CORPORATE COMPETITIVENESS AND SUSTAINABILITY RISKS

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Abstract

This paper aims at providing a theoretical analysis of the existing research on corporate competition and sustainability risks that occur when companies aspire to reach maximum competitive advantages and gain competitive benefits compared to their rivals. Competitiveness has been described as a multidimensional, theoretical and relative concept linked with the market mechanism. The concept of competitiveness may refer to different levels of aggregation: national, regional, industrial and individual companies. This paper contributes to the theoretical research on corporate competitiveness by the analysis of old and new definitions of this category. It also notes that the sustainability risks connected to competition can be divided into several groups where the authors highlight environmental, legal, financial risks, behaviour risks and state-related risks as the most crucial ones. For companies to be fit for the competitive challenge, the paper identifies main characteristics of such risks and gives policy guidance for their avoidance.

Keywords: Sustainability, Competitiveness, Risk Management

1. INTRODUCTION

The times when companies reached beneficial competitive positions due to monopolies on the market, governmental protectionism and other means of non-ethical competition are mostly in the past. Some companies (like Google or Microsoft) might keep leading positions by owning exclusive technologies or gaining dominant market position in the times when the competition was weaker. Oil producers might seem impregnable behind their possession of one of the most used commercial resource on the planet (Stecyk, 2017), but the ghost of Tesla and renewable energy revolution is leaning behind them threatening to end oil dominance in the nearest decade. In the majority of industries in developed markets any business has to show considerable set of efforts and possess a clear strategic vision in order to stay afloat and keep or expand the market share. Even mentioned technological giants cannot sit back and relax observing constant stream of cash piling on their accounts. Technologies are changing rapidly as the world itself.

The companies have to implement new, more and more inventive ways of attracting clients, increasing profits and keeping the market share (Govender & Brijball Parumasur, 2016). The rapidity and urgency of the need in such actions might lead to the situations when companies intentionally or unintentionally create or get themselves exposed to new risks of different types.

More often than not companies keep their financial affairs intact and mentioned risks tend to be of sustainability-related sort when profits and competitive positions are judged of higher importance than sustainable development of the company and its stakeholders (Braendle & Mozghovyi, 2014; Lapina et al., 2016).

The notion of competition among corporations is well documented in the recent research literature (Kirzner, 2015; Porter, 2008; Coffee, 2002).

Reaz and Arun (2005) argue about the recent change of focus to the capital market cause by the corporate competition under the pressure of governance as a way of making managers more disciplined and making sure that executives pursue the interest of shareholders. At the same time authors state that the stewardship approach of corporate governance means that executives and board members are self-motivated to reach the best interest of the firm and its owners by winning the competitive battles.

Competition advocacy is thriving internationally (World Bank, 2002). The past 20 years witnessed more countries with antitrust laws and the birth and growth of the International Competition Network (ICN), an international organization of governmental competition authorities, with over 100 member countries. Although different constituencies accept to different degrees the benefits of competition and competition policy, the strongest competition advocates, in an ICN survey, were among the academic community, consumer associations, media, and nongovernmental organizations (ICN, 2002).

So competition is regarded as a positive, pushing force for the companies and their owners to reach success. Allen and Gale (2000) identified that competition can lead to implementation of better corporate governance practices. Under pressure companies have to optimize decision-making procedures, minimize information, transaction cost and other weak sides of the corporate functionality. Thus the positive impact of competition should be higher in firms with efficient governance structures.

The competition with the positive outcomes would be conceivable just with the satisfactory improvement of supporting structures, for example, adequate legal backup, administrative approaches and arrangements with regard to proper administration of firms. Efficient corporate governance guarantees that a firm is controlled by its executives together with investors in the correct way which maintains the enthusiasm of proprietors and partners. Strong competition without enhancing the nature of corporate governance may make open door for unethical executives to the fraudulent actions (Reaz and Arun, 2005).

