DÁVID HARSÁNYI
SZILVIA MALACZKOV
(Eds.)

INNOVATION AND SUSTAINABILITY IN ECONOMIC AND POLITICAL RELATIONS IN EUROPE

APOSZTRÓF

INNOVATION AND SUSTAINABILITY IN ECONOMIC AND POLITICAL RELATIONS IN EUROPE

Edited by DÁVID HARSÁNYI and SZILVIA MALACZKOV

Reviewers:
Tamás Demény, Ph.D.
Balázs Ferkelt, Ph.D.
Dávid Harsányi, Ph.D.
Szilvia Malaczkov, Ph.D.
Judit Sági, Ph.D.

ISBN 978-963-625-106-2

Published by © Aposztróf Kiadó, 2026
Nagy és Hetyei Kft.
www.aposztrof.hu

INNOVATION AND SUSTAINABILITY IN ECONOMIC AND POLITICAL RELATIONS IN EUROPE

Edited by

DÁVID HARSÁNYI
SZILVIA MALACZKOV

Aposztróf, Budapest, 2026

TABLE OF CONTENTS

INTRODUCTION

This volume brings together a selection of peer-reviewed papers presented at the international conference *Innovation and Sustainability in Economic and Political Relations in Europe*, held in May 2026 at Budapest University of Economics and Business. The conference was organized with the aim of creating an interdisciplinary platform where scholars, researchers, and practitioners could exchange ideas on some of the most pressing challenges shaping Europe today. As outlined in the conference call, the event sought to encourage dialogue among researchers from different countries, particularly from Central and Eastern Europe and the Visegrád region, while welcoming contributions from the wider international academic community. The conference provided an opportunity to discuss emerging trends, present recent research findings, and explore innovative approaches to sustainability, business development, marketing, and economic relations in an increasingly complex global environment.

The rapid transformation of the global economy has reinforced the importance of sustainability as a guiding principle for both academic research and professional practice. Environmental responsibility, social inclusion, responsible governance, technological innovation, and changing consumer expectations have become inseparable elements of contemporary business and public policy. At the same time, European economies are facing unprecedented geopolitical, economic, and technological challenges that require innovative and interdisciplinary responses. Against this background, the conference encouraged participants to examine sustainability not as an isolated concept, but as a multidimensional phenomenon influencing corporate strategy, marketing communication, innovation, regional development, and international economic relations.

The studies collected in this volume reflect this interdisciplinary perspective. Although the authors approach sustainability and innovation from different theoretical and methodological viewpoints, they all contribute to a broader understanding of how organizations, institutions, and societies respond to contemporary economic and social challenges. Together, the papers demonstrate that sustainable development requires collaboration across disciplines and sectors, while also highlighting the importance of integrating economic competitiveness with social responsibility and environmental awareness.

To provide a coherent structure, the volume is divided into three thematic parts that guide the reader from business transformation through marketing communication to broader economic and institutional perspectives.

The first part, *Innovation, Sustainability and Business Transformation*, focuses on the changing landscape of sustainable business practices and corporate development. The opening chapter examines the evolving sustainability reporting arena by analysing stakeholders' responses to the European Commission's Omnibus Initiative. The study provides valuable insights into the future of sustainability reporting and illustrates how regulatory developments influence corporate behaviour and strategic decision-making. The second contribution investigates the strategies adopted by sustainable enterprises in Germany, demonstrating how companies can balance economic growth with environmental and social responsibility. Together, these studies emphasize that sustainability is no longer merely a regulatory requirement but an increasingly important source of competitiveness, innovation, and long-term organizational resilience.

The second part, *Storytelling, Sustainability and Brand Building*, explores the growing role of marketing and communication in promoting sustainable values. The first chapter analyses how storytelling contributes to country branding through the example of Croatia's representation in Germany's largest theme park, illustrating how narratives can shape destination image and strengthen national identity. The following study investigates the promotional practices of the Váli Winery, demonstrating how authentic storytelling can enhance brand value, strengthen customer engagement, and support sustainable marketing communication. These two papers reveal that sustainability is communicated not only through measurable corporate performance but also through meaningful narratives capable of building trust, authenticity, and long-term relationships with stakeholders.

The final part, *Economic and Political Relations in Europe: Regional and Institutional Perspectives*, broadens the discussion by addressing the wider institutional and economic environment within which businesses operate. The first paper investigates the role of intellectual creations as intangible assets in corporate performance, emphasizing the increasing importance of knowledge, innovation, and intellectual capital in creating competitive advantage. The second contribution examines economic diplomacy beyond the traditional role of states by analysing soft power, trust, and hybrid actors in cross-regional cooperation. The closing study reviews stylized macroeconomic facts and short-term projections for the Visegrád countries, providing an up-to-date overview of regional economic developments and highlighting the significance of evidence-based economic analysis for policymaking and strategic planning. Together, these contributions demonstrate that sustainable development cannot be separated from institutional quality, international cooperation, and sound economic governance. Although the seven chapters investigate different research questions, several common themes emerge throughout the volume. Innovation serves as a driving force behind sustainable business transformation; communication and storytelling are presented as essential tools for creating value and strengthening stakeholder engagement; while regional cooperation, institutional development, and knowledge-based competitiveness provide the broader framework within which sustainable economic development can be achieved. Consequently, the volume illustrates that sustainability is not confined to environmental issues but encompasses economic performance, responsible governance, social innovation, effective communication, and international collaboration.

The interdisciplinary character of the conference is reflected in the diversity of research methods represented in the volume. The contributions include conceptual analyses, empirical research, case studies, and policy-oriented investigations, demonstrating the richness of contemporary research on sustainability and innovation. This methodological diversity enables readers to gain both theoretical insights and practical implications, making the volume relevant for a broad academic and professional audience.

We hope that this collection will be valuable for researchers, university lecturers, doctoral students, and higher education students interested in sustainability, marketing, innovation, business strategy, and European economic relations. At the same time, the practical findings presented in several chapters may also prove useful for policymakers, business professionals, consultants, and decision-makers seeking innovative solutions to contemporary challenges. The volume may serve as a reference for academic research, university teaching, further interdisciplinary cooperation, and evidence-based policy discussions.

Finally, we would like to express our sincere gratitude to all authors whose high-quality contributions made this publication possible. We are equally grateful to the reviewers for their constructive comments and professional commitment, as well as to the members of the organizing committee and all colleagues whose work contributed to the successful organization of the conference and the preparation of this proceedings volume.

We believe that the discussions initiated during the conference will continue to inspire new collaborations, innovative research projects, and future scientific dialogue. It is our sincere hope that this conference will become a recurring international forum for exchanging ideas on innovation, sustainability, and economic development, and that we will have the opportunity to welcome both returning and new participants at future editions. In this spirit, we trust that the present volume will contribute to the ongoing academic conversation on sustainable and innovative solutions for Europe and beyond.

The editors

PART I

INNOVATION, SUSTAINABILITY AND BUSINESS TRANSFORMATION

SHIFTS IN POWER IN THE SUSTAINABILITY REPORTING ARENA? AN ANALYSIS OF THE RESPONSES TO THE OMNIBUS INITIATIVE

Alina Alexenko
Andrássy University Budapest, alina.alexenko@aub.eu

ABSTRACT

The European Commission's Omnibus Initiative is giving new impetus to debates on sustainability reporting regulation in Europe and beyond. While Afolabi et al. (2023) demonstrate how the entry of the IFRS Foundation and the European Financial Reporting Advisory Group (EFRAG) altered the balance of power in the sustainability reporting arena, this working paper explores how established arena actors respond to this new regulatory turning point. The analysis focuses on documents published by EFRAG, the Global Reporting Initiative (GRI), the European Securities and Markets Authority (ESMA), and a joint investor–business coalition. Using MAXQDA AI Assist to support and scale qualitative content analysis, the paper examines positions on interoperability, investor versus stakeholder orientation, as well as rhetorical intensity. The preliminary findings provide initial insights into ongoing strategic repositioning within global sustainability standard-setting while also reflecting on the opportunities and limitations of combining artificial intelligence-assisted coding with human validation.

Keywords: Omnibus, sustainability reporting arena, sustainability reporting standards, GRI, ISSB, EFRAG, MAXQDA AI Assist

INTRODUCTION

Over the past two decades, the global landscape of sustainability reporting has evolved from a fragmented, voluntary practice into an increasingly institutionalized and politically contested field of governance. The coexistence of multiple reporting frameworks, such as the Global Reporting Initiative (GRI), the Integrated Reporting (IR), the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-Related Financial Disclosures (TCFD), and later the emergence of the IFRS (International Financial Reporting Standards) Foundation's International Sustainability Standards Board (ISSB), has intensified debates regarding the purpose, scope, and primary audience of sustainability reporting (Bridges et al., 2022; Jørgensen et al. 2022; Villiers et al., 2022, 2024; Afolabi et al., 2023; Alexenko, 2024; Oll et al., 2025). In Europe, the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) represent an ambitious attempt to institutionalize a stakeholder-oriented sustainability reporting model based on the principle of double materiality. The European Commission's Omnibus Initiative - announced in 2025 and aiming to reduce the CSRD reporting burden - reopened debates regarding reporting scope, proportionality, ESRS simplification, and interoperability with global standards. For an overview of the historical development of EU sustainability reporting regulations and critical note on the Omnibus, see Velte (2025).

While current debates focused largely on the emergence of the ISSB and its relationship with existing reporting frameworks (e.g. Carungu et al., 2025a), less attention has been paid to how arena actors react to subsequent regulatory turning points and attempts at recalibrating sustainability reporting obligations. The Omnibus reform provides a useful opportunity to observe whether previously identified tensions within the sustainability reporting arena persist, intensify, or evolve into new forms of coordination and strategic positioning. Building on Afolabi et al. (2023), this paper examines established actors' strategic responses to the Omnibus initiative and to the related ESRS framework revision.

THEORETICAL FRAMEWORK: THE SUSTAINABILITY REPORTING ARENA

This paper draws on the sustainability reporting arena concept proposed by Afolabi et al. (2022, 2023), which builds on Renn's (1992) political arena concept and its interpretation by Georgakopoulos - Thomson (2008). This will be applied to the study of sustainability reporting governance. The arena is understood as a contested institutional space in which multiple actors seek to influence the direction of sustainability reporting through the mobilization of expertise, legitimacy, networks, and stakeholder support. According to Afolabi et al. (2022), sustainability reporting standard-setting should not be viewed as a purely technical process. Rather, it involves strategic interactions among regulators, standard setters, companies, investors, civil society organizations, and other stakeholders. Reflecting on broader sustainability discourses and governance narratives, these actors promote different understandings of the purpose, scope, materiality, and intended users of sustainability reporting. They also compete for influence over emerging reporting norms and governance structures (Rowbottom, 2022; Jørgensen et al., 2022; Davidescu et al., 2025).

Afolabi et al. (2023) identify the GRI, the European Financial Reporting Advisory Group (EFRAG), and the IFRS Foundation as important issue amplifiers within the sustainability reporting arena. Although these organizations possess different mandates and constituencies, they all contribute to shaping sustainability reporting debates through standard-setting activities, consultation processes, public statements, and stakeholder engagement. Following Afolabi et al. (2023), this paper starts from the assumption that major changes in European sustainability reporting regulation are not confined to the European context but may trigger strategic responses from actors across the global sustainability reporting arena. The Non-Financial Reporting Directive (NFRD), and the Corporate Sustainability Reporting Directive (CSRD), including the development of the European Sustainability Reporting Standards (ESRS), can be viewed as regulatory turning points that attracted reactions from other arena actors and contributed to broader debates on the future direction of global sustainability reporting governance. From this perspective, the Omnibus Initiative may represent another arena event capable of triggering (or partly being a result of) the strategic responses from both European and global actors.

While Afolabi et al. (2022, p.16) conceptualize EFRAG primarily as a 'rule enforcer', and later in Afolabi et al. (2023, tables on pp. 9, 11) primarily as an 'issue amplifier', the Omnibus reform process points to a potentially more complex role. Through its mandate to revise the ESRS, EFRAG occupies an intermediary position between competing reporting approaches and can influence the degree of interoperability between European and global sustainability reporting frameworks. This paper therefore assumes that EFRAG may be understood not only as an issue amplifier but also as a hybrid arena actor that mediates, translates, and operationalizes competing reporting logics within the standard-setting process.

Prior literature suggest that the double materiality approach is desirable when conceptualized as an organizational change process (Kapplmüller, 2025). Some findings also show that implementing double materiality, supported by effective stakeholder engagement and strategic integration, can enhance CSR and financial outcomes by aligning companies' financial, environmental and social objectives (Correa-Mejía et al., 2026). However, in some cases, research has found evidence of label adopters (Correa-Mejía et al., 2024), highlighting the need for verifiable sustainability reporting standards. Authors frequently interpreted developments surrounding the GRI, the ESRS and the ISSB as reflecting tensions between competing reporting logics. On the one hand, the GRI standards and the ESRS are often associated with stakeholder-oriented sustainability governance, double materiality, and broader accountability objectives. On the other hand, the ISSB seeks to establish a globally applicable investor-oriented baseline for sustainability disclosures, promoting the single materiality approach. Consequently, several authors describe the emergence of the ISSB as a challenge to existing sustainability reporting approaches (Adams – Mueller, 2022; Rowbottom 2023, Afolabi et al. 2023). At the same time, recent studies increasingly highlight convergence and interoperability between reporting frameworks rather than direct confrontation (Carungu et al. 2025a, 2025b). This suggests that arena dynamics may be evolving from visible institutional contestation toward more complex forms of coordination, alignment, and strategic positioning.

