of market exogeneity and the resulting underrepresentation of market-shaping capabilities might also result in an over-emphasis of market dynamism in the concept of dynamic capabilities (Helfat & Winter, 2011). The combination of market exogeneity and market dynamism creates uncontrollable adaptation pressures that render the examination of firms' abilities to sense and adapt to market changes particularly relevant.

Given that market-shaping capabilities are entrepreneurial (Teece, 2007), and that mobilizations of dynamic capabilities as a conceptual foundation for understanding phenomena such as organizational agility generally benefit from devoting more attention to insights from entrepreneurship research (Mahringer & Renzl, 2018; Teece, 2014a), we find insights into the firm–environment relationship in the entrepreneurship literature particularly inspiring for a revision of the assumption of market exogeneity. Specifically, we draw on Smith and Cao's (2007) "entrepreneurial view" of the firm–environment relationship. Inspired by earlier ideas (e.g., Alvarez & Barney, 2007; Schumpeter, 1934), as well as insights from neighboring fields (e.g., O'Connor & Rice, 2001; O'Connor & Veryzer, 2001; Reid & de Brentani, 2015), this perspective rests on the idea that the environment is not an exogenous context factor but endogenous to firm activity. Therefore, the authors argue that "firms can, through their actions, upon occasion, shape and influence their environment" (Smith & Cao, 2007, p. 330). While this perspective echoes the more general idea from the entrepreneurship literature that "[s]ome opportunities are not formed by exogenous shocks to preexisting markets or industries but instead are formed endogenously by the actions of those seeking to generate economic wealth themselves" (Alvarez, Barney, & Anderson, 2013, p. 208), Smith and Cao (2007) abstract from the actions of entrepreneurs and argue that all firms–not only attacking startups and other market entrants, but also incumbents–are potentially able to shape their environment. As the authors show, this perspective extends strategy and organization research more generally, which is largely based on adaptation-based assumptions about the firm–environment relationship.

Within this entrepreneurial view, moving from market exogeneity to endogeneity has important implications for understanding the firm–environment relationship. Importantly, adaptation-related capabilities are not the *conditio sine qua non* for firms to engage with their environment anymore. Instead, firms may not only adapt to, but also at least partly shape markets (e.g., Alvarez & Barney, 2007; Godley, 2013; Sarasvathy, 2001). In doing so, firms may "change [the] rules of the game" such that they may also stabilize markets, rather than only producing or adapting to market change (see Baker & Nelson, 2005; Luksha, 2008, p. 279; Sleptsov & Anand, 2008; Tocher, Oswald, & Hall, 2015). While market change may be entrepreneurs' purposeful accomplishment, it may also emergently result from entrepreneurs' market activities based on their current position of resources and capabilities (Sarasvathy, 2001) and entrepreneurs' unwillingness or inability to adapt to market changes (Luksha, 2008). Thus, taken together, the entrepreneurial view contributes to an erosion of the widely-held assumptions about the firm–environment

Table 1: Toward a Revised Understanding of the Firm–Environment Relationship

Assumptions	Extant research on organizational agility	Revised understanding
Assumptions about the environment	Exogenous context factor	Endogenous to firm activity
	Value of the concept unfolds mainly in dynamic environments	Value of the concept mainly unfolds in stable or dynamic environments
Assumptions about firms	Adaptation capabilities as main sub-capabilities	Adaptation and shaping capabilities as important sub-capabilities
	Internal locus of control	Internal and external locus of control

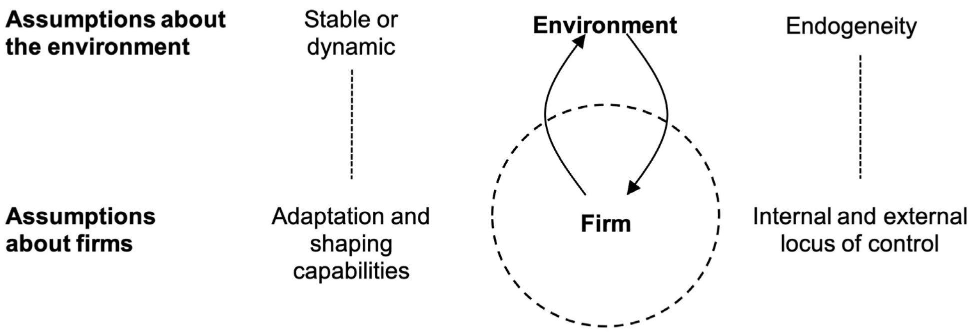

Figure 2: The Firm–Environment Relationship as a Two-way Relationship

relationship, which are reflected in and invoked by dynamic capabilities as a conceptual foundation for understanding organizational agility.

