

## 2 *Shifting Paradigms in Business Competition*

groups on the strategic directions of companies also affects their social position. The purpose of the company is reflected in the process of making strategic decisions. The aim of this introductory chapter is to analyse changes in strategic management with a focus on the purpose of the company, a concept that is often understood in theory and practice as an abstract construct. In order to better understand the context and concept of new approaches in running companies, this chapter covers a relatively long period of time: From Alfred Marshall to the present – in the interaction of macro and micro aspects of economic trends. In that sense, the structure of work is defined, starting with the evolution of economic thought.

### **The evolution of economic thought: From cost control to the affirmation of the knowledge economy**

In 1942, John Maynard Keynes used a biographical essay on his mentor, Alfred Marshall, to describe a good economist:

... he must be mathematician, historian, statesman, philosopher – in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician.  
(The Economist, 2017a:63)

Such perfection is almost impossible to meet, so Keynes thought: *God, even competent economists are rare birds*. It was at the Cambridge, the Department of Economics, which was founded by Marshall himself, the father of economics as a scientific discipline. At a time when the Cambridge School of Economics was the leading school of its kind, the best were educated there and earned the title of economist in order to be successful traders, able to provide advice to policy makers, impartially and professionally. Today exam questions, both at the Cambridge and at other universities, are different, technically more demanding, and the answers require solid knowledge of mathematical models. All this tells us how much economics as a scientific discipline has evolved.

Let us return to Alfred Marshall, the author of the popular textbook *Principles of Economics* (1890), in which he established the use of diagrams illustrating economic phenomena, including the supply and demand curve, the mantra of microeconomic analysis. As an economic neoclassicist, Marshall used a fictitious firm as a unit of analysis in optimising business costs (minimising costs) in his research. Focusing on the cost leadership of the observed company, he often did not take into account other aspects of its business, including innovation, technological progress, business decision-