RESEARCH DESIGN, METHODOLOGY, CODE SYSTEM AND PROMPT EXAMPLES

The study applies qualitative content analysis supported by MAXQDA AI Assist, which is an artificial intelligence (AI) coding tool, provided by the MAXQDA software. The objective is not to replace human interpretation but to explore how AI-assisted coding can support the analysis of sustainability reporting policy documents while maintaining an acceptable level of human validation.

The corpus consists of four documents representing different positions within the sustainability reporting arena:

(1) EFRAG's Basis for Conclusions accompanying the revised ESRS consultation drafts (EFRAG 2025), 190 pages,

(2) a public statement on Omnibus by the GRI on its website (GRI 2025), 3 pages,

(3) a joint investor–business coalition statement on Omnibus (Eurosif, 2025), 22 pages, and

(4) European Securities and Markets Authority (ESMA) response to the EFRAG consultation (ESMA 2025), 30 pages.

Unlike the other documents, EFRAG's Basis for Conclusions does not represent a single organizational position. Rather, it aggregates feedback from consultation, outreach activities, field tests, technical discussions, and stakeholder responses. Therefore, the document partially reflects the contested structure of the sustainability reporting arena itself.

Interestingly, no explicit IFRS or ISSB position was found to include in the corpus. Only a note inviting stakeholders to attend a domestic consultation in favor of the ISSB was found (Bofinger-Schuster, 2025). The ESMA comment letter was added to the corpus under the assumption that, like the International Organization of Securities Commissions (IOSCO)'s position in favor of the IFRS Foundation's decision to launch the new sustainability standards board (IOSCO, 2020), ESMA, as a securities market authority, would also express a favorable position on convergence with ISSB standards. The coding framework was derived from the arena literature and organized into five analytical dimensions: strategic alignment, preferred audience, position towards arena reform, preferred reporting philosophy, and strategic mobilization. These dimensions were operationalized through eleven AI-assisted codes (see Table 1).

Table 1. Main coding categories

Dimension	**Codes**
Strategic alignment	Interoperability with GRI; interoperability with ISSB; balanced interoperability with both frameworks
Preferred audience	Stakeholder orientation; investor orientation
Position towards arena reform	Support for Omnibus; criticism of or concern about Omnibus
Preferred reporting philosophy	Single materiality; double materiality
Strategic mobilization	Moderate/low urgency; urgent/aggressive rhetoric

Source: own compilation

The prompt structure followed recommendations by Rädiker (2026), including explicit code definitions, inclusion and exclusion criteria, and positive and negative coding examples. For example, the interoperability code for ISSB captured statements supporting stronger alignment between ESRS and IFRS Sustainability Disclosure Standards, while excluding neutral technical references. The Omnibus codes were subsequently refined to account for specific reporting thresholds proposed by the reform package and references to the earlier NFRD scope. Table 2 illustrates two prompts used as an example.

Table 2. Examples of prompts used for MAXQDA AI Assist

Prompt Structure	Code name "Strategic alignment / Support for GRI"	Code name "Strategic mobilization / Urgent or aggressive rhetoric"
Code description:	This code captures arguments expressing explicit support for stronger alignment, compatibility, interoperability, or coordination between ESRS/EU sustainability reporting and the GRI Standards as the preferred or particularly important framework for sustainability reporting harmonisation. The code reflects arguments favouring GRI-oriented sustainability reporting logic over primarily investor-oriented IFRS/ISSB approaches.	Captures arguments using strong, urgent, alarmist, or highly normative language.
Example aspects:	• Preference for interoperability with GRI • Support for GRI-based reporting continuity • Stakeholder accountability • Double materiality • Sustainable development orientation • Impact-focused reporting • Defence of broader ESG accountability • Support for maintaining GRI influence within ESRS	"must"; "critical"; "serious risk"; "backward step"; "undermine"; "urgent".
Inclusion criteria:	• Explicit support for interoperability or alignment with GRI • Statements favouring GRI-oriented reporting logic • Arguments defending GRI's relevance, compatibility, or importance • Statements linking sustainability reporting to stakeholder accountability or impact reporting in connection with GRI	Code emotionally strong or highly urgent argumentative language.

Exclusion criteria:	• Neutral references to GRI • Technical mentions of interoperability without preference • Statements supporting interoperability equally with both GRI and ISSB/IFRS • General references to sustainability reporting without explicit GRI alignment	Do not code balanced, procedural, or neutral statements.
Positive example:	"The GRI emphasised the need to progress the interconnectivity of financial reporting and sustainability reporting." Why coded: The statement explicitly supports stronger connectivity and alignment involving the GRI framework.	"A significant backward step for sustainability." Why coded: strong normative rhetoric.
Negative example:	"As a consequence, the draft Amended ESRS strive to strengthen further interoperability with global standards such as the ISSB Standards and the GRI Standards where the amendments are compatible with the CSRD provisions." Why NOT coded: The statement refers neutrally to interoperability with both GRI and ISSB standards without expressing preference or stronger support for GRI specifically.	"The amendments simplify the DMA process." Why NOT coded: neutral technical wording.

Source: own compilation

Human validation formed an integral part of the coding process. Depending on the size and perceived reliability of individual coding categories, between 10% (for the EFRAG Document) and 100% (for other 3 Document) of coded segments were reviewed manually. Validation was used both to assess coding quality and to iteratively refine coding instructions. The process revealed that coding performance varied substantially across concepts and document types.

AI CODING RESULTS, HUMAN VALIDATION, AND INTERPRETATION

The validation exercise revealed considerable variation across coding categories. Interoperability-related codes proved the most robust. The code capturing support for interoperability with ISSB standards identified 89 segments and no reviewed codes were deleted during validation. Only 12 segments were coded for alignment with the GRI, two of which were deleted during human validation. Similarly, minor corrections were required for the balanced interoperability code. These results suggest that AI Assist comparatively easily identified explicit references to reporting frameworks.

Codes related to support for and criticism of the Omnibus reform initially produced less satisfactory results. AI Assist occasionally struggled to distinguish between the Omnibus proposal, the CSRD, and the earlier NFRD framework. After the coding prompts were revised to include reporting-threshold examples and negative cases, both Omnibus-related codes performed well during validation. The code "Position: Disagreement or Raising Concern to Omnibus" was applied to 11 segments of the document by the Investor and Business Coalition, eight segments of the GRI statement, 51 segments of the ESMA, and 184 segments of the EFRAG document. For the code "Position: Support for the Omnibus," three segments were coded for the document by the Investor and Business Coalition, zero segments were coded for the GRI statement, 40 segments were coded for the ESMA, and 564 segments were coded for the EFRAG document.

By contrast, "Stakeholder Orientation" and "Materiality" codes were perceived as more interpretative. The "Stakeholder orientation" code tended to overcode references to sustainability objectives, Green Deal ambitions, or technical discussions. Similarly, the "Single-materiality" code frequently associated investor or company interests with financial materiality even when the concept was not explicitly discussed. The "Double-materiality" code performed reasonably well in the GRI and investor documents but produced weaker results for the ESMA submission. These findings suggest that AI-assisted coding performed less consistently when concepts require contextual interpretation rather than explicit textual markers, mainly because of the prompt's formulation. It was deemed too time-consuming to rewrite the prompts for these codes and undergo human validation again, so this possible improvement was not implemented.

The "Rhetorical intensity" coding, which is associated with strategic discursive mobilization of the actors, produced the following results. The "Rhetorical Intensity: Urgent or Aggressive" code appeared 18 times in the Investor and Business Coalition document, 6 times in the GRI document, 84 times in the ESMA comment letter, and 253 times in the EFRAG document. All codes from the first three documents were read and approved via human validation. For the EFRAG document, every tenth coded segment was read. The code was broadly interpretive but suitable for the research aim. The code "Rhetorical intensity: moderate or low urgency" was – in line with the expectations – assigned to numerous segments: Investor Coalition (30), GRI (6), ESMA (197), and EFRAG (1526). These coding results were not evaluated because the language of all the documents is typically technical, and the interesting deviations were more relevant to the opposite version of the code („Rhetorical Intensity: Urgent or Aggressive").

The validation exercise demonstrates that AI-assisted coding frameworks cannot be assumed to be universally transferable across documents. Coding performance varied not only between concepts but also between actors and institutional contexts. Consequently, prompt validation remains necessary, particularly for interpretative concepts such as stakeholder orientation and materiality.

The results suggest that interoperability discussions surrounding the Omnibus reform are strongly oriented towards ISSB standards. Within the EFRAG document, support for interoperability with ISSB standards (73 coded segments) substantially exceeded references to interoperability with GRI (9 segments) or balanced interoperability (8 segments). At the same time, stakeholder-oriented arguments remained more frequent than investor-oriented arguments within the same document. This pattern does not suggest a simple replacement of one reporting logic by another. Rather, it points towards an ongoing attempt to reconcile stakeholder-oriented European sustainability reporting with growing demands for international interoperability.

Table 3. Summary of human validation

Code group	**Validation result**	**Main issue**
Strategic alignment/ interoperability	Good to very good	Minor noise only
Strategic mobilization/ Rhetorical intensity	Good	Clearer linguistic indicators should be given in the prompt, now they are coded broadly interpretative
Preferred audience/ Omnibus positions	Good after prompt refinement	Regulatory context (NFRD, CSRD, and Omnibus thresholds were initially not identified by AI)
Investor orientation	Mixed	Overcoding and too close (repeatable) to the code of the ISSB interoperability
Stakeholder orientation	Mixed	Overcoding and too close (repeatable) to the code of the GRI interoperability
Preferred reporting philosophy/ Materiality	Acceptable	Extremely overcoding (the prompt should be narrowed and more technical)

Source: own compilation

GRI strongly criticised the Omnibus Initiative, framing the proposed increase of reporting thresholds and reduction of reporting obligations as a weakening of sustainability transparency and accountability. The joint investor-business coalition, in which the GRI participated alongside investors and business organizations, in its statement further complicates earlier binary interpretations of the arena. The coalition simultaneously supported interoperability with both GRI and ISSB standards, defended broader sustainability reporting scope, and criticized excessive deregulation. Both documents demonstrated a higher level of the "urgent" language, which could be interpreted as a strategic rhetorical mobilization on the GRI side.

In contrast, EFRAG and ESMA documents demonstrated substantial support for interoperability with IFRS/ISSB standards and relied predominantly on moderate and technocratic rhetoric. However, the EFRAG document also contains voices urging to defend core principles of double materiality and stakeholder-oriented sustainability reporting.

DISCUSSION

The findings suggest that the Omnibus reform should not be interpreted simply as a conflict between European and international sustainability reporting approaches. Instead, the results point towards an ongoing process of strategic repositioning within the sustainability reporting arena.

The strongest signal emerges from the interoperability codes. References supporting interoperability with IFRS/ISSB standards substantially exceed references to interoperability with GRI standards, particularly within the EFRAG document. This observation is consistent with recent literature describing the growing influence of the ISSB as a global reference point for sustainability reporting (Carungu et al. 2025a, 2025b). At the same time, stakeholder-oriented arguments remain highly visible within the EFRAG consultation materials. Rather than indicating a replacement of one reporting logic by another, the findings suggest an attempt to reconcile stakeholder-oriented European sustainability reporting with increasing demands for international comparability and investor-focused disclosures.

The results also support the extension of Afolabi et al.'s conceptualization of EFRAG as a hybrid issue amplifier. Within the Omnibus process, EFRAG does not only participate in arena debates, but also acts as an intermediary that aggregates consultation feedback, balances competing interests and translates them into revised reporting requirements. In this sense, EFRAG can be considered a hybrid arena actor, performing both amplifying, mediating and standard-development functions. Similar observations could potentially be made for the IFRS Foundation and the GRI when analysing their own consultation processes.

Recent developments also suggest that arena dynamics may be evolving beyond the conflict-oriented framing frequently found in earlier literature. In May 2026, the GRI and the IFRS Foundation jointly reaffirmed their commitment to complementary disclosures and published additional guidance on the combined use of GRI and ISSB Standards (GRI 2026). Rather than presenting stakeholder-oriented and investor-oriented reporting approaches as competing alternatives, the statement emphasises interoperability, alignment of common disclosures, and the possibility of serving different audiences through complementary reporting architectures. These developments are broadly consistent with the findings of this study, which indicate that interoperability has become a central arena issue. At the same time, the continuing public criticism of the Omnibus reform by the GRI and other actors demonstrates that contestation has not disappeared but increasingly coexists with institutional coordination efforts. The Omnibus reform therefore reflects not the disappearance of conflict within the sustainability reporting arena, but a transformation of governance struggles from overt legitimacy confrontation toward more embedded and technocratic forms of institutional influence. Recent interoperability-oriented cooperation between GRI and the IFRS Foundation should therefore not necessarily be interpreted as the end of contestation. Rather, these developments may reflect changing institutional power-relations, in which stakeholder-oriented actors strategically adapt to an increasingly institutionalised ISSB-centred global governance architecture.