Increasing importance of competition for the macroeconomic prosperity of the countries of any level of development and political systems is highlighted by many researchers (Clarke, 2006; Emmert, 2016). It is argued that competition as a complex economic phenomenon requires a substantial attention of the governments and regulators who have to support competition by relevant legislation and oversight. The researchers admit that such attention is dictated by the potential that competition might play in the prosperity of nations.

However, competition can bring not only positive outcomes for the company. Competition can pressure companies to engage in unethical or criminal behavior, if doing so yields the firm a relative competitive advantage (Sheifer, 2004). Other recent economic literature discusses how competition can encourage companies to:

- invest less in legal compliance and more likely violate the law (Branco & Villas-Boas, 2015);
- pay kickbacks to secure business (Hegarty & Sims, 1978);
- underreport profits to avoid taxes (Cai & Liu, 2009);
- etc.

As competition increases, and profit margins decrease, firms have greater incentive to engage in unethical behavior that improves their costs (relative to competitors). Other firms, given the cost disadvantage, face competitive pressure to follow; such competition collectively leaves the firms and society worse off (Stucke, 2013).

There are few studies that tackle the problem of competition and sustainable risks and this problem remains insufficiently studied. Quairel-Lanoizelée (2011) explores the connection between corporate social responsibility (CSR) and competition in order to contribute to the CSR concept through analysis of the conditions for its implementation. The author argues that the mainstream theoretical CSR framework based on the hypothesis of the convergence between firms' objectives and the common interest is not relevant. At the same time the paper omits the problem of CSR risks caused by competition.

On the other hand Hoang & Ruckes (2017) study the effects of hedge disclosure requirements on corporate risk management and product market competition. The analysis shows that firms engage in risk management when these activities remain unobserved by outsiders. In the resulting equilibrium, financial markets are well informed and entry is efficient. This study fails to show sufficient attention to sustainability related risks.

Shareholders are now taking notice of the importance of proper management of sustainability related risks. According to a 2015 global Ernst & Young report, most investors factor environmental, social and governance (ESG) information into their decision-making. A notable 71% of the 211 institutional investors participating in the survey considered ESG data essential or important when making investment decisions, up from 61% in 2014. Furthermore, 62% considered nonfinancial information relevant to all sectors. Finally, more than one-third of respondents reported cutting their holdings of a company in the last year due to ESG risks, and an additional quarter of respondents planned to monitor ESG risks closely in the future (E&Y, 2015).

Thus, it is the main objective of this study to provide a theoretical analysis of the phenomenon of corporate competitiveness and how it is related to create sustainability risks (and how sustainability-related risks can influence it).

The manuscript is structured in the following way: the next chapter systematises the main approaches to the term “corporate competitiveness”; chapter 3 shows key sustainability-related risks that occur due to the competitive struggle and chapter 4 outlines major results of the theoretical analysis and provides ideas for the future research on the topic.

2. COMPETITIVENESS IN THE ECONOMIC CONCEPTS AND THEORIES

The concept of competitiveness is undoubtedly inseparable from the notion of competition. Competitiveness is a complex term, debated for a several decades in the worldwide specialized literature. Although the scientific polemic still has not been finished and no definition is universally accepted. Thus, the chapter aims to seek the answer to the question: How the business/corporate competitiveness could be defined?

First of all, it is worth noting that the term “competitiveness” itself originated from the Classical Latin word “petere” which means to attack, seek, desire, aim at, and the Latin prefix “con-”meaning together. The phrase was devised in the 70s of the XXth century. It was then that American economists, under the facts of severe trade battle between Japanese and American companies, undertook the first attempts to define the degree of competitiveness between the rival economies. According to other research sources, the oil crisis and the related loss of comparative advantage by some industries in the developed countries caused attention in this economic category (Siudek & Zawojska, 2014).

