making and everything that is necessary today to manage the company. The central Marshall's problem, as well as the problem of the economist Leon Walras (Walras's law, the theory of general equilibrium,

$$\sum_{j=1}^{k} p_j \cdot D_j - \sum_{j=1}^{k} p_j \cdot S_j = 0 \tag{1.1}$$

where p_j is the price of goods, D_j is supply and S_j is demand, respectively),[1] is the role of prices in conditions of balanced supply and demand. Hence, the term marginality means the use of marginal concepts within the economics. Marginal concepts include marginal cost, marginal productivity and marginal utility, the law of reduction of the rate of replacement (substitution) and the law of reduction of marginal utility.

We must emphasise that Marshall, who studied history and philosophy in addition to economics, claims that fragmented statistical hypotheses are used as a temporary means of measuring dynamic economic concepts (principles), so economics should be understood as a living force or driver, and its main concern is human beings who need to be encouraged to think and make decisions: Good or bad, in order to create social change and progress.

Keynes and Pigou, both Marshall's students, transformed this discipline by giving it a new theoretical basis in terms of the functioning of the economic system, taking an active role in creating economic policies. Many well-known economists agree that the discipline at both the micro and macro levels is overloaded with numbers and facts whose sources are often questionable, and their analysis yields estimated results (predictions) of economic trends.

New economic paradigms

After more than a century, the circumstances in the global market are incomparably different. The increasingly dynamic global market and accelerated technological changes have called into question the sustainability of the company's competitive advantage, as well as the conventional approach to strategic planning. In such circumstances, the company's management uses various conceptual tools and techniques such as Total Quality Management (TQM), benchmarking, restructuring and the like to improve productivity and the quality of products and services. The results are excellent in terms of operating level but often unsustainable in terms of profitability. Why is it so?

More than 50 years ago, the competitiveness of companies was largely based on cost leadership, i.e. low production or operating costs. Lowering relative costs often results from the benefits of the curve of experience. With the rise of global competition, other approaches to creating competitive advantage were born, including diversification, which is characteristic for the period of the 1980s. Also, during this period, one of the most deserving scientists in the field of management, especially strategic, Michael Porter, worked and created. His works which related to *competitive advantage* at both micro and macro levels are still an indispensable reference in teaching and research in the field of economics. He defined and affirmed widely known generic strategies that take significant place in both theory and practice. Indeed, Porter's contribution to the field occupied the central stage as presented in Table 1.1. He developed some of the most applicable models in theory and practice including five forces and value chain frameworks. The historical review of strategic management clearly shows that Porter's research has bridged up two general paradigms (before and after the 1980s), thus helping both researchers and practitioners to better understand changes. Certainly, managers must comprehend the evolution of strategy to effectively facilitate decision-making process, closely following key changes in the business environment, most of all digital technology and digital transformation. However, the essence of strategic management remained unchanged that is matching business resources to market opportunities.

Now we return to the conventional way of business strategic thinking. Two generic strategies, costs and diversification, are keys in the context of the competitiveness of orthodox microeconomic theory whose analysis is largely based on market demand dynamics.[2] In the business world, there are two demand conditions that a company encounters in terms of supply: A flat demand curve[3] (Figure 1.1) and the downward curve[4] (negative downward slope, the law of diminishing demand; Figure 1.2) for most goods and services (not always the case for luxury goods/services).[5] Other factors that affect demand should be mentioned, such as those related to the amount of income – personal income, substitutes, complementarity, taste and consumer preferences, etc.

In the second case where the curve tends to fall,[6] the perception of customers in terms of the value that one company offers in relation to another means that prices are simply determined by the market mechanism,[7] regardless of the wishes of the company. In such circumstances, there is always only one type of generic strategy to create a competitive advantage for a company, and that is low production costs. Although there are a number of ways for a company to position itself at the bottom of the cost curve in the market, each approach should provide a competitive advantage of low costs. This is where Porter went further, constructing a popular *value chain* concept that provides the ability to disaggregate the key activities of business process in creating products and services in terms of cost analysis and value creation. Here we are talking about a new paradigm of cost management, i.e. the transition from the classic costing to the so-called *Activity-Based Costing* (ABC) method, which introduces radical changes in business management. The conventional approach to measuring effectiveness and efficiency is solely based on traditional accounting performance measures, while the Balance Scorecard (BSC) best reflects a modern approach that takes into account qualitative measures.

Table 1.1 Understanding strategic management over time

Period	*1960s*	*1970s*	*1980s*	*1990s*	*2000*	*2020s*
Label	Definition of Strategy	Conceptualising Strategic Management	Industrial Organisation Economics View of Strategy	Resource-Based View of Strategy	New Paradigm for Strategic Management	Digital Transformation
Selected authors	Andrews (1971)	Rumelt (1974), Mintzberg (1978)	Porter (1980), Porter (1986)	Bartlett (1979), Ghoshal (1986), Wernerfelt (1984), Barney (2001), Prahalad and Hamel (1990)	Nonaka (1991), Hammel (2000), Pfeffer and Sutton (2000), Everett Rogers (2000)	Kaufman and Horton (2015), McGrath (2013), Kotter (2012), Bolstorff (2003)
Dominant themes	Corporate strategy, planning growth	Strategic management content and planning	Competitive advantage development	Resources and capabilities development	Learning knowledge and innovation	Digital intrinsic agility, digital balance, digital frameworks
Rationale	Strategy as a rule for making decisions	Evaluation and implementation of critical aspects of formulated strategy	Five forces analysis of the industry attractiveness to develop competitive advantage through generic strategy	Valuable, rare and costly to imitate	Dynamic strategic model to obtain information, create knowledge and intangible capabilities	Exploitation of new business strategy opportunities Brand controls the channel; digital media create values Strategic role of customers