LIMITATIONS AND OUTLOOK

Several limitations should be acknowledged. First, the study analyses a deliberately small and purposive corpus of four documents. The objective was not statistical representativeness but the exploration of key arena positions surrounding the Omnibus reform and the ESRS revision process. Second, the study relied on AI-assisted coding. Although extensive human validation was conducted, coding performance varied by category. Interoperability and rhetorical intensity codes were relatively robust, while stakeholder orientation and materiality-related categories were more interpretive and required more judgment from researchers. Therefore, the findings highlight the continuing importance of human validation in AI-assisted qualitative research. Since no human coding was initially performed, it was not possible to check whether the AI coded all relevant segments. Additionally, inter-coder reliability was not possible, which reduces costs but increases the risk of bias, as the explanations and arguments for coding provided by the AI may influence human decisions in favour of the AI. Third, the results indicate that coding instructions cannot be assumed to be universally transferable across document types. Several codes performed differently in EFRAG, ESMA, GRI, and Investor and Business Coalition documents, suggesting that coding frameworks should be tested and refined for different institutional contexts.

The study should therefore be regarded as a working paper and a first step towards a broader analysis of the evolving sustainability reporting arena. A particularly promising next step is the analysis of submissions to the European Commission's consultation on the revised ESRS, which closed on 3 June 2026 (European Commission, 2026). The consultation forms part of the implementation of the Omnibus reform and concerns a substantially simplified version of the ESRS, including major reductions in disclosure requirements, changes to materiality assessment, and further interoperability measures. The consultation responses provide an opportunity to examine a much larger set of arena interactions and to test whether the patterns identified in this study are confirmed across a broader range of actors. Future research could also compare European developments with jurisdictions currently implementing ISSB-based disclosure systems, particularly China (Sopp et al., 2025), to further examine how regional and global sustainability reporting governance increasingly interact.

REFERENCES

Adams, Carol A. – Mueller, Frank (2022). Academics and policymakers at odds: the case of the IFRS Foundation Trustees' consultation paper on sustainability reporting. *Sustainability Accounting, Management and Policy Journal,* 13(6), 1310–1333. https://doi.org/10.1108/SAMPJ-10-2021-0436

Alexenko, Alina (2024). Stakeholder Engagement in the Development of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and of the International Sustainability Standards Board (ISSB). In: Obádovics Csilla, Resperger Richárd, Széles Zsuzsanna, Tóth Balázs István (Eds.) *Fenntarthatósági átmenet: kihívások és innovatív megoldások - Nemzetközi tudományos konferencia a Magyar Tudomány Ünnepe alkalmából* (pp. 329–341). Soproni Egyetem Kiadó.

Afolabi, Hammed – Ram, Ronita – Rimmel, Gunnar (2022). Harmonization of sustainability reporting regulation: Analysis of a contested arena. *Sustainability*, 14(9), 5517. https://doi.org/10.3390/su14095517

Afolabi, Hammed – Ram, Ronita – Rimmel, Gunnar (2023). Influence and behaviour of the new standard setters in the sustainability reporting arena: Implications for the Global Reporting Initiative's current position. *Sustainability Accounting, Management and Policy Journal,* 14(4), 743–775. https://doi.org/10.1108/SAMPJ-01-2022-0052

Bofinger-Schuster, Jenny (Aug. 18, 2025). Disclosing information about anticipated financial effects of sustainability-related risks and opportunities. IFRS. https://www.ifrs.org/news-and-events/news/2025/08/disclosing-information-anticipated-financial-effects/ [Downloaded: 08. 06. 2026].

Bridges, Caroline M. – Harrison, Julie A. – Hay, David C. (2022). The ungreening of integrated reporting: a reflection on regulatory capture. *Meditari Accountancy Research,* 30(3), 597–625. https://doi.org/10.1108/MEDAR-11-2020-1089

Carungu, Jonida – Dimes, Ruth – Molinari, Matteo (2025a). The influence of global sustainability reporting standards on EFRAG discourse. *Sustainability Accounting, Management and Policy Journal,* 17(3), 699–728. https://doi.org/10.1108/sampj-12-2024-1378

Carungu, Jonida – Di Pietra, Roberto – Molinari, Matteo – Nicolò, Giuseppe (2025b). Confronting sustainability grand challenges: how do standard-setters shape sustainability reporting standards and accountability practices? *Accounting, Auditing & Accountability Journal*, 38(7), 1896–1918. https://doi.org/10.1108/AAAJ-06-2024-7142

Correa-Mejía, Diego Andrés – Correa-García, Jaime Andrés – García-Benau, María Antonia (2024). Analysis of double materiality in early adopters. Are companies walking the talk? *Sustainability Accounting, Management and Policy Journal*, 15(2), 299–329. https://doi.org/10.1108/SAMPJ-07-2023-0469

Correa-Mejía, Diego Andrés – Correa-García, Jaime Andrés – García-Benau, María Antonia (2026). Effect of early adoption of double materiality and corporate governance structure on financial and corporate social responsibility performance. *Corporate Governance*, 26(5), 1314–1330. https://doi.org/10.1108/CG-11-2024-0609

Davidescu, Simona – Fernandez Martin, Rosa Maria – Cabras, Ignazio (2026). Guest editorial: Sustainability discourses and narratives in the European Union. (2025). *Sustainability Accounting, Management and Policy Journal,* 17(3), 645–650. https://doi.org/10.1108/SAMPJ-04-2026-962

EFRAG (2025). Basis for Conclusions. Draft amended ESRS. https://www.efrag.org/sites/default/files/media/document/2025-12/Draft_Amended_ESRS_Basis_for_Conclusions_2025_December.pdf [Downloaded: 08. 06. 2026].

ESMA (2025). EFRAG's consultation on its Exposure Draft on the revised European Sustainability Reporting Standards (ESRS). https://www.esma.europa.eu/sites/default/files/2025-10/ESMA32-846262651-5289_ESRS_revision_ESMA_response_to_EFRAG_consultation.pdf [Downloaded: 08. 06. 2026].

European Commission (May 6, 2026). Commission seeks feedback on revised sustainability reporting standards. https://finance.ec.europa.eu/news/commission-seeks-feedback-revised-sustainability-reporting-standards-2026-05-06_en [Downloaded: 08. 06. 2026].

Eurosif (Oct. 1, 2025). Investor and business joint statement on Omnibus initiative. https://www.eurosif.org/news/investor-and-business-joint-statement-on-omnibus-initiative-in-the-context-of-the/ [Downloaded: 08. 06. 2026].

Georgakopoulos, Georgios – Thomson, Ian (2008). Social reporting, engagements, controversies and conflict in an arena context. *Accounting, Auditing & Accountability Journal,* 2(8), 1116–1143. https://doi.org/10.1108/09513570810918788

GRI (Nov. 18, 2025). European Parliament vote on CSRD a backward step for EU leadership. https://www.globalreporting.org/news/news-center/european-parliament-vote-on-csrd-a-backward-step-for-eu-leadership/?utm_source=hs_email [Downloaded: 08. 06. 2026].

GRI (May 26, 2026). GRI and IFRS Foundation reaffirm commitment to complementary disclosures. https://www.globalreporting.org/news/news-center/gri-and-ifrs-foundation-reaffirm-commitment-to-complementary-disclosures/?utm_source=hs_email [Downloaded: 08. 06. 2026].

Jørgensen, Sveinung – Mjøs, Aksel – Pedersen, Lars Jacob Tynes (2022). Sustainability reporting and approaches to materiality: tensions and potential resolutions. *Sustainability Accounting, Management and Policy Journal*, 13(2), 341–361. https://doi.org/10.1108/SAMPJ-01-2021-0009

Kapplmüller, Sarah Beatrice – Lehner, Othmar Manfred – Greiling, Dorothea (2025). Double materiality at work: pathways to organizational change. *Accounting, Auditing & Accountability Journal*, 38(9), 460–490. https://doi.org/10.1108/AAAJ-03-2024-6964

Oll, Josua – Spandel, Theresa – Schiemann, Frank – Akkermann, Janna (2025). The concept of materiality in sustainability reporting: from essential contestation to research opportunities. *Sustainability Accounting, Management and Policy Journal*, 16(2), 321–350. https://doi.org/10.1108/SAMPJ-03-2024-0296

IOSCO (Dec. 23, 2020). IOSCO response to the IFRS Foundation Consultation on Sustainability Reporting https://www.iosco.org/library/comment_letters/pdf/IFRS-17.pdf [Downloaded: 08. 06. 2026].

Rädiker, Stefan (2026). *KI-gestützte Analyse qualitativer Daten mit MAXQDA. Leitfaden, Tipps, methodische Reflexion. Guide*. MAXQDA Press. https://doi.org/10.36192/978-3-948768195

Renn, Ortwin (1992). The social arena concept of risk debates. In: Krimsky, Sheldon – Golding, Dominic (Eds.), *Social Theories of Risk* (pp. 170–197). Praeger.

Rowbottom, Nick (2023). Orchestration and consolidation in corporate sustainability reporting. The legacy of the Corporate Reporting Dialogue. *Accounting, Auditing & Accountability Journal,* 36(3), 885–912. https://doi.org/10.1108/AAAJ-06-2021-5330

Sopp, Karina – Baumüller, Josef – Scheid, Oliver (2025). *Nachhaltigkeitsberichterstattung: Berichtspflichten nach der CSRD, den ESRS und dem Entwurf für ein CSRD-Umsetzungsgesetz*. 5. Auflage. Herne: NWB Verlag.

Velte, Patrick. (2025). Sustainability reporting regulations at the crossroads: A critical note on the EU Omnibus. *Critical Perspectives on International Business*. 1–23 https://doi.org/10.1108/cpoib-06-2025-0142

Villiers, Charl de – La Torre, Matteo – Molinari, Matteo (2022). The Global Reporting Initiative's (GRI) past, present and future: critical reflections and a research agenda on sustainability reporting (standard-setting). *Pacific Accounting Review*, 34(5), 728–747. https://doi.org/10.1108/PAR-02-2022-0034

Villiers, Charl de – Dimes, Ruth – La Torre, Matteo – Molinari, Matteo (2024). The International Sustainability Standards Board's (ISSB) Past, Present, and Future: Critical reflections and a research agenda. *Pacific Accounting Review*. 36(2), 255–273. https://doi.org/10.1108/PAR-02-2024-0038

BALANCING GROWTH AND IMPACT – STRATEGIES OF SUSTAINABLE ENTERPRISES IN GERMANY

Clara Marie Seip
Technische Hochschule Mittelhessen, clara.seip@w.thm.de

Armin Wagenknecht
Technische Hochschule Mittelhessen,
armin.wagenknecht@mni.thm.de

ABSTRACT

This study examines how market-oriented sustainable enterprises in Germany manage growth while maintaining their social and ecological missions. It focuses on the tensions among economic scaling, competitive market pressures, and the risk of mission drift in hybrid organizations. The central research question explores how companies with social and/or ecological goals shape their growth strategies while balancing economic success and impact-oriented objectives. Methodologically, the research follows a qualitative design based on five semi-structured expert interviews with representatives of sustainability-oriented companies.

Using qualitative content analysis according to Kuckartz, the empirical material was systematically evaluated. Findings show that the interviewed companies do not regard growth as an end, but primarily as a means of scaling impact. At the same time, growth is deliberately moderated when rapid expansion threatens ecological transparency, organizational values, or the quality of social impact. Financial independence, participatory governance structures, dual performance indicators, and mission-based decision-making emerge as key mechanisms for safeguarding organizational purpose. The results further indicate that conflicts between profitability and impact cannot be fully resolved but must be continuously managed as persistent organizational tensions. By linking sustainability, innovation, and organizational governance, the study contributes to a better understanding of how hybrid enterprises can combine economic viability with long-term social and ecological transformation in Europe.

Keywords: hybrid organizations, sustainable enterprise growth, mission drift, impact-oriented governance

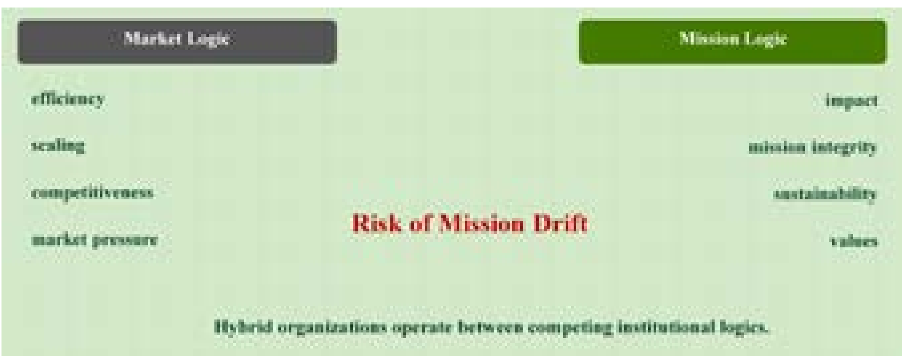
INTRODUCTION

The global economy is facing unprecedented environmental and social challenges. Climate change, resource scarcity, and increasing social inequalities are raising fundamental questions about the long-term viability of prevailing economic and consumption patterns. Recent assessments by the United Nations Environment Programme indicate that current development trajectories remain incompatible with internationally agreed climate targets and require substantial transformations across economic systems and business practices (UNEP, 2024). Against this backdrop, sustainability has evolved from a peripheral corporate responsibility issue to a strategic imperative for organizations operating in increasingly complex and resource-constrained environments. Businesses are widely recognized as key actors in enabling sustainable development. In recent years, researchers and practitioners have increasingly challenged the traditional assumption that firms should primarily maximize shareholder value. Instead, organizations are expected to contribute to social and environmental progress while maintaining economic viability (Porter – Kramer, 2011). Research on sustainable entrepreneurship emphasizes that firms can simultaneously create economic, social, and environmental value by integrating sustainability objectives into their core business models (Belz – Binder, 2015; Schaltegger et al., 2016).