The features of the firm–environment relationship that the entrepreneurial view advances may appear to be commonsense to many scholars and practitioners. This renders ambitions to overcome the extant over-emphasis on adaptation-related capabilities in the field of research on organizational agility even more important. Therefore, based on the entrepreneurial view of the firm–environment relationship, we propose to loosen the assumption of market exogeneity in the field of research on organizational agility. In particular, we argue that markets are endogenous and that firms may be able to shape markets, at least to a certain extent.

4. Bringing market endogeneity and market-shaping capabilities into the firm–environment relationship

Given the predominant role of market exogeneity in the field of research on organizational agility outlined in the previous sections, acknowledging that firms may be able to endogenously shape markets leads to a revised conception of the firm–environment relationship (see Table 1). Figure 2 illustrates the revised understanding of the firm–environment relationship.

Although the previous section advocates a stronger emphasis on firms' market-shaping potentials, it does not displace the possibility that firms adapt to market changes. In fact, in their entrepreneurial view of the firm–environment relationship, Smith and Cao (2007, p. 333) emphasize that "the environment is just as likely to change as a result of endogenous firm action as the firm is to change in order to fit the environment". Similarly, other work in entrepreneurship research (e.g., Alvarez et al., 2013; Klein et al., 2013; Luksha, 2008), strategy research in general (e.g., Burgelman, 2002; Lewin & Volberda, 1999; Volberda & Lewin, 2003), and research on dynamic capabilities in particular (e.g., Helfat et al., 2007; Teece, 2007, 2014a) highlight the coevolutionary nature of the firm–environment relationship in which firms both adapt to and create changes in the environment—an insight that is under-utilized in these areas of research (Clarke, Holt, & Blundel, 2014; Felin et al., 2014; Keil, McGrath, & Tukiainen, 2009; Pontikes & Rindova, 2020). In line with this work, we propose to consider the firm–environment relationship as a two-way relationship in which influences between firms and their environments occur bi-directionally.

The two-way firm–environment relationship rests on the following set of broader premises. First, in line with our previous arguments, the two-way firm–environment relationship suggests that environments are endogenous and that firms not only adapt to changes in markets and other parts of the environment, but also create these changes to a certain extent. This does not mean that firms can unconditionally influence the environment at any time. The extent to which firms can shape a market may, for instance, depend on the stage of the market's life cycle; i.e., mature markets may be less susceptible to firms' market-shaping influences than nascent markets (Benner & Tripsas, 2012; Santos & Eisenhardt, 2009; Suarez, Grodal, & Gotsopoulos, 2015). However, in order to pave a pathway toward deeper and more systematic examinations of market-shaping capabilities, it is necessary to acknowledge that firms can endogenously shape their environment (Smith & Cao, 2007)—even if only at times and under certain conditions. In a way, this erodes any clear-cut distinctions between what is located "inside" and "outside" an organization,[1] as represented by the dashed boundary in Figure 2. While endogenous features are typically viewed as internal parts of organizations, doing justice to the endogenous nature of a firm's environment implies that firms and markets are inseparably intertwined. That is, in this view, markets do not exist independent of the firms that operate in them: they are susceptible to organizational activities performed in them.

Second, that firms can endogenously shape markets suggests that both adaptive and shaping capabilities can contribute to firm survival. In particular, the notion of market endogeneity reminds us that firms may not be fully at the mercy of market change but may also entrepreneurially shape markets in directions that support the firms' growth trajectories (Smith & Cao, 2007). Therefore, not only firms' abilities to adapt to changes in markets and other parts of the environment, but also firms' abilities to shape these changes may become relevant for achieving and sustaining firm survival.