In the economic literature description of three possible levels of competitiveness could be found: the competitiveness of the country (the ability of the economy of a particular state to compete with the economies of other countries for the equal and effective use of national resources, an increase in productivity of the national economy and provision of high living standards on this basis); the competitiveness of the product (the measure of the attractiveness of the product to the consumer, the conformity of the goods to market requirements; and, finally, the competitiveness of the enterprise (Basu, 2011). The competitiveness of products (services) could be also expressed in the fact that:

- the technical value and the quality of the products are better than those of the competing goods;
- the price is lower than that of the competitors (taking into account the payment terms as well);
- related services (packaging, delivery times, spare parts, service, etc.) are more favourable for the customers (Gal, 2010).

The ultimate goal of any enterprise beyond doubt is the achievement of the best results in a competitive struggle, which depends, first of all, on the competitiveness of the company's goods and services (how they surpass competitors' products). The assessment of the corporate competitiveness is necessary for decision-making, above all, in the complex study of the market, as well as in the evaluation of the prospects for launching new products, the formation of pricing and quality policies, etc.

In the context of the process of globalization and internationalization of the economic system, the problem of ensuring high competitiveness of the enterprise comes to the fore, because only competitiveness guarantees the survival of the producer in the domestic and foreign markets. The means of achieving this goal is the development of an appropriate competitive strategy.

In spite of the argument by American economist, winner of the Nobel Prize for Economics in 2008, Paul Krugman (1996) that "economists, in general, do not use the word competitiveness", the review of literature gives the right to conclude that there is a wide range of definitions of competitiveness applied by the researchers to clarify this term.

Primarily, the most broad and general definitions will be considered. Thus, according to the OECD's interpretation (which was later also applied by the European Union), "competitiveness is the capability of companies, industries, regions, nations and supranational regions to create a relatively high income factor and relatively high employment levels on a sustainable basis, while permanently being exposed to international competition" (OECD, 1994).

The World Economic Forum (2016) treats competitiveness as a set of institutions, methods and factors that determine the level of productivity of the economy, which in turn determines the level of prosperity that the country can achieve.

European Commission (2001) defines competitiveness as the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis.

According to the Research Center for Competitiveness, the essence of the category "corporate competitiveness" is the ability of the company to constantly offer products and services that meet the standards of social responsibility and for which consumers are willing to pay more than for the similar products of competitors, providing the company with profitability. In other words, competitiveness means that the company must be able to detect changes in the internal and external environment, and react promptly to them by offering more competitive (than rivals) goods and services (Gal, 2010).

UNCTAD determines the competitiveness of the company as an ability to maintain market positions by delivering quality products on time and at competitive prices. This ability is reflected by "acquiring the flexibility to respond quickly to changes in demand and by successfully managing product differentiation by building up innovative capacity and an effective marketing system" (UNCTAD, 2005).

According to the research of Adamkiewicz-Drwiłło the competitiveness of the company means "adapting its products to the market and competition requirements, particularly in terms of product range, quality, price as well as optimal sales channels and methods of promotion" (Siudek & Zawojska, 2014).

Ajitabh and Momaya (2004) have a very brief interpretation: corporate competitiveness is its share in the competitive market.

Buckley et al. (1988) designate competitiveness of the firm as its ability to produce and sell goods and services of superior quality and lower costs than its domestic and international competitors. This category also means the long-run profit performance and the ability to compensate employees and provide superior returns to firm`s owners.

In the opinion of Chao-Hung and Li-Chang (2010) firm's competitiveness means its "economic strength against rivals in the global marketplace where products, services, people and innovations move freely despite the geographical boundaries".

Krugman (1990, 1994) writes that "if competitiveness has any meaning, it is simply just another way to express productivity".

As interior feature of an economic entity, the competitiveness is defined by company's potential and occurs in relation with the environment in which it operates. Competitiveness means "the liability and skill for market contention and the skill for position gain and permanent commitment that are indicated especially by expansion of business successfulness, market share and profitability" (Markovics, 2005).

Competitiveness may also be determined "by productivity, and depends on firms strategies, it is partially, the result of relationship between firms and local business environment, depends on social and economic objectives synergy and is influenced by factors from external environment" (Porter and Ketels, 2003).