Consequently, a growing number of market-oriented enterprises pursue explicit social and environmental missions alongside commercial objectives. However, organizations pursuing such hybrid goals face a fundamental challenge. On the one hand, growth is often considered necessary to strengthen market positions, increase organizational resilience, and expand social impact (Dees et al., 2004; Bradach, 2010). On the other hand, increasing organizational size, competitive pressures, and resource dependencies may create tensions between economic performance and mission-related objectives. Previous research has shown that organizations pursuing multiple goals are particularly vulnerable to mission drift, a process in which social or environmental objectives gradually become subordinated to commercial priorities (Jones, 2007; Ebrahim et al., 2014). As firms grow, maintaining the balance between economic viability and social impact therefore becomes increasingly challenging.

These tensions are especially relevant for hybrid organizations that combine economic, social, and environmental logics within a single organizational structure (Battilana – Lee, 2014). Hybrid companies thus find themselves caught between market logic and mission logic. So, they must navigate these conflicting logics and the factors that influence them (see Figure 1). Existing research has extensively discussed the risks associated with hybrid organizing and governance challenges emerging from competing institutional demands (Pache – Santos, 2013; Thornton et al., 2012).

Figure 1: Risk of mission drift



Source: own elaboration

Moreover, paradox theory suggests that such tensions cannot be permanently resolved but must be continuously managed through organizational practices and decision-making processes (Smith – Lewis, 2011). While previous studies provide valuable theoretical insights into the nature of these tensions, empirical evidence regarding how sustainability-oriented enterprises actively shape growth processes remains limited. In particular, little is known about how market-oriented enterprises pursuing social and environmental impact manage growth while simultaneously safeguarding their mission. Existing studies frequently focus on social enterprises, conceptual models of hybrid organizing, or the risks of mission drift. Comparatively less attention has been devoted to the practical governance mechanisms, decision-making structures, and organizational routines that enable mission-consistent growth in sustainability-oriented firms. This study addresses these gaps through a qualitative multiple-case analysis of five German sustainability-oriented enterprises. In contrast to previous research that primarily emphasizes the risks associated with growth, this study investigates how organizations actively shape growth processes while preserving their social and environmental missions.

RELATED WORK

The challenge of combining economic growth with social and environmental objectives has received increasing attention in sustainability and management research. Existing studies have primarily examined sustainable entrepreneurship, hybrid organizations, mission drift, and paradox management. While these research streams provide important insights into the tensions sustainability-oriented enterprises face, empirical evidence on how organizations actively manage growth while preserving their mission remains limited.

Firstly, research on sustainable entrepreneurship argues that organizations can simultaneously generate economic, social, and environmental value (Belz – Binder, 2015; Schaltegger et al., 2016).

In contrast to conventional firms, sustainable enterprises pursue broader stakeholder-oriented objectives and seek to contribute to long-term social transformation (Porter – Kramer, 2011). Within this literature, growth is frequently viewed as a mechanism for increasing social impact and scaling sustainable innovations (Dees et al., 2004; Bradach, 2010). However, previous studies also emphasize that organizational growth may create tensions between commercial expansion and sustainability objectives, particularly when increasing organizational complexity requires additional resources and formalization (Täuscher – Abdelkafi, 2018).

Secondly, other literature focuses on hybrid organizations. Hybrid organizations combine economic, social, and environmental goals within a single organizational structure (Battilana – Lee, 2014). Such organizations operate under multiple institutional logics that influence strategic decision-making simultaneously (Thornton et al., 2012). According to Hestad et al. (2021), sustainability-oriented organizations must continuously balance market, social, and ecological logics, which creates persistent governance challenges. Previous studies demonstrate that maintaining this balance becomes increasingly difficult as organizations grow and become more exposed to competitive market pressures. One of the most prominent challenges discussed in the hybrid organization literature is mission drift. Mission drift describes the gradual prioritization of economic objectives at the expense of an organization's original social or environmental mission (Jones, 2007). Ebrahim et al. (2014) identify mission drift as a central governance problem in social enterprises and argue that increasing dependence on commercial revenue streams may weaken commitment to social objectives. Similarly, Pache and Santos (2013) show that hybrid organizations develop governance arrangements and selective coupling mechanisms to reconcile competing institutional demands.

To explain how organizations cope with these competing demands, researchers increasingly apply paradox theory. Smith and Lewis (2011) conceptualize paradoxes as persistent contradictions between interdependent elements that cannot be permanently resolved but must be managed over time. From this perspective, economic performance and social or environmental impact are not mutually exclusive alternatives but interconnected objectives that require continuous balancing. Research by Ozanne et al. (2016) demonstrates that sustainability-oriented organizations frequently face tensions across the economic, environmental, and social dimensions of the triple bottom line. More recently, Carmine and De Marchi (2023) argue that paradox theory has emerged as one of the most promising approaches for understanding sustainability-related tensions because it moves beyond traditional trade-off thinking and acknowledges the simultaneous coexistence of competing objectives. The study of Giglotti and Runfola (2022) finds that tensions in hybrid organizations mainly stem from conflicting stakeholder interests. These tensions can be managed through tailored stakeholder relationships rather than resolved completely. Effective stakeholder management is therefore key to achieving sustainable development.

This study differs from Hestad et al. (2021) by examining the actual governance and decision routines through which competing logics are managed during growth, rather than focusing on conceptual governance complexity. Unlike Carmine and De Marchi (2023), who emphasize a systems- or paradox-based understanding of sustainability conflicts, this research contributes by identifying the specific mechanisms that enable scaling in alignment with organizational missions. Furthermore, in contrast to Gigliotti and Runfola (2022), stakeholder conflict is not positioned as the central starting point. It shows how mission drift risk is actively controlled through internal governance mechanisms (e.g., mission-based decision rules, participatory governance, and dual performance measurement).

While paradox theory explains the existence of tensions, empirical research has only partially explored how managers translate these tensions into concrete growth strategies and organizational practices. Furthermore, much of the existing literature focuses on conceptual discussions of hybrid organizing or on social enterprises, while empirical evidence on growth management in market-oriented sustainability-oriented firms remains limited.

To address these gaps, this study investigates how market-oriented enterprises in Germany that pursue social and/or environmental impact design their growth processes while balancing economic success and social objectives. The study is based on five semi-structured expert interviews with senior decision-makers from sustainability-oriented organizations. Through a qualitative multiple-case approach, the research explores how these firms navigate growth-related tensions, prevent mission drift, and maintain their social and environmental commitments during expansion.

METHODOLOGY

RESEARCH DESIGN

This study follows a qualitative multiple-case research design to investigate how sustainability-oriented enterprises manage growth while balancing economic performance and social or environmental impact objectives. A qualitative approach was considered appropriate because the research aims to explore organizational decision-making processes, managerial interpretations, and governance practices that cannot be adequately captured through quantitative measurements alone.

The study focuses on market-oriented enterprises that explicitly pursue social and/or environmental objectives while operating in competitive markets. Since the research seeks to understand how organizations experience and manage tensions between growth and impact, a qualitative design allows for an in-depth exploration of managerial perspectives and organizational practices. Following Eisenhardt (1989), the use of multiple cases facilitates the identification of recurring patterns across organizations while accounting for contextual differences.

SAMPLE AND DATA COLLECTION

Data were collected through five semi-structured expert interviews conducted between December 2025 and January 2026. Semi-structured interviews were selected because they provide a balance between comparability across cases and openness to explore organization-specific experiences. Participants were selected through purposive sampling based on three criteria. Firstly, the organizations had to operate as market-oriented enterprises rather than non-profit organizations. Secondly, the companies had to pursue explicit social and/or environmental objectives as part of their business model. Thirdly, interviewees had to occupy senior leadership positions with responsibility for strategic decision-making.

To capture a diverse range of experiences, organizations from different sectors were included, including information technology, sustainable agriculture, food production and urban planning (see Figure 2).

Figure 2: Sustainable companies included in the survey

Source: own elaboration

All interviewees were either founders, managing directors, or senior executives directly involved in growth-related decisions. Interview durations ranged from approximately 30 to 50 minutes. All interviews were conducted online using Microsoft Teams and were audio-recorded with the participants' consent.

DATA ANALYSIS

The interview material was analyzed using qualitative content analysis according to Kuckartz (2018). This approach was chosen because it enables the systematic identification and interpretation of thematic patterns within qualitative data.

The analysis followed a combined deductive-inductive procedure. In a first step, an initial coding framework was developed based on concepts derived from the literature on hybrid organizations, organizational growth, mission drift, and sustainability-oriented governance. These theoretical concepts served as deductive categories guiding the first coding cycle. In a second step, the coded material was reviewed iteratively to identify emerging themes and refine the category system. Additional subcategories were developed inductively from the interview data to capture organizational practices and governance mechanisms not fully addressed by existing theoretical frameworks.

The analysis focused on identifying recurring patterns across cases regarding growth strategies, mission preservation, governance structures, and the management of tensions between economic and impact-related objectives. Through this process, three overarching themes emerged from the data: growth as a means of impact scaling, governance mechanisms as mission protection systems, and the continuous management of growth–impact tensions.

The resulting findings provide an empirically grounded understanding of how sustainability-oriented enterprises navigate the challenges associated with balancing growth and impact in practice.

FINDINGS

GROWTH AS A MEANS OF IMPACT SCALING

A central finding of the study is that the interviewed enterprises do not perceive growth as an end in itself. Instead, growth is primarily understood as a mechanism for increasing social and environmental impact. Across all five cases, organizational expansion was evaluated against the question of whether it contributed to the company's mission. This finding contrasts with conventional growth theories, which often regard expansion as a natural objective of successful firms (Penrose, 1959; Greiner, 1998). Rather than maximizing growth, the interviewed organizations deliberately moderated growth whenever expansion threatened mission integrity, organizational culture, or the quality of impact creation.

Several companies emphasized selective growth strategies. For example, the urban planning office explicitly rejected opportunities that would have required substantial organizational expansion without contributing to its social objectives. Similarly, the organic bakery chain described the existence of a natural growth limit beyond which product quality, craftsmanship, and organizational identity would be endangered. The findings therefore suggest that growth is not evaluated according to size alone but according to its contribution to impact creation. Sustainable growth is consequently understood as mission-consistent growth rather than unlimited expansion.

GOVERNANCE MECHANISMS AS MISSION PROTECTION SYSTEMS

The second major finding concerns the role of governance structures in protecting organizational missions during growth processes. Across all investigated cases, formal and informal governance mechanisms were implemented to reduce the risk of mission drift. The organizations recognized that increasing organizational size creates additional pressures that may shift attention toward purely economic objectives. Consequently, governance structures were designed to institutionalize mission-related considerations within strategic decision-making processes. Four recurring governance mechanisms emerged from the analysis (see Figure 3).

Figure 3: Governance mechanisms for protecting the mission

Source: own elaboration

First, financial independence was repeatedly identified as a critical prerequisite for maintaining mission integrity. Several organizations deliberately avoided external investors or growth-oriented financing structures to reduce pressure for short-term financial returns.

Second, participatory governance structures played an important role. Strategic decisions were frequently discussed among broader stakeholder groups, including employees, cooperative members, or dedicated leadership teams. Such participation created additional safeguards against decisions that could undermine organizational values.

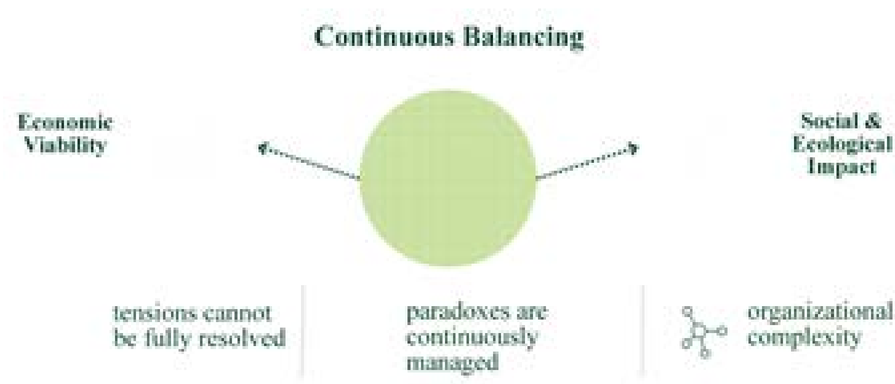
Third, the organizations employed dual performance measurement systems. Financial indicators were complemented by social and environmental metrics, ensuring that impact considerations remained visible alongside economic performance.