Third, the recognition that firms may be able to endogenously shape their environment points to the fact that organizational agility is valuable not only for firms that operate in dynamic but also in stable environments (Helfat & Winter, 2011). While firms may exploit market endogeneity to create, form, and modulate markets for new products and services (Teece, 2007), they may also slow down or even inhibit market change to create more predictable conditions for their market operations (Wenzel, 2015). Contrarily, firms that operate in less volatile markets may use their market-shaping capabilities to stimulate market change, if necessary.

Fourth, endogenizing the environment leads to firms having a broader scope of influence and control potentially available to them. Given that shaping markets is a social process that extends beyond a firm's boundaries (Tocher et al., 2015), firms may not only exert influence and control within their boundaries to adapt appropriately to market changes, but also beyond their boundaries to create these changes.

5. Discussion

The main contribution of this paper is to provide one important answer to the question of why the field of research on organizational agility has not examined market-shaping capabilities more systematically and in greater depth, despite central works in the field emphasizing their relevance. Our reconstruction of the field's widely-held premises about the firm–environment relationship indicates that the underemphasis of market-shaping capabilities is not merely a fleeting oversight. Rather, extant assumptions in the field seem to have systematically precluded more detailed examinations of market-shaping capabilities. Based on the entrepreneurial view of the firm–environment relationship, we, then, revisited the assumption of market exogeneity that drives the predominant adaptation logic with regard to the firm–environment relationship, and we argued instead that markets are endogenous and, thus, susceptible to firm activity to a certain extent.

The proposed revision of the firm–environment relationship transcends market exogeneity as a widely-held assumption in research on organizational agility, arguing that firms can shape their environments, at least under certain conditions and to a certain extent. In doing so, this paper provides an important opportunity for enabling deeper and more systematic examinations of market-shaping capabilities as a sub-capability of organizational agility. Yet, the proposed revision of the firm–environment relationship also has important implications for understanding organizational agility more generally.

First, paying greater attention to the bi-directional influence between firms and their environments implies that not only adaptive, but also market-shaping capabilities are irreducible sub-capabilities of organizational agility. Prior research mostly focuses attention on adaptive capabilities as sub-capabilities of organizational agility, showing how firms respond flexibly to changes in the environment (Weber & Tarba, 2014).

Viewing the firm and its environment in a two-way relationship, however, reveals that focusing predominantly on adaptation is one-sided, and overlooks at least half of the story of how firms gain a competitive advantage. The revised firm–environment relationship positions market-shaping capabilities as an important route for firms to achieve an optimal fit with the environment. In doing so, market-shaping capabilities finally obtain the status of a source of competitive advantage within conceptualizations of organizational agility. The importance of market-shaping capabilities, then, turns this sub-capability into an irreducible part of organizational agility, one without which the concept cannot be fully understood. This exhorts scholars interested in organizational agility to transcend the widely-held assumption of market exogeneity in relation to the environment so as to engage in deeper and more systematic investigations of market-shaping capabilities.

Second, the revised, bi-directional firm–environmental relationship implies that organizational agility unfolds its value not only in fast-changing, but also in comparably stable environments. Similar to the origins of the dynamic capabilities concept (Teece et al., 1997), growing interest in organizational agility is grounded in the experience of dealing with seemingly ever-more turbulent environments (Teece et al., 2016). This raises questions about the limits of environmental dynamism that firms can handle based on organizational agility: if environmental dynamism increases continually or exponentially, can its pace and direction increase *ad infinitum*? And if it does, at what point does organizational agility lose its power to sustain firm survival?

