In the strictest sense, management's ultimate responsibility is to increase the company's value.

To understand this concept, it is important to understand that the company's value at any given time is a reflection of the expected revenue.

Coca-Cola is a high-value company due to the strength of the brand, market size, and operating history.

People believe that it has high future income potential.

Owning a portion of this company means owning a portion of those revenues.

The expected increase in revenue translates to an increase in the company's own value.

On the other hand, a drop in expected income will lower the company's value.

In the summer of 2018, Twitter suspended millions of users in an effort to get rid of fake and inappropriate accounts.

This caused its share price to drop more than 20%, translating into $5 billion in market value lost.

Although investors understood the importance, law enforcement and policy, they sold their stocks in the hopes that they could get their cash out before it decreases in value.

The same principle is applied even with new companies that haven't got any income yet.

Back in 2012, Facebook's highly anticipated initial public offering cost the company roughly $104 billion.

It's one of the largest IPOs ever.

This value reflected its expected future earnings, and investors believed those earnings would be enough to provide huge market capitalization.

Basically, investors bet on resources, capabilities, and brand strength.

And they believed Facebook's efforts would lead to a competitive advantage.

And that competitive advantage would lead to profits sufficient to provide a good return on investment.

Later, Facebook had proven that it was able to drive substantial revenue and profits through its website and business model.

Indeed, an investment of $1,000 became over $5,000 in the summer of 2019.

Of course, revenue can be affected by many things.

There may be new competitors trying to imitate the company's products and steal the market share.

New technologies may emerge and make your current service less attractive.

Customer tastes may change, causing a product that was once in great demand to become forgotten.

Demographic patterns may change, causing the change in target market size.

Someone may manipulate the numbers to make the company look more profitable, only to boost investors' trust.

A similar situation can be imagined where changes within the company or the environment will increase expectations of future revenues and increase the company's value.

Companies can develop new strategies to make the product cheaper boost up sales.

The company can expand into new markets to increase revenue.

Changing demographic patterns or adapt to customers' tastes may make a company's products or services more popular and attractive.

All of these changes will increase future earnings expectations and will increase the company's value.

By focusing on competitive advantages, strategic management involves all of these potentials, as previously described.

Strategic management involves the environment and how internal changes can create opportunities or threats.

Strategic management deals with the company itself and the strengths and weaknesses of its products, processes, people, and technologies.

Finally, strategic management deals with the company's position in society and how companies are viewed and evaluated by customers, investors, regulators, and employees.

Because the ultimate responsibility of management is to increase the company's value, strategic management is therefore at the heart of management responsibility.

The company's value is a reflection of current and expected earnings.

And both of these reflect competitive advantages.

Continually cultivating competitive advantages is the ultimate responsibility of strategic management and is the key to the company's operations.