Fourth, mission-based decision rules served as organizational filters. Several companies described explicit criteria that allowed them to reject projects, customers, or growth opportunities that conflicted with their social or ecological objectives. Taken together, these mechanisms function as mission protection systems that help organizations preserve their identities despite increasing market pressures.

MANAGING PERSISTENT GROWTH–IMPACT TENSIONS

The third finding concerns the nature of tensions between economic viability and social impact (see Figure 4). The interviews indicate that these tensions are not perceived as temporary challenges that can eventually be solved. Instead, respondents described them as permanent features of organizational life.

Figure 4: Balance between profitability and impact

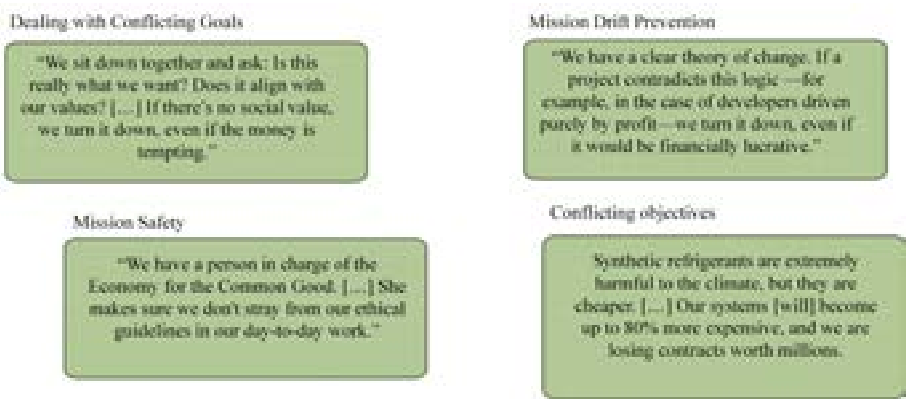


Source: own elaboration

Resource constraints, market competition, stakeholder expectations, and operational complexity continuously generate competing demands. Examples from the interviews illustrate these tensions (see Figure 5). One company accepted significant financial disadvantages by using environmentally preferable technologies instead of cheaper alternatives. Others deliberately rejected profitable projects because they were inconsistent with their mission. Such decisions demonstrate that economic and impact-related objectives frequently collide in practice.

However, the organizations did not attempt to eliminate these contradictions. Rather, they developed routines and governance structures that enabled continuous balancing. Dual KPI systems, stakeholder participation, impact assessments, and mission-oriented leadership practices helped decision-makers navigate competing objectives over time.

Figure 5: Key examples from the interviews



Source: own elaboration

The findings therefore suggest that successful sustainable enterprises do not resolve tensions between growth and impact. Instead, they engage in ongoing paradox management by continuously balancing economic viability and social or environmental purpose. Overall, the results indicate that mission-consistent growth is achieved through the interaction of three elements: growth moderation, governance-based mission protection, and the continuous management of growth–impact tensions.

PRACTICAL IMPLICATIONS

The findings provide several practical implications for managers of sustainability-oriented firms seeking to balance growth and social impact. These implications can be divided into three levels (see Figure 6). At the strategic level, the results suggest that governance should precede efforts at growth. Rather than pursuing growth for its own sake, organizations should define what constitutes mission-consistent growth and set clear boundaries for expansion. Several cases demonstrated that selective growth strategies can help preserve organizational identity and prevent mission drift. Financial resilience further emerged as an important prerequisite for maintaining strategic autonomy. Dependence on external investors may increase pressure to prioritize short-term financial performance over long-term impact objectives.

Figure 6: Practical implications by level of analysis

Source: own elaboration

At the organizational level, the study highlights the importance of governance mechanisms that institutionalize mission-related considerations within decision-making processes. Participatory governance structures, stakeholder involvement, and mission-based decision criteria can serve as safeguards against mission drift Furthermore, the findings indicate that dual performance measurement systems combine financial and impact-related indicators. This enables organizations to balance economic viability and social objectives more effectively. Such systems ensure that social and environmental performance remains visible alongside conventional business metrics.

At the cultural level, organizational values play a crucial role in sustaining mission-consistent growth. The investigated enterprises emphasized the importance of values-based leadership, mission-oriented onboarding processes, and transparent communication practices. These mechanisms contribute to the development of a shared organizational identity and strengthen employee commitment to the organization's social and environmental purpose. Moreover, transparent communication of impact-related achievements can enhance legitimacy and strengthen stakeholder trust.

Taken together, the findings suggest that sustainable growth depends not only on economic performance. It also relies on the ability to embed mission protection mechanisms into organizational structures, decision-making processes, and corporate culture. Organizations that institutionalize these practices appear better equipped to navigate the tensions between growth and impact while preserving their long-term mission.

LIMITATIONS AND FUTURE RESEARCH

Despite the insights generated by this study, several limitations should be considered when interpreting the findings.

First, the study follows a qualitative multiple-case design based on semi-structured interviews with senior decision-makers. Consequently, the findings primarily reconstruct managerial sensemaking and reflect the subjective interpretations of organizational leaders. While these perspectives provide valuable insights into strategic decision-making processes, they do not necessarily represent actual organizational practices. Furthermore, retrospective accounts may lead respondents to present decisions and strategies in a more coherent and rational manner than they were experienced in practice.

Second, the study cannot fully account for alternative explanations. While the findings suggest that governance mechanisms such as participatory decision-making, financial independence, and dual KPI systems contribute to mission preservation, other factors may also influence organizational outcomes. Industry characteristics, organizational size, founder values, and market conditions may all affect the ability of sustainability-oriented enterprises to balance growth and impact. The present research design does not allow for a systematic assessment of the relative importance of these factors.

Third, the sample consists exclusively of organizations that have successfully maintained their sustainability orientation during growth phases. Including organizations that experienced mission drift or failed growth strategies could provide additional insights into the conditions under which mission-consistent growth becomes difficult or unsustainable. As a result, the transferability of the findings to other organizational contexts, particularly highly capital-intensive industries, remains limited.

Moreover, the study focuses primarily on organizational mechanisms for managing and safeguarding impact rather than on independently measuring actual social or environmental outcomes. Consequently, conclusions regarding the effectiveness of these mechanisms in generating social impact should be interpreted with caution.

These limitations provide several avenues for future research. Subsequent studies could incorporate the perspectives of additional stakeholder groups, including employees, investors, customers, and external partners. Comparative research involving organizations that have experienced mission drift could further enhance understanding of the factors contributing to successful mission preservation. Longitudinal studies would also be valuable for examining how governance structures, organizational tensions, and growth strategies evolve over time. Finally, future research could investigate whether the mechanisms identified in this study are transferable to different institutional environments, cultural contexts, and capital-intensive industries.

CONCLUSION

This study examined how sustainability-oriented enterprises in Germany manage growth while balancing economic performance and social or environmental impact objectives. Based on five qualitative expert interviews, the findings provide insights into the organizational practices that enable hybrid enterprises to navigate the tensions arising from the coexistence of market and mission logics. Three central findings emerged from the analysis.

To begin with, growth is not primarily viewed as an end in itself, but rather as a means of increasing impact. Rather than maximizing organizational size, the investigated enterprises deliberately moderate growth when expansion threatens mission integrity, organizational culture, or the quality of impact creation. Moreover, governance mechanisms play a critical role in protecting organizational missions during growth processes. Financial independence, participatory governance structures, mission-based decision rules, and dual performance measurement systems emerged as important safeguards against mission drift.

Furthermore, the findings indicate that tensions between economic viability and social impact cannot be permanently resolved. Instead, organizations continuously manage these tensions through governance structures, decision-making routines, and ongoing balancing processes.

These findings contribute to research on hybrid organizations, sustainable entrepreneurship, and paradox management by providing empirical evidence on how sustainability-oriented enterprises actively shape growth processes. In contrast to perspectives that conceptualize growth primarily as organizational expansion, the study suggests that sustainable growth is better understood as mission-consistent growth. The findings therefore support the argument that successful hybrid organizations do not eliminate tensions between profit and purpose but develop organizational mechanisms that enable their continuous management. Related studies support the argument that hybrid organizations are confronted more with persistent than with temporary tensions between social commitment and financial sustainability (Van der Auwera et al., 2024; Andersson et al., 2024). Overall, the study highlights the importance of governance structures in maintaining the balance between economic viability and social impact.

REFERENCES

Andersson, Kjetil – D'Espallier, Bert – Mersland, Roy (2024). The ethical dilemma in hybrid organizations: A production function approach to credit expansion in microfinance. *Journal of Business Ethics*, 201(2), 477–490. https://doi.org/10.1007/s10551-024-05892-9

Battilana, Julie – Lee, Matthew (2014). Advancing research on hybrid organizing: Insights from the study of social enterprises. *Academy of Management Annals*, 8(1), 397–441. https://doi.org/10.1080/19416520.2014.893615

Belz, Frank-Martin – Binder, Julia K. (2015). Sustainable entrepreneurship: A convergent process model. *Business Strategy and the Environment*, 26(1), 1–17. https://doi.org/10.1002/bse.1887

Bradach, Jeffrey L. (2010). Scaling impact. *Stanford Social Innovation Review*, 8(3), 24–32. https://doi.org/10.48558/Y3D4-D485

Carmine, Sara – De Marchi, Valentina (2023). Reviewing paradox theory in corporate sustainability toward a systems perspective. *Journal of Business Ethics*, 184(1), 139–158. https://doi.org/10.1007/s10551-022-05112-2

Dees, Gregory – Battle Anderson, Beth – Wei-Skillern, Jane (2004). Scaling social impact: Strategies for spreading social innovations. *Stanford Social Innovation Review*, I(4), 24–32. https://doi.org/10.48558/CNNZ-7276

Ebrahim, Alnoor – Battilana, Julie – Mair, Johanna (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81–100. https://doi.org/10.1016/j.riob.2014.09.001

Eisenhardt, Kathleen M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532–550. https://doi.org/10.5465/amr.1989.4308385

Gigliotti, Marina – Runfola, Andrea (2022). A stakeholder perspective on managing tensions in hybrid organizations: Analyzing fair trade for a sustainable development. *Business Strategy and the Environment,* 31(7), 3198–3215. https://doi.org/10.1002/bse.3071

Greiner, Larry E. (1998). Evolution and revolution as organizations grow. *Harvard Business Review*, 76(3), 55–68. https://hbr.org/1998/05/evolution-and-revolution-as-organizations-grow

Hestad, Dina – Tàbara, J. David – Thornton, Thomas F. (2021). The three logics of sustainability-oriented hybrid organizations: A multidisciplinary review. *Sustainability Science*, 16(2), 647–661. https://doi.org/10.1007/s11625-020-00883-x

Jones, Marshall B. (2007). The multiple sources of mission drift. *Nonprofit and Voluntary Sector Quarterly*, 36(2), 299–307. https://doi.org/10.1177/0899764007300385

Kuckartz, Udo (2018). Qualitative content analysis: From Kracauer's beginnings to today's challenges. *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research*, 20(3), 1–20. https://doi.org/10.17169/fqs-20.3.3370

Ozanne, Lucie K. – Phipps, Marcus – Weaver, Todd – Carrington, Michal – Luchs, Michael – Callin, Jesse – Gupta, Shipra – Santos, Nicholas J. C. – Scott, Kristin – Williams, Jerome (2016). Managing the tensions at the intersection of the triple bottom line: A paradox theory approach to sustainability management. *Journal of Public Policy & Marketing*, 35(2), 249–261. https://doi.org/10.1509/jppm.15.143

Pache, Anne-Claire – Santos, Filipe (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. The *Academy of Management Journal*, 56(4), 972–1001. http://www.jstor.org/stable/43589202

Penrose, Edith T. (1959). *The theory of the growth of the firm.* Oxford: Basil Blackwell.

Porter, Michael E. – Kramer, Mark R. (2011). Creating shared value. *Harvard Business Review*, 89(1–2), 62–77. https://hbr.org/2011/01/the-big-idea-creating-shared-value

Schaltegger, Stefan – Hansen, Erik G. – Lüdeke-Freund, Florian (2016). Business models for sustainability: Origins, present research, and future avenues. *Organization & Environment*, 29(1), 3–10. https://doi.org/10.1177/1086026615599806

Smith, Wendy K. – Lewis, Marianne W. (2011). Toward a theory of paradox: A dynamic equilibrium model of organizing. *Academy of Management Review*, 36(2), 381–403. https://doi.org/10.5465/amr.2011.59330958

Täuscher, Karl – Abdelkafi, Nabil (2018). Scalability and robustness of business models for sustainability: A simulation experiment. *Journal of Cleaner Production*, 170, 654–664. https://doi.org/10.1016/j.jclepro.2017.09.023

Thornton, Patricia H. – Ocasio, William – Lounsbury, Michael (2012). *The institutional logics perspective: A new approach to culture, structure, and process*. Oxford: Oxford University Press.