Other authors (Cool & Shendel, 1987; Douglas & Rhee, 1989) focused on the direct relationship of the company's competitiveness with the results of its activities. Scott & Lodge (1985) interpreted this term as a means of raising the company's income, to a lesser extent, as quickly as competitors, and providing the necessary level of investment to support such trend in the future.

According to P. Drucker (1954), the category of "corporate competitiveness" should be interpreted as a mark of market success of the company, whose business is based on innovation. It is the level of implementation of innovations that determines the state of competitiveness, and with which the real expansion of the market, the improvement of the quality of the offered goods and services, the management of skilled personnel and high productivity become real.

Buckley et al. (1988) believe that the firm's competitiveness means its ability to produce and sell high quality products and services with lower costs (compared to competitors) in the national and international markets.

The analysis of the company's competitiveness definitions allows us to identify the main difference between them, which lies in the depth of penetration into the essence of this category. That is why all known approaches of understanding the essence of corporate competitiveness could be grouped as follows:

1. Competitiveness of an enterprise is determined solely on the basis of the competitiveness of its products.
2. Competitiveness is considered as a system (list) of the performance indicators of the company.
3. Competitiveness of the company is similar to a competitive advantage over other market participants.
4. Competitiveness of the enterprise is interpreted as the property of the object of management (or subject of market relations).
5. The competitiveness of the enterprise is defined as the ability to compete and function in the market.
6. Viewing the competitiveness of an enterprise as an ability to adapt and flexibility to survive in a dynamic competitive environment.

The above-mentioned analysis of the definitions of the category "corporate competitiveness" allows us to distinguish a number of important characteristics of competitiveness:

- competitiveness is a dynamic phenomenon;
- competitiveness of the company depends on the stage of the enterprise's life cycle;
- competitiveness as an economic category has a relativistic nature, as it exists in comparison;
- competitiveness has the meaning only in the case of an existing company with a certain market share;
- despite the dependence on many factors, the competitiveness of the enterprise becomes individual in nature;
- the problem of competitiveness arises in the case of a non-stationary non-deficit market that is far from equilibrium.

Thus, on the basis of the foregoing information, we would like to formulate own definition of the analysed category: the corporate competitiveness is the ability of the company (currently and in the future) to form and use a system of skills and knowledge in order to create an attractive product for consumers, outrunning the present and potential competitors. In other words, the competitiveness of an enterprise is an aggregated characteristic of values, competencies and competitive advantages - those assets and parameters of an enterprise that form its positive differences compared to the rivals; competitiveness is the capacity of the company to design and sell goods at prices, quality and other features that are more attractive than the parallel characteristics of the goods offered by the competitors.

3. SUSTAINABILITY RISKS AND COMPETITION

Hofmann et al. (2014) argue that little is known about how sustainability issues manifest themselves as risks and how they create losses for corporations. Without an in-depth understanding of this materialization process, conceptualizations of sustainability risks will remain vague and effective management frameworks cannot be developed. Especially complex this issue arises in terms of its connection to corporate competition.

Risk management procedures are intended to protect a company's long-term viability amid dynamic markets and regulatory changes. In today's economy, companies face a rapidly growing challenges and opportunities to expand their businesses and create value. The increasing physical, regulatory, reputational, and financial impacts of sustainability issues, including environmental, social, and governance concerns, are compelling companies to take a broader view when identifying and managing risks (LeBlanc, 2016).

Corporate risk management is evolving to respond to the needs and requests of various stakeholders, such as investors, employees, customers, suppliers and regulators, as well as the local communities in which the company operates. Stakeholders seek to understand the broad spectrum of complex risks that companies face in order to confirm that such risks are effectively managed across the enterprise. Enterprise risk management provides a consistent framework for identifying, assessing, mitigating, and monitoring risk across the business by taking risk management out of siloed functions, aligning processes and procedures across the organization, and incorporating internal controls. This approach equips companies to address risks and opportunities more proactively and may protect and create value for stakeholders.