(*Continued*)

Table 1.1 (Continued)

Period	*1960s*	*1970s*	*1980s*	*1990s*	*2000*	*2020s*
Concepts and tools	Strengths, Weaknesses, Opportunities, and Threats (SWOT); value, rarity, imitability, and organization; experience; curve; Boston Consulting Group (BCG)	Value chain	Five forces model; strategic choice, value chain model	Core competence; value system; VRIO; game theory	New integrated information technology system	Digitally Integrated Organisation (DIO); Integrated Digital Marketing (IDM) Strategic Analyses; Customer Relationship Management (CRM); Social Customer Relationship Management (SCRM)

Source: Adopted from Mele and Guilen (2006) and extended by the authors.

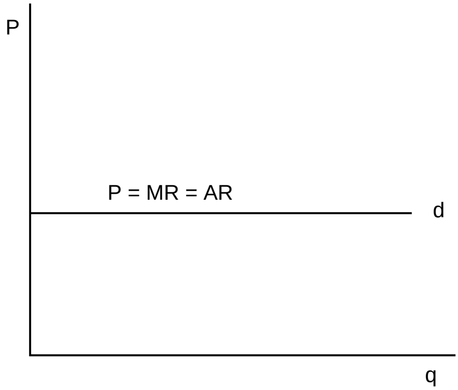

Figure 1.1 Flat demand curve.

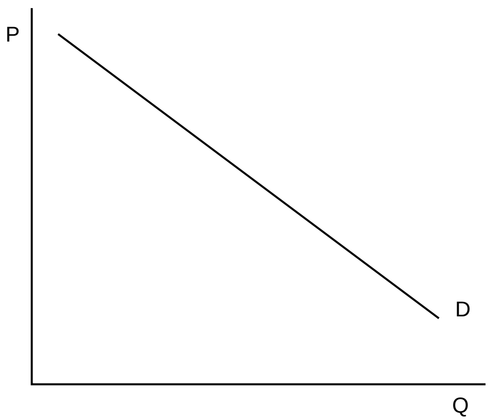

Figure 1.2 Curve of the law of diminishing (market) demand of a competing company.

Source: The authors.

One of the most popular business approaches of recent times related to cost management is *outsourcing* or relocation of certain business activities, which has significantly contributed to the change of market structures and cost management. The value chain has become extensible and does not end with the sale of goods and services, or monitoring of their use and customer satisfaction (e.g. post-service), just as it does not begin with the procurement of inputs for production. A good part of the value in the chain arises in the research and development (R&D) phase. Thus, the *value chain* has evolved: From production to market orientation. Thanks to this approach, companies create higher quality products at significantly lower costs.

In the context of the traditional model, i.e. the supply and demand curve, the question of customer preference in terms of decision-making in the buying process arises, where customers choose (*trade off*) between the perceived value (specificity) and price. Those who value the uniqueness of products and services more are willing to pay a higher price. Such a phenomenon on the market is a problem for microeconomists when modelling supply and demand. In circumstances where customers have a choice, the popularity of the diversification strategy grows, but under the conditions that the company keeps costs at more or less the same level, lower than the competition costs and convinces customers that the diversified product/service is better than competitors. There are several ways to achieve a diversification advantage, but only one is crucial in creating a competitive advantage.

From the previous discussion, it can be concluded that according to microeconomic theory, there are only two provable ways to achieve enterprise competitiveness. The question is whether something has been applied in theoretical settings in the last 30 years, and what characterises competitiveness today. Today, it is widely known that (positioned) companies do not have a ready response to defense against competition and can rely less and less on strategies of low costs and diversification. Global competitions, easier access to financial capital, erosion of entry barriers in the international market, significantly hinder the sustainability of competitive advantage. A large number of examples from practice support this claim. In practice, company managers are increasingly using a comprehensive and dynamic approach to management, often abandoning possible competitive positions. Why? Porter in his work *What Is Strategy* (HBR) claims that operational efficiency, although necessary for achieving superior performance, can be easily and quickly copied. In essence, strategy is the selection of a unique position built into a system of activities that is much harder to imitate. Using cases such as IKEA and Vanguard, Porter showed in his analysis that compromise and coherence between activities are necessary for strategic sustainability. However, these and other successful companies, in addition to their superior business models, have a clear mission in line with the expectations of the company's key stakeholders. In other words, they have a clearly defined purpose of the company. What has contributed to the fact that purpose as philosophy has again become a central link in the decision-making process?

Through investment, growth, development and innovation, companies have transformed the lives of many people around the world in the last 150 years, primarily in terms of quality of life. Unfortunately, when more company leadership is needed in the world, a large number of CEOs cannot argue why business is important for economic growth, development and social stability. Research shows that a small percentage (less than 20%) of managers pay attention to the purpose of the company (Craig and Snook, 2014). In many cases, there is a lack of understanding of the purpose itself, as well as a lack of its clear communication within the company. Researchers claim that global market disruptions, including the financial crisis and the scandals of large companies, have led to the situation in which the public, especially the