Van der Auwera, Eline – D'Espallier, Bert – Mersland, Roy (2023). Achieving double bottom-line performance in hybrid organizations: A machine-learning approach. *Journal of Business Ethics*, 190, 625–647. https://doi.org/10.1007/s10551-023-05410-3

United Nations Environment Programme (UNEP) (Oct. 24, 2024). Emissions Gap Report 2024: No more hot air please! United Nations Environment Programme. https://www.unep.org/resources/emissions-gap-report-2024 [Downloaded: 08. 05. 2026].

PART II

STORYTELLING, SUSTAINABILITY AND BRAND BUILDING

INNOVATION, STORYTELLING AND COUNTRY BRANDING ON A ROLLERCOASTER: A CASE STUDY OF HOW CROATIA COMES TO LIFE IN EUROPA-PARK, GERMANY'S LARGEST THEME PARK

Árpád Papp-Váry
Budapest University of Economics and Business, Faculty of Marketing and Business Communication, papp-vary.arpad@uni-bge.hu

ABSTRACT

The article examines how innovation and storytelling can redefine country branding through immersive, experience-based solutions. Using a case study of the Croatian-themed area of Europa-Park, Germany's largest theme park, it focuses on the 'Voltron Nevera powered by Rimac' rollercoaster as a novel branding platform. The attraction combines technological innovation with narrative immersion, linking the legacy of Nikola Tesla and the contemporary success of Mate Rimac, a well-known Croatian entrepreneur and inventor, and his electric hypercar, the Rimac Nevera. Through the rollercoaster experience, Croatia is positioned not only as a tourist destination but as a forward-looking, innovation-driven nation. The study also reflects on insights from Simon Anholt's work on competitive identity, highlighting the role of innovation in shaping country image. The findings suggest that immersive attractions can communicate complex national attributes more effectively than traditional marketing communication tools, and illustrate a compelling approach to contemporary country branding.

Keywords: country branding, experiential marketing, storytelling, innovation, case study, Croatia, rollercoaster, competitive identity, destination branding, tourism marketing

INTRODUCTION

Countries increasingly compete for attention in a crowded global marketplace. They seek to attract tourists, investors, businesses, talented individuals and international recognition, while simultaneously strengthening exports and enhancing their overall reputation. As a result, country branding has become an important area of both academic research and practical policy making (Anholt, 2010; Subramanian, 2017; Papp-Váry, 2018; Torres – Karaburun, 2026). Croatia represents a particularly interesting example in this regard. Following its independence and the conflicts accompanying the dissolution of Yugoslavia in the 1990s, the country faced the challenge of reshaping international perceptions associated with war and instability into a more positive national image. Over the following decades, Croatia successfully established itself as one of Europe's most attractive tourist destinations. The Adriatic coastline, historic cities such as Dubrovnik and Split, Mediterranean lifestyle, national parks and cultural heritage became central elements of the country's international image. At the same time, Croatia has attracted global attention through other achievements as well. The Croatian national football team has also played an important role in enhancing the country's international profile, finishing third at the 1998 FIFA World Cup, reaching the final in 2018, and securing another third-place finish in 2022.

Yet contemporary country branding extends beyond tourism promotion and sporting success. Countries increasingly seek to position themselves as innovative, competitive and future-oriented. In this context, storytelling, memorable experiences and symbolic representations have become increasingly important tools in shaping perceptions. Rather than relying exclusively on traditional communication instruments such as advertising campaigns, brochures or promotional films, countries may benefit from more immersive and emotionally engaging forms of communication (Anholt, 2020; Papp-Váry, 2024).

One particularly intriguing example can be found in Europa-Park, Germany's largest theme park and one of Europe's leading tourist attractions. In 2024, the park opened a new Croatian-themed area centred around Voltron Nevera powered by Rimac, a state-of-the-art rollercoaster that quickly became one of Europa-Park's most popular attractions. More than a simple amusement ride, the attraction combines technological innovation, storytelling and national representation. Through references to Nikola Tesla, one of history's most influential inventors, and Mate Rimac, founder of the Croatian electric hypercar manufacturer Rimac Automobili, visitors encounter a narrative that presents Croatia not only as a beautiful Mediterranean destination but also as a country associated with creativity, entrepreneurship and technological innovation.

Using this attraction as a case study, the paper examines how immersive experiences can contribute to country branding and how innovation and storytelling may shape perceptions of a country among international audiences. The analysis is based on on-site observations, official materials, media coverage and relevant academic literature.

LITERATURE REVIEW

COUNTRY BRANDING BEYOND TOURISM

Countries, like companies and organisations, develop reputations that shape how they are perceived by both external and internal audiences. These perceptions influence a wide range of outcomes, including tourism attractiveness, foreign direct investment, export performance, talent attraction, diplomatic relations and national self-confidence. Consequently, understanding and managing a country's reputation has become an increasingly important field of both academic inquiry and practical policy making (Anholt, 2010; Subramanian, 2017; Papp-Váry, 2018; Torres, 2022).

The concept of nation branding emerged in the late 1990s and early 2000s, largely through the work of Simon Anholt, who argued that countries compete for attention, trust, investment, visitors and influence in much the same way that commercial brands compete for consumers (Anholt, 1998). Later, Anholt replaced the term nation branding with competitive identity, emphasising that countries are shaped primarily by their actions, achievements, products and people rather than by promotional communication alone (Anholt, 2007).

This distinction is important because country branding extends far beyond tourism promotion. While destination branding focuses primarily on attracting visitors, country branding encompasses a much broader set of objectives, including increasing exports, attracting foreign investment, encouraging talent mobility and strengthening international reputation (Dinnie, 2008; Papp-Váry, 2018). In other words, a successful country brand should influence how a country is perceived not only as a place to visit, but also as a place to do business, invest, study, innovate and live.

Anholt's Nation Brand Hexagon provides one of the most influential frameworks for understanding this complexity. According to the model, perceptions of a country are shaped through six dimensions: tourism, exports, governance, investment and immigration, culture and heritage, and people (Anholt, 2007). Consequently, successful country branding requires a coordinated approach that extends beyond tourism marketing and incorporates broader aspects of national identity and performance.

This broader perspective is particularly relevant in an era when countries increasingly seek to distinguish themselves through innovation, entrepreneurship and technological achievement. Rather than relying solely on traditional attractions, many nations attempt to build reputations based on future-oriented narratives that communicate competitiveness, creativity and progress (Torres – Karaburun, 2026).

INNOVATION AND COMPETITIVE IDENTITY

Simon Anholt, widely regarded as the leading authority on country branding, repeatedly argued that sustainable reputation building depends less on communication and more on genuine achievements. Innovation therefore becomes one of the most powerful drivers of international reputation. (Anholt, 2007; Anholt, 2020).

This emphasis on innovation represented a significant departure from conventional approaches centred on slogans, logos and promotional campaigns. Although these tools may support existing perceptions, Anholt argued that there is little evidence that generic country marketing campaigns fundamentally alter how nations are perceived internationally. Rather, reputations evolve through policies, products, institutions, people and visible accomplishments that provide credible proof of a country's capabilities (Anholt, 2007; Anholt, 2020). As Papp-Váry (2024) notes, Anholt increasingly distanced himself from simplistic interpretations of country branding and emphasised that the real challenge lies not in communicating a desired image but in creating the conditions that make such an image believable.

Perhaps the most frequently cited expression of this philosophy is Anholt's proposition that approximately 80% of country brand building should be based on innovation, 15% on coordination and only 5% on communication (Anholt, 2007; Papp-Váry, 2024). Although the exact percentages should not be interpreted literally, they illustrate an important principle: countries strengthen their reputations primarily by doing remarkable things rather than by merely talking about them.

Innovation may also be communicated through successful national companies and products. Papp-Váry (2024) argues that, in some cases, a country's brands can become even more influential than the country brand itself. Consumers may know little about a country, yet they form impressions through encounters with products and companies associated with it. National reputation is therefore often constructed through the achievements of individual organisations that come to symbolise broader national characteristics.

At the same time, innovation alone is not sufficient. Scientific breakthroughs, technological achievements and entrepreneurial success do not automatically translate into favourable perceptions among international audiences. They need to be experienced, understood and embedded within narratives that people find meaningful and memorable. One possible answer lies in the growing importance of experiences.

EXPERIENTIAL MARKETING, STORYTELLING AND IMMERSIVE EXPERIENCES

The notion that experiences constitute a distinct source of value gained prominence through the work of Pine and Gilmore (1999), who argued that advanced economies increasingly compete not merely by producing goods or delivering services, but by staging memorable experiences. According to their Experience Economy framework, organisations create value by engaging individuals emotionally, intellectually and physically, thereby transforming passive consumers into active participants.

This perspective has important implications for branding. Schmitt (1999) similarly argued that consumers seek experiences rather than functional benefits alone. Experiential marketing focuses on creating sensory, affective, cognitive, behavioural and relational responses that foster stronger and more enduring connections between audiences and brands. The objective is not simply to communicate information but to generate memories.

Storytelling plays a crucial role in this process. Narratives help individuals interpret experiences by connecting facts, emotions and symbols into coherent meanings. Rather than presenting isolated pieces of information, stories enable audiences to understand why particular places, products or people matter. They also facilitate identification and emotional engagement, making complex ideas easier to remember and share (Papp-Váry – Hajeer, 2025; Fu et al., 2023). Although experiential approaches have become increasingly common in corporate marketing, their application within country branding remains comparatively underexplored. Yet the underlying logic appears highly relevant. If countries seek to communicate attributes such as innovation, creativity or openness, immersive experiences may prove more effective than traditional promotional tools. Rather than simply telling audiences that a country is innovative, experiences can allow people to feel, observe and participate in manifestations of that innovation.

Theme parks represent particularly interesting environments in this regard. By combining architecture, gastronomy, visual design, technology and storytelling within carefully orchestrated settings, they create multisensory experiences capable of shaping perceptions and emotions simultaneously. Visitors do not merely receive messages; they move through spaces, interact with narratives and actively construct meaning from what they encounter. (Wong – Cheung, 1999; Kao et al., 2008; Milman et al., 2020)

From this perspective, theme parks may function as more than entertainment venues. They can become platforms through which cultural identities are represented, interpreted and communicated to international audiences. This possibility opens up an intriguing avenue for country branding research: can immersive attractions located outside a country's borders contribute to the construction of national image? The following case study explores this question through the example of the Croatian-themed area at Europa-Park and its flagship attraction, Voltron Nevera powered by Rimac.

CASE STUDY: CROATIA COMES TO LIFE AT EUROPA-PARK

A ROLLERCOASTER RIDE INTO COUNTRY BRANDING

During a site visit to Europa-Park, Germany's largest theme park, repeated inversions aboard one of Europe's newest rollercoasters prompted a striking realisation in the author of the present article: perhaps this is what country branding truly looks like. Not another slogan. Not yet another logo. Not a brochure, whether offline or on-line, filled with beautiful photographs and lengthy descriptions. Not even a carefully produced image film designed to showcase a country's attractions. Compared to what people actually experience when interacting with an innovative product or service associated with a particular nation, such traditional communication tools may have only limited impact.

This is especially true when that "product" happens to be a rollercoaster. A rollercoaster can simultaneously provide a futuristic experience, symbolise technological advancement, and tell visitors something meaningful about the country connected to it.

This is certainly the case with Voltron Nevera powered by Rimac, the newest major attraction at Europa-Park. Through this experience, visitors encounter not only the legend of Nikola Tesla, but also Croatia itself as a country associated with innovation and technological creativity. Moreover, they are introduced to a nation that is home to one of the world's fastest electric hypercars, the Rimac Nevera.

Voltron Nevera opened to the public in 2024. Whereas traditional rollercoasters generally involve pulling trains slowly to a considerable height before gravity takes over and the descent begins, Voltron belongs to the category of so-called multi-launch coasters. Similar to a rocket launch, passengers are accelerated almost immediately after departure. The first launch propels riders at an angle of 105 degrees, beyond vertical, after which they find themselves upside down almost instantly. The train is accelerated repeatedly through four separate launch sections distributed along the track. Just when riders assume the experience has reached its conclusion, they encounter a rotating turntable and briefly begin travelling backwards. The 1,385 metre track incorporates seven inversions, repeatedly leaving passengers literally standing on their heads (Europa-Park, 2024a).

Readers may already feel slightly dizzy from this description, but the actual experience is genuinely disorienting. Voltron Nevera also features 2.2 seconds of continuous weightlessness, contributing further to its intensity. It is therefore unsurprising that the attraction has frequently been described as one of Europe's most modern and spectacular rollercoasters. It has quickly become one of Europa-Park's most popular attractions, rivalling iconic rollercoasters such as Silver Star and Blue Fire Megacoaster (Europa-Park, 2024; Papp-Váry, 2026).

From a branding perspective, however, perhaps the most fascinating aspect is that this thrilling rollercoaster also makes Croatia itself appear exciting and contemporary. The attraction is located within Europa-Park's Croatian-themed area. In other words, the excitement, prestige and symbolic value associated with the ride become partially transferred to the country it represents.