Nonfinancial environmental and social risks are often masked by more traditional risk categories and thus are often not included in key risk management discussions. While organizations may communicate environmental and social activities externally to the public, the internal lack of an integrated risk approach may indicate that sustainability and corporate responsibility activities are "bolted onto" rather than "baked into" company strategy and operations, preventing functional managers from securing the necessary resources to effectively manage these associated risks and realize opportunities (LeBlanc, 2016).

A 2013 Ernst & Young report found that organizations with more mature risk management practices outperform their peers financially. The leading companies from a risk maturity perspective implemented on average twice as many of the key risk capabilities as those in the lowest-performing group. In addition, companies in the top 20% of risk maturity generated three times the level of earnings before interest, taxes, depreciation, and amortization (EBITDA) as those in the bottom 20% (E&Y, 2013). Thus, we believe that it is important to map such risks in order to prepare a workable set of reactive measures to mitigate possible negative effects.

3.1. Environmental risks

Environmental risks are majorly connected to the manufacturing corporations. Foerstl et al. (2010) argue that it is important for the corporations to pay attention to the mitigation of sustainability-related risks. By conducting responsible purchasing and supplier management, the risk of corporate reputational damage to the buying firm, caused by supplier misconduct, can be avoided. However, resources for effective risk-mitigation are limited and the applicability of supply risk assessment and supplier assessment methods have not been evaluated for sustainability.

In a recent World Economic Forum survey more than 90% of respondents indicated that supply chain and transport risk management has become a greater priority in their organizations over the last five years. In addition, there has been an increase in supply chain regulations around product stewardship, human trafficking, and conflict minerals (WEF, 2016).

Chichilnisky & Heal (1993) report that there are two standard ways in which corporations and stakeholders can respond to the risks associated with such uncertainty: mitigation and insurance.

Mitigation means taking measures to reduce the possible damage. One way of doing this is to take steps that minimize the damage if the harmful event occurs. An alternative approach to mitigation is to reduce the incidence of harmful events. Of course, if steps are taken to reduce the risk of climate change, then the risks become endogenous, determined by our policy measures. This contrasts with most models of resource-allocation under uncertainty, in which probabilities are about acts of nature and are therefore exogenous. Mitigation acquires a new meaning when risks are endogenous.

Insurance by contrast does nothing to reduce the chances of damage due to climate change. It only arranges for those who are adversely affected to receive compensation after the event. Insurance is a major economic activity, involving both the insurance industry and large parts of the securities industry. This instrument is often used by the corporations to create the financial cushion against possible loses from the environmental risks connected to their activity. This means that corporations should pay not only in the case the risk event takes place. If the company decided to protect itself from the possible loses, the insurance fees should be paid and the money will be spent even if the risk event would not take place.

Firms can lower cost and risk by preventing pollution and finding eco-efficiencies in current activities. A famous example is 3M's 'Pollution Prevention Programme' (3P), where employees are incentivised to eliminate pollution. The company has saved over \$500m, with typical paybacks on investments within a year. Other large companies with programmes include Dow Chemical's "Waste Reduction Always Pays' and Chevron's 'Save Money and Reduce Toxins' (3P Program, 1975).

Environmental risks are easy to overlook if the company has production located in the markets that do not have strict oversight over the environmental protection. But examples when transnational corporations were fined billions of dollars by the governments of emerging countries show that it is better to act in a sustainable manner than to leave the risks unattended.

3.2. Financial risks

Competition might provoke companies to act aggressively in terms of investments and financial operations. Urge to maximize profits in the short term may lead companies to neglecting sustainable issues and, thus, negatively impact their reputation. Although some executives regard that taking into account sustainable issues in the activity of the companies might harm the profitability the empirical evidence proves the contrary.

The Association of British Insurers (ABI, 2004) looked into 'risk, return, responsibility' and rejected the long-standing view that screening will damage the risk/return performance by narrowing the available and potentially profitable investments. It turns out that screening investments on responsibility grounds has no more negative effect than screening by sectors, region growth potential and so on (Robinson, 2004). So, there is no conflict between the fiduciary duty of pension fund trustees and an investment strategy based on responsibility or sustainability.