Bringing the firm and its environment together in a two-way relationship draws our attention to market-shaping capabilities as enabling firms to slow down and, in part, even stabilize their environments (see Wenzel, 2015). In other words, the lack of empirical evidence for ever-greater environmental dynamism (McNamara, Vaaler, & Devers, 2003) may, at least in part, be explained by reference to firms that employ market-shaping capabilities as part of their organizational agility to confine that dynamism. The resulting placidity of environments, then, enables firms with organizational agility to enact market needs in more predictable ways. This insight leads us to a broader understanding of the types of environments in which organizational agility become manifest in valuable ways, namely, not only in dynamic but also in comparably stable environments. Furthermore, this observation exhorts scholars not only to discern the value of organizational agility under different degrees of environmental dynamism (e.g., Schilke, 2014; Wilhelm et al., 2015), but also to examine the processes through which actors in organizations contribute to producing, recreating, and restoring stability and change in a firm's environment.[2]

Third, the revised, bi-directional firm–environment relationship implies that a firm's locus of control in employing organizational agility extends beyond firm boundaries. Prior research on organizational agility mainly focuses on the intra-organizational dimensions of this concept (Weber & Tarba, 2014). As this paper shows, this focus can, at least partly, be explained by the predominant adaptation logic that fuels much of the literature on organizational agility: if markets are considered exogenous context factors that are beyond organizational control, firms seem to have no other option than to focus on their own resource base so as to perform adaptations to exogenous market shifts.

However, as the two-way firm–environment relationship shows, firms that employ organizational agility can control not only their own resource base, but also their environment, at least to a certain extent. This insight is important, as it opens up novel ways of competing that extend beyond the prevalent adaptation logic. For example, rather than attempting to anticipate consumers' needs in response to technological changes better than their competitors, firms may shape consumers' practices and preferences in ways that are advantageous to the focal firm and dis-advantageous to others; or instead of competing against each other, firms may join forces to shape markets and share the returns later on. Though promising, none of the ways of competing that are enabled by market-shaping capabilities are particularly well-understood (Rindova & Martins, 2021). Therefore, we argue that scholars can gain a better and more complete understanding of organizational agility that includes market-shaping capabilities by shifting their attention toward the interaction between firms and their environments.

6. Conclusion

Alvesson and Sandberg (2014) have highlighted the importance of reflecting on the assumptions embedded in certain areas of research to avoid being “boxed-in” but rather to promote “box-breaking research”. Driven by the puzzling underrepresentation of research on market-shaping capabilities in central studies, the present paper offers a reflective account of prevalent assumptions about the firm–environment relationship in which the field of research on organizational agility is embedded. By reconstructing and revisiting central assumptions that seem to systematically preclude more detailed examinations of market-shaping capabilities, and revisiting them based on the entrepreneurial view of the firm–environment relationship, this paper offers a revised perspective on the firm–environment relationship that renders both adaptive and shaping capabilities potentially relevant for firm survival, constituting a starting place for research on market-shaping capabilities in the field of research on organizational agility.

Future research may build on this paper by beginning to explore the mechanisms, strategies, and tactics through which firms develop and use capabilities to shape markets. Given that the development and use of market-shaping capabilities and other types of capabilities are processes that rest on actors' performance of activities, practice-based inquiries may be particularly beneficial for opening up these processes (Wenzel et al., 2020; see also Pentland, Mahringer, Dittrich, Feldman, & Wolf, 2020). Transcending the prevalent adaptation logic raises many important questions. These include: under which conditions are market-shaping capabilities particularly valuable for achieving and sustaining firm survival? In which ways do firms' market-shaping capabilities, as well as the use of these capabilities, differ? How do market-shaping capabilities relate to other processes, such as market visioning (Reid & de Brentani, 2015), emergent strategy (Mintzberg & Waters, 1985), and radical innovation (O'Connor & Veryzer, 2001)? How do firms “endogenize” their environments, i.e., how do they render them susceptible to market-shaping activities? Which parts of a firm's environment are more prone to shaping than others, and when is this the case? Why do firms shape some parts of their environment while treating others as exogenously given? How and why do firms collaborate and/or compete with other firms in order to shape markets? How are market-shaping and adaptation capabilities related? Are they complementary, contradictory, mutually reinforcing, or perhaps even mutually constitutive sets of capabilities? We hope that scholars interested in organizational agility in particular, and strategy and organization research more generally, will consider these questions as interesting and relevant as we do.

Notes

[1] We thank the editors of this special issue for this thoughtful observation.

[2] We are indebted to the editors of this special issue for this valid insight.

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