Figure 1. The Voltron Nevera powered by Rimac rollercoaster with the Croatian flag in Europa-Park's Croatian-themed area

Source: Photograph by the author, Árpád Papp-Váry (April 2026)

DREAMING OF EUROPE: THE CROATIAN-THEMED AREA

Europa-Park itself deserves closer attention. Strictly speaking, it may be regarded as Europe's largest theme park. Although Disneyland Paris occupies a larger total area, it essentially consists of two separately ticketed parks, Disneyland Park and Walt Disney Studios Park. Europa-Park, located in the German town of Rust, operates as a single integrated destination.

As its name suggests, Europa-Park presents Europe in miniature. Visitors can stroll through Austrian, French, Greek, Dutch, Irish, Icelandic, Liechtenstein, Luxembourgish, British, German, Italian, Portuguese, Spanish and Swiss-themed areas. Scandinavia is represented collectively, while a Russian-themed section also remains part of the park. With the exception of Russia, these areas have traditionally represented primarily Western European countries through architecture, gastronomy, attractions and symbolic references associated with national identity. Croatia became the first Eastern European country to receive its own dedicated themed area. Although Europa-Park has not provided an official explanation for this decision, several media reports have pointed to the Croatian heritage of Miriam Mack, wife of Michael Mack, son of Europa-Park founder Roland Mack. Miriam Mack actively contributed to the creation and promotion of the Croatian-themed area and was later appointed Honorary Consul of Croatia in Baden-Württemberg (Croatia Week, 2024; Mack Group, 2025; Mack One, 2025).

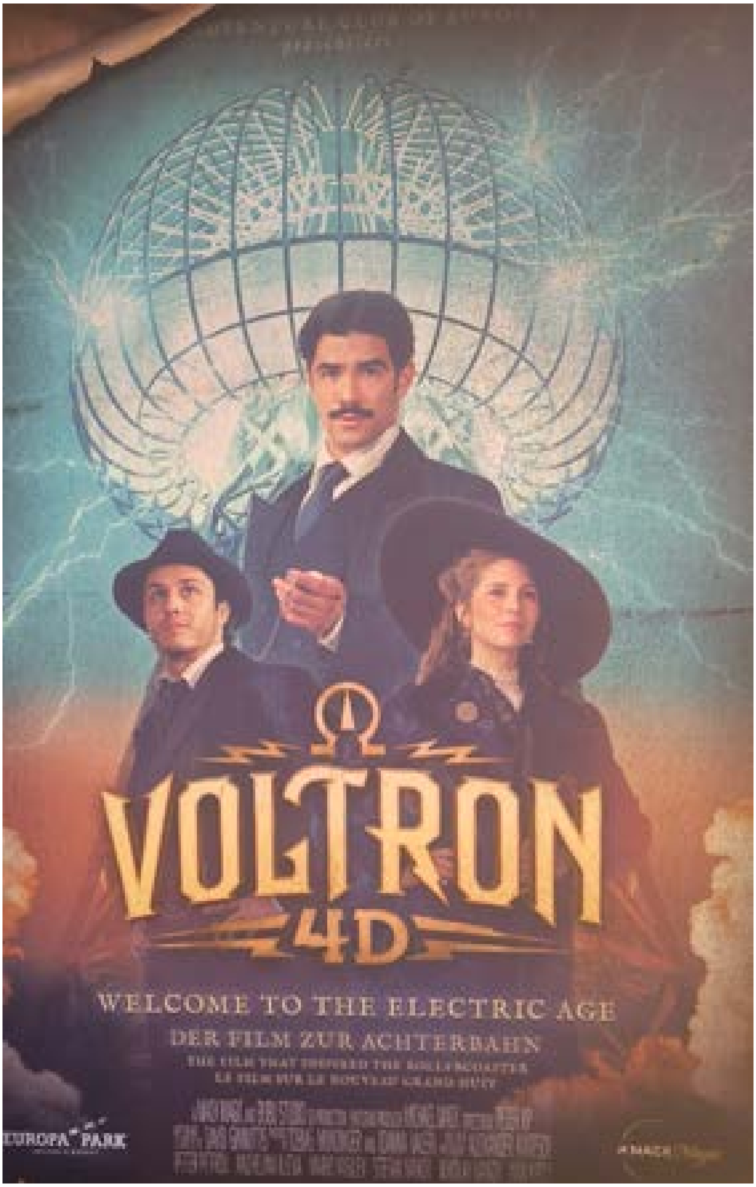
The Croatian section can immediately be recognised not only through the Croatian flags waving above it, but also through its distinctive Mediterranean atmosphere. Limestone structures, atmospheric ruins and Mediterranean vegetation shape the environment. Visitors even encounter an approximately 800-year-old olive tree. The architecture of Hvar Island served as a clear source of inspiration in the area's design (Europa-Park, 2024b; Connecting Region, 2024; Papp-Váry, 2026).

Yet the Croatian-themed area offers considerably more than picturesque scenery. The exhibition "Croatian Inspiration" introduces visitors to inventions and ideas originating from Croatia. Guests can browse souvenirs at the "Suveniri Nikola" gift shop. Those feeling hungry may stop at a stand serving ćevapčići, while dessert is available at the "Sunce i Lavanda" ice cream parlour (Europa-Park, 2024b; Papp-Váry, 2026).

Visitors may even lie down on mattresses placed on the floor to enjoy a cinematic experience beneath a dome-shaped screen offering a 360-degree visual environment. In the short film Nikola Tesla's Beautiful Croatia, Tesla himself becomes the audience's guide, introducing viewers to Croatian destinations such as Hvar, the capital Zagreb, Dubrovnik on the Adriatic coast, and the spectacular landscapes of the Plitvice Lakes. Throughout the film, Tesla personally invites audiences to visit Croatia as tourists (Europa-Park, 2024b; Papp-Váry, 2026).

Under ordinary circumstances, many people might struggle to watch even a thirty-second destination video from beginning to end. Here, however, the immersive environment substantially alters audience engagement. Visitors typically remain for the entire nine-minute presentation. The screening also serves as a welcome opportunity to recover from the adrenaline rush generated by the Voltron Nevera rollercoaster (Papp-Váry, 2026).

Figure 2. Nikola Tesla as portrayed in Europa-Park's Croatian themed area, where he also serves as the narrator and guide of the 360-degree film experience



Source: Photograph by the author, Árpád Papp-Váry (April 2026)

This moment of recovery may indeed be necessary. Although the ride itself lasts approximately three minutes, which is relatively long by rollercoaster standards, waiting times during peak periods can easily extend to an hour. Yet even this waiting period has been carefully designed. The station and queue area are inspired by Wardenclyffe Tower, which was built as part of Nikola Tesla's ambitious attempt to realise wireless long-distance energy transmission. Rather than treating waiting time as an unavoidable inconvenience, Europa-Park transforms it into an integral component of the attraction's narrative. Visitors become active participants in Tesla's experiment. Tesla addresses them in English, German and French. Periodically, electrical effects animate the surroundings, while according to the attraction's storyline, guests are transformed into "cosmic energy" during launch and travel like lightning from one tower to another (Papp-Váry, 2026).

The result is that storytelling extends far beyond the ride itself. Before visitors even board the rollercoaster, they have already spent a considerable amount of time immersed in an environment that repeatedly associates Croatia with creativity, scientific curiosity and innovation.

Nevertheless, the Croatian-themed area also illustrates an important characteristic of country branding. While it broadens the conventional image of Croatia beyond its well-established associations with tourism, coastlines and Mediterranean heritage by foregrounding innovation and entrepreneurship, it still presents a carefully curated and selective representation of the country. As with any themed environment, certain symbols, personalities and narratives are highlighted, whereas many other dimensions of Croatia's history, culture and contemporary society remain outside the scope of the experience. Such selectivity is an inherent feature of experiential storytelling, where coherent narratives often take precedence over comprehensive representation.

WORLD-CHANGING INVENTIONS: WHOSE TESLA IS IT?

At this point, an obvious question arises: since when has Nikola Tesla been considered Croatian? Was he not Serbian? Or, for many contemporary audiences, perhaps even American?

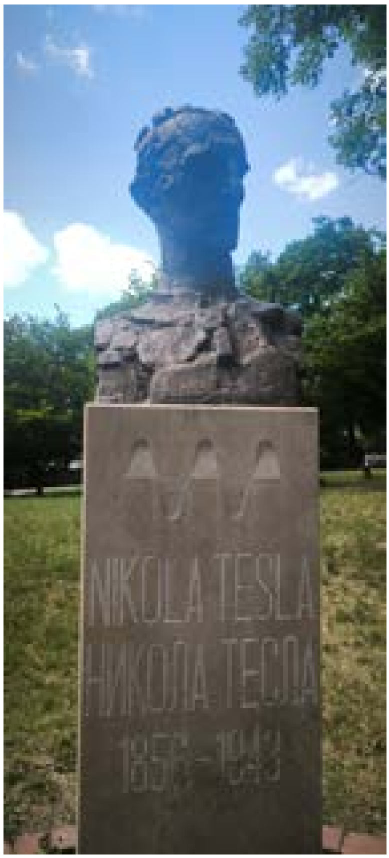
As is often the case with globally celebrated scientists and historical figures, multiple nations seek to claim aspects of their symbolic legacy. Belgrade Airport, for example, bears Tesla's name, even though he visited the Serbian capital only once during his lifetime and stayed for little more than a day. At the same time, Tesla had Serbian ancestry through his father's side, and his ashes are preserved today in the Nikola Tesla Museum in Belgrade (Carlson, 2022; Seifer, 2024; Energy and Technology Museum, Vilnius, 2026).

Croatians, however, emphasise that Nikola Tesla was born in 1856 in Smiljan, a village located in present-day Croatia, and that his family had been connected to the Lika region for generations. Of course, it is equally true that Smiljan formed part of the Austro-Hungarian Monarchy at the time of Tesla's birth. His biography therefore illustrates the complexity of national identities in Central and Southeastern Europe, where contemporary national borders and historical affiliations do not necessarily coincide.

Tesla also had several important connections to Hungary (Szepes, 2023). Between 1881 and 1882, he lived in Pomáz while working for Tivadar Puskás's American Telephone Company. Following the opening of Budapest's telephone exchange, Tesla became the company's chief engineer. During this period, he developed an amplified telephone receiver, often regarded as an early form of the loudspeaker. According to several accounts, it was also in Budapest that Tesla first conceived the principles underlying alternating current.

In 1882, Tesla moved to Paris to work for Edison's Continental Company, before travelling to the United States in 1884 to join Thomas Edison himself. Although Tesla initially became one of Edison's most diligent employees, conflicts soon emerged between the two inventors. Their rivalry eventually evolved into what later became known as the "Battle of the Currents", a struggle frequently discussed in both the history of technology and public relations (PR) literature (Heath, 2005). During this campaign, Edison attempted to portray alternating current as dangerously unsafe, even staging public demonstrations involving animals to support his claims. Tesla, by contrast, sought to demonstrate that alternating current could be used safely and efficiently. More importantly, alternating current enabled the effective transmission of electricity over long distances, fundamentally transforming modern society (Carlson, 2022; Perko – Stahl, 2022; Energy and Technology Museum, Vilnius, 2026).

Figure 3. Statue of Nikola Tesla in Pomáz, Hungary, where he lived and worked between 1881 and 1882



Source: Photograph by the author, Árpád Papp-Váry (June 2026)

Tesla's contributions extended far beyond this famous dispute (Novelli, 2020). He held hundreds of patents and helped establish the foundations of fluorescent lighting and illuminated advertising. He developed early concepts related to remote control and wireless energy transfer. Less widely known is the fact that the invention of radio has also been linked to Tesla. In the landmark case Marconi Wireless Telegraph Co. of America v. United States, the United States Supreme Court invalidated key Marconi patent claims by recognising the precedence of earlier patents held by Tesla and others, thereby reaffirming Tesla's crucial contribution to the development of radio technology. Moreover, some historians have noted that Tesla experimented with X-rays before Wilhelm Conrad Röntgen published his findings (Energy and Technology Museum, Vilnius, 2026). The extraordinary reputation Tesla enjoyed even during his lifetime was reflected by the fact that he appeared on the cover of Time magazine in July 1931, on the occasion of his seventy-fifth birthday, in recognition of his status as one of the greatest inventors of his age (Time, 1931). Little wonder that Tesla later became synonymous with genius. According to a popular anecdote, when Albert Einstein was asked what it felt like to be the smartest man alive, he replied: "I don't know, you'll have to ask Nikola Tesla." (Energy and Technology Museum, Vilnius, 2026). Despite his extraordinary intellectual achievements, Tesla struggled financially throughout much of his life. He died in relative poverty in a New York hotel room in 1943 at the age of eighty-six (Seifer, 2024).

As this brief overview illustrates, Tesla was, in many respects, a true cosmopolitan figure. Born in what is now Croatia, educated in Graz and Prague, professionally shaped in Budapest and Paris, and ultimately spending most of his life in New York, his biography transcended national boundaries. Perhaps this very complexity explains why multiple countries continue to regard him as part of their own cultural heritage.

The question of whether Tesla was Serbian or Croatian therefore has no simple answer. Tesla himself addressed the issue in 1936 in a telegram sent to Vladko Maček, leader of the Croatian Peasant Party, writing: "I am equally proud of my Serbian origin and my Croatian homeland. Long live all Yugoslavs." (Tehnički muzej u Zagrebu, 1936; Euronews, 2022). Although this balanced formulation may not satisfy all contemporary interpretations, it nevertheless provides legitimacy for placing Tesla at the centre of Europa-Park's Croatian-themed area.