Over the recent years there has been a massive growth in investment analysis which use an 'environment, society, governance' (ESG) lens. The rise in the number of reports addressing these issues allows to judge whether they make a convincing case for mainstream investors. In 2006 the UNEP FI Asset Management Group of leading fund managers concluded that 'ESG' issues are material, with robust evidence of effects on shareholder value in both the short and long term and that the impact on share price can be valued and quantified. Key material sustainability issues are becoming apparent, and their importance can vary between sectors (Unep, 2006). Investors cannot afford to ignore sustainability related financial risks.

And where there is risk, there is return. Investors who spot investments which exploit the trends into the future will make money, even as they provide the capital that spurs on the development of a sustainable future. Now fund managers are identifying water and other basic resources shortages as a key issue and business opportunity.

3.3 Legislative risks

At the firm level, competitive advantage is forged out of judiciously going beyond compliance, creating and deploying its unique capabilities. The competitiveness at the regional or national level depends on the distinct competitive advantage of firms and the common resources they can all call on (Bent, 2013).

Regulation can, of course, be costly if it is badly designed or implemented. There is, however, increasing evidence that well-designed regulation can go hand-in-hand with increased competitiveness for companies and countries. As sustainability issues move up the political agenda, governments will respond with a whole range of regulatory and market-based instruments. There are widely differing views on what these mean for a company's or a country's competitiveness.

Some argue that regulation harms competitiveness because of red tape, increased costs, and restrictions on freedom. Others believe that it has little effect on competitiveness because costs are not large and can be minimised and are insignificant compared to other costs. Others still believe regulation actually enhances competitiveness because it makes business more efficient and can drive innovation (Wills, 2005).

Looking at the national level, researchers have sought long and hard for empirical evidence that environmental regulation harms national competitiveness, but without success. There is no evidence so far that environmental regulation is bound to be harmful, perhaps because the effect of environmental regulation is small compared to other drivers of competitive advantage (Tobey, 1990; Levinson et al., 2006).

Indeed, there are some who believe the opposite. Harvard Business School's Institute for Strategy and Competitiveness believes nations need not sacrifice competitiveness and environmental improvements and that they are complementary (HBS, 2010). Esty & Porter (2001) have compared a nation's ranking of environmental regulation with their competitiveness (table 1). He has found that countries can combine competitiveness with effective environmental regulation, for instance Finland, but it does not mean that one causes the other. The state of California provides an example of combining economic out-performance with tight environmental regulation in the most competitive environment in the world.

Table 1. Comparison of nation's ranking of environmental regulation with their competitiveness

Environmental Regulatory Regime Index Rank	*Current Competitiveness Ranking*
1. Finland	1. Finland
2. Sweden	2. USA
3. Singapore	3. Netherlands
4. Netherlands	4. Germany
5. Austria	5. Switzerland
6. Switzerland	6. Sweden
7. Germany	7. UK
8. France	8. Denmark
9. Denmark	9. Australia
10. Iceland	10. Singapore
11. New Zealand	11. Canada
12. Canada	12. France
13. UK	13. Austria
14. USA	14. Belgium
15. Belgium	15. Japan

Source: World Economic Forum Global Competitiveness Report 2001

3.4. Behavior risks

Alternatively, competition harms society when firms compete to better exploit consumers' bounded rationality or willpower (Stucke, 2013). Suboptimal competition is unlikely if firms inform bounded rational consumers of other firms' attempts to exploit them. Rather than compete to build consumers' trust in their business, firms instead compete in devising better or new ways to exploit consumers, such as:

- using framing effects and changing the reference point, such that the price change is viewed as a discount, rather than a surcharge;
- anchoring consumers to an artificially high suggested retail price, from which bounded rational consumers negotiate;
- adding decoy options to steer consumers to higher margin goods and services;
- using the sunk cost fallacy to remind consumers of the financial commitment they already made to induce them to continue paying instalments on items, whose value is less than the remainder of payments;
- using the availability heuristic to drive purchases, such as an airline travel insurer using an emotionally salient death (from 'terrorist acts') rather than a death from 'all possible causes';
- using the focusing illusion in advertisements (i.e. consumers predicting greater personal happiness from consumption of the advertised good and not accounting one's adaptation to the new product); and
- giving the impression that their goods and services are of better quality because they are higher priced or based on one advertised dimension.

By engaging stakeholders along the whole product lifecycle, a company can mitigate its reputation risks. Nike's most important asset, its brand, was suffering from a backlash on labour and environmental practices. A product stewardship strategy has recovered its reputation and preserved its right to operate.

To date, the business case for sustainability has sometimes been weakened because it is based on the marginal improvements in eco-efficiency. While these investments often pay their way, companies could often get much greater returns by investing elsewhere. Many companies are now realising that that there are much bigger gains to be made from more radical repositioning.

3.5. State related risks

The emergence of countries like China and India together with Brazil open up new markets for companies. Firms will not be able to reach potential new customers profitably with their current business models. Unilever has used 'bottom of the pyramid' techniques in India to expand the personal hygiene market, at a profit. They are transferring those techniques to other emerging markets (Bent, 2008).

A lot of companies in order to get competitive advantages compared to their rivals tend to relocate part of their business to developing countries. Business operations in developing markets make the company vulnerable to political and financial risks as well as risks related to changes in social conditions. For example, the free pricing of services could be restricted in these countries. Corporations endeavour to minimise these risks by familiarising with the international market situation and the business culture through means such as commissioning studies of the country-specific risks of developing markets.

Despite lower sustainability standards in the developing markets, governments and stakeholders in many countries tend to develop soft laws, codes as well as binding legislation in order to strengthen the behavior of corporations and motivate them to report to the public. Important developments are being observed in China (Braendle, 2016) and other markets that can change the current state of art in the field.

Corporations, operating in the developing markets should take into account such developments as well as maintain their operations on the levels that will let them to avoid scandals and any events that will harm the reputation of the company and consequently shareholder wealth.

4. CONCLUSIONS

The basis of a competitive economy is a competitive industry. That is why the ultimate goal of any enterprise is to win the competition in the market. We found that competitiveness is indeed not a race, but a journey. The victory is not one-time, not accidental, but as a logical consequence of the company's constant, purposeful and competent efforts. Whether it is achieved or not depends on the competitiveness of the company that means the ability to maintain market positions by delivering quality products on time and at competitive prices.

There is a huge number of interpretations of the term "competitiveness of the enterprise"/"corporate competitiveness" in the economic literature and the universal definition of this category still does not exist.

Based on our research, this is not surprising because the term itself is very complex. It can be considered from the different angles, using a variety of approaches. The instability of terminology can also be explained by the dynamic changes in the market environment. It leads to the attempts to take such changes into account while interpreting this term.

Often, companies engaged in a competitive battles tend to expose themselves to different sustainability related risks. Sustainability issues have significant, lasting impacts on inventory management, supply chain procurement risk, resource availability, price volatility, and human well-being. Re-engineering processes and restructuring organizations to provide expanded visibility and insights in the complexity of today's business environment can be messy. We advise to broaden the risk management perspective, improving risk registers, and integrating sustainability with traditional risk areas. Doing this, organizations can improve functional leadership and realize opportunities to manage strategic and operational risks and performance more effectively.

There is no evidence that addressing sustainability through regulation must harm a firm's or a nation's competitiveness. Instead, there is evidence that well-designed regulation can go hand-in-hand with higher competitiveness. Companies will certainly enlarge their risk exposure if they fail to comply with sustainability related legislation.

When companies treat the issues in sustainability as part of their strategic context they discover risks and opportunities. As long as they build them into their core activities as a profit-making activity, judged as an opportunity against other choices, they can enhance their competitive advantage. It is only when they create bolt-on activities which are not part of how the company intends to create returns that they can waste shareholders' money and put their own and wider competitiveness at risk.

The main limitation of this study is its theoretical nature. Further research should be directed on examination of the problems raised in this manuscript by testing hypotheses empirically based on the dataset from different economies.

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