From the perspective of the attraction, however, the more relevant issue is not ownership but symbolic meaning. Tesla functions as a powerful innovation icon whose story helps legitimise Croatia's attempt to position itself not only as a country of stunning coastlines, historic cities and international football success, but also as a nation associated with creativity, scientific achievement and technological imagination (Carlson, 2022; Seifer, 2024).

This branding solution also raises several critical questions. Given the multiple and often competing national associations surrounding Tesla's legacy, visitors may not necessarily connect him primarily with Croatia. For some, he may remain more strongly associated with Serbia, while for others the name may evoke the American car manufacturer rather than the historical inventor. Whether the attraction ultimately succeeds in strengthening Croatia's country image through Tesla, or whether these pre-existing associations continue to dominate, remains to be seen.

FROM TESLA TO RIMAC: CONSTRUCTING CONTEMPORARY CROATIA

If Nikola Tesla occupies such a central position within the Croatian narrative presented at Europa-Park, another question naturally follows: why is the rollercoaster not named after him? Why Voltron Nevera rather than simply Tesla?

The answer lies in branding, and more specifically in country branding. At first glance, the name Tesla would have seemed a perfect fit. Nikola Tesla remains one of the world's most famous inventors and a global symbol of scientific creativity, technological progress and visionary thinking. The themes embodied by the attraction, including electricity, experimentation, engineering and innovation, all resonate strongly with Tesla's legacy.

Yet the meaning of the Tesla name has changed considerably in recent decades. For most contemporary consumers, Tesla no longer primarily evokes the historical inventor, but rather Elon Musk's American technology company. The brand has become synonymous with electric vehicles, autonomous driving technologies, humanoid robots and ambitious visions of the future. It represents one of the most valuable and influential companies in the world and, above all, a distinctly American success story.

This posed a dilemma. Europa-Park is a European theme park, and the Croatian-themed area was meant to showcase Croatia, not an American brand. Naming the attraction simply Tesla would therefore have shifted attention from Croatia to Elon Musk's globally recognised company, undermining the very purpose of the themed area.

A different symbol was therefore needed: one capable of expressing innovation, engineering excellence and future-oriented thinking, while remaining unmistakably Croatian. The solution was Rimac. The attraction's official name consequently became Voltron Nevera powered by Rimac, combining the historical legacy of Nikola Tesla with one of Croatia's most remarkable contemporary success stories (Papp-Váry, 2026).

But who, or what, is Rimac? Mate Rimac has emerged as one of Croatia's most prominent innovators, entrepreneurs and inventors. The Rimac Nevera hypercar, designed and manufactured in Croatia, has been positioned among the world's fastest electric vehicles and one of the fastest accelerating production cars ever built. Demonstration videos widely shared online show the Nevera accelerating from 0 to 100 km/h in just 1.72 seconds and from 0 to 400 km/h in 25.79 seconds. Its top speed exceeds 430 km/h, reaching 431.45 km/h under controlled conditions (Rimac Automobili, 2025).

Even the vehicle's name carries symbolic significance. While Rimac derives from the founder's surname, Nevera refers to a sudden Adriatic storm accompanied by lightning. The brand therefore incorporates a specifically Croatian reference, linking cutting-edge technology with the country's natural environment and maritime heritage.

In this way, the rollercoaster brings together two Croatian innovation icons. Tesla represents the historical genius who transformed the modern world through scientific imagination and visionary thinking, while Rimac embodies a contemporary success story built on entrepreneurship, engineering talent and technological ambition. One symbolises the past, the other the present. One has become part of global mythology, the other demonstrates that Croatia continues to generate world-class innovation today (Papp-Váry, 2026).

Moreover, according to Mate Rimac himself, Nikola Tesla served as an important source of inspiration in his fascination with electric motors and battery technologies. It would be difficult to imagine a stronger symbolic connection. Croatia's image is therefore not constructed through abstract statements about being an attractive or innovative country. Instead, it is anchored in two memorable names associated with exceptional performance and technological excellence. For those who might initially underestimate Rimac's significance within the luxury automotive sector, it is worth noting that since 2021 the Croatian company has held a majority stake in Bugatti, owning 55 percent of the joint venture created with Porsche (Bugatti Rimac, 2021). In other words, a Croatian automotive company became a controlling force behind one of the most prestigious names in the history of performance cars. The symbolic message is powerful: Croatia is no longer merely consuming innovation developed elsewhere. It is increasingly perceived as generating innovation itself.

Equally fascinating is the way Europa-Park frames this partnership. Michael Mack, managing partner of Europa-Park and son of the park's founder, Roland Mack, described the collaboration with Rimac as a "perfect match", emphasising that both organisations share a passion for innovation, acceleration and the pursuit of excellence. Mate Rimac similarly stated that it was an honour that Germany's largest theme park would not only showcase their technology, but also present Croatia's rich history and culture to millions of visitors in such an innovative way (Rimac Group, 2024).

BEYOND THE COASTLINE: REIMAGINING CROATIA THROUGH EXPERIENCE

For decades, Croatia's international image has been strongly associated with tourism. The Adriatic Sea, Dubrovnik's historic centre, Mediterranean architecture, national parks and cultural traditions have all played an important role in shaping perceptions of the country. These elements undoubtedly constitute valuable assets. However, they are rooted primarily in heritage and the past. They rarely communicate innovation.

The Croatian-themed area at Europa-Park proposes a different interpretation. It suggests that Croatia is not only scenic and Mediterranean, but also technologically sophisticated, ambitious, experimental and future-oriented. Visitors do not merely enter a space decorated with Croatian symbols. They encounter an environment in which innovation itself becomes the central experience.

This experience unfolds on multiple levels simultaneously. Visitors are immersed in Mediterranean architecture inspired by Hvar. They learn about Croatian inventions through the Croatian Inspiration exhibition. They watch Nikola Tesla guide them through the country's landscapes and invite them to visit. They participate symbolically in Tesla's experiments while waiting in line beneath the shadow of Wardenclyffe Tower. Finally, they board a state-of-the-art rollercoaster whose identity is linked not only to Tesla's visionary imagination but also to Mate Rimac's contemporary technological achievements.

The emotions generated by the experience further reinforce this effect. Visitors do not simply remember that they watched a destination video, read an informational brochure or saw an advertising campaign. Instead, they recall one of the most intense and memorable experiences of their visit to Europa-Park. The Croatian-themed area thus benefits from what might be described as an affective transfer: the excitement, novelty and prestige associated with Voltron Nevera become attached to the country itself.

Many visitors may therefore leave Europa-Park with a revised perception of Croatia. Rather than thinking, "I rode a new rollercoaster", they may conclude that "the Croatian area was one of the coolest parts of the entire park". In this sense, Voltron Nevera does more than entertain. It connects past achievements with present capabilities and transforms them into a coherent national narrative. Croatia is presented not simply as a Mediterranean tourist destination characterised by beautiful coastlines and historic cities, but also as a country associated with energy, speed, experimentation and technological creativity. This shift in perception may ultimately represent the attraction's most remarkable achievement.

Voltron Nevera therefore represents considerably more than destination promotion. It demonstrates how immersive experiences can communicate complex national attributes through participation rather than persuasion. The attraction not only entertains millions of visitors but also has the potential to contribute to the construction of a broader and more dynamic image of Croatia, one that extends beyond tourism and enters the realm of country branding.

CONCLUSION

This paper examined how innovation and storytelling can contribute to contemporary country branding through the case of Europa-Park's Croatian-themed area and its flagship attraction, Voltron Nevera powered by Rimac. The case demonstrates how immersive experiences can communicate national attributes in ways that extend beyond traditional promotional tools and conventional tourism marketing.

Several observations emerge from the analysis. First, the Croatian-themed area illustrates the growing importance of experience-based country branding. Rather than relying solely on slogans, logos, advertising campaigns or promotional videos, the attraction allows visitors to encounter Croatia through a combination of storytelling, technology and participation. In line with the principles of experiential marketing and the experience economy, the country's image is not simply communicated but actively experienced. Visitors do not merely receive information about Croatia; they engage with a carefully constructed environment that combines architecture, gastronomy, multimedia content and one of Europe's most advanced rollercoasters into a coherent narrative. Second, the case reinforces Simon Anholt's argument that successful country branding depends primarily on innovation rather than communication. While Croatia has traditionally been associated with tourism, the Europa-Park experience presents a broader and more future-oriented image. The attraction is built around two innovation icons. Nikola Tesla represents scientific creativity and visionary thinking, while Mate Rimac symbolises contemporary entrepreneurship and technological excellence. Together, they connect historical achievement with present-day success and create a narrative that positions Croatia not only as a Mediterranean destination but also as an innovative and ambitious nation. Third, the case highlights the distinction between destination branding and country branding. Tourism-related elements remain important throughout the Croatian-themed area, from the Mediterranean architecture and gastronomy to the immersive film showcasing Croatian landscapes and attractions. At the same time, the attraction communicates messages that extend beyond tourism. Through the inclusion of Tesla and Rimac, visitors encounter ideas related to innovation, engineering excellence, entrepreneurship and international competitiveness. Consequently, the experience contributes not only to destination promotion but also to the broader construction of Croatia's country brand.

Perhaps the most significant implication concerns the role of theme parks in shaping national image. Country branding research has traditionally focused on governments, tourism organisations, public diplomacy initiatives and national marketing campaigns. The Europa-Park case suggests that private entertainment companies may also play a role in this process. Although Europa-Park is a German theme park rather than a Croatian institution, it nevertheless participates in the representation of Croatia through the stories it tells and the experiences it creates. For many visitors, particularly those with limited prior knowledge of the country, the Croatian-themed area may constitute one of their first meaningful encounters with Croatia. The case therefore suggests that theme parks can function as emerging platforms of country branding, extending the construction of national image beyond a country's geographical borders.

At the same time, the case also illustrates some of the challenges inherent in experience-based country branding. The meanings attached to symbols such as Nikola Tesla may differ across visitors, depending on their prior knowledge and existing national associations, while the carefully curated narrative presented in the Croatian-themed area inevitably highlights some aspects of the country more than others. The extent to which such immersive experiences produce lasting changes in country perceptions remains an important question for future research.

Like all case studies, this paper has limitations. The analysis focuses on a single example and does not directly examine visitor perceptions. Future studies could investigate how audiences interpret such experiences through interviews or surveys, compare similar attractions representing other countries, or explore the broader relationship between themed entertainment environments and country branding.

Despite these limitations, the Croatian case offers a compelling illustration of how country branding is evolving in an increasingly experience-driven world. The example of Voltron Nevera demonstrates that innovation, storytelling and immersive experiences can be combined to communicate a country's identity in memorable and engaging ways. It also reminds us that country branding is not confined to advertising campaigns or promotional materials. It can emerge in unexpected places, including at the heart of a rollercoaster experience.

REFERENCES

Anholt, Simon (1998). Nation-brands of the twenty-first century. *Journal of Brand Management*, 5(6), 395-406. https://doi.org/10.1057/bm.1998.30

Anholt, Simon (2007). *Competitive Identity: The New Brand Management for Nations, Cities and Regions*. Basingstoke, UK: Palgrave Macmillan.

Anholt, Simon (2010). *Places: Identity, Image and Reputation*. Basingstoke, UK: Palgrave Macmillan.

Anholt, Simon (2020). *The Good Country Equation: How We Can Repair the World in One Generation*. Oakland, CA: Berrett-Koehler Publishers.

Bugatti Rimac (2021). *Bugatti Rimac officially launches as a new automotive and technological powerhouse*. https://www.bugatti-rimac.com/media/news/bugatti-rimac-officially-launches-as-a-new-automotive-and-technological-powerhouse/ [Downloaded: 16. 08. 2025].

Carlson, W. Bernard (2022). *Tesla – Az elektromosság korának feltalálója*. Budapest: Angyali Menedék Kiadó.

Connecting Region (2024). *Europa-Park unveils new Croatian-themed complex*. https://connectingregion.com/news/europa-park-unveils-new-croatian-themed-complex/ [Downloaded: 16. 08. 2025].

Croatia Week (2024). Largest theme park in Europe opens "Croatia" area and Voltron Nevera powered by Rimac. https://www.croatiaweek.com/europa-park-croatia-area-voltron-nevera/ [Downloaded: 16. 08. 2025].

Dinnie, Keith (2008). *Nation Branding: Concepts, Issues, Practice*. Oxford, UK: Butterworth-Heinemann.

Energy and Technology Museum, Vilnius (2026). *Nikola Tesla: The Energy That Changed the World*. Exhibition, Vilnius, Lithuania, 21 February–18 August 2026. Personal visit by the author of the present article: 2026-04-25.

Euronews (2022). *Will the new Nikola Tesla euro coins help Serbia and Croatia value their shared history?* https://www.euronews.com/business/2022/11/29/will-the-new-nikola-tesla-euro-coins-help-serbia-and-croatia-value-their-shared-history [Downloaded: 16. 08. 2025].

Europa-Park (2024a). *Voltron Nevera powered by Rimac*. https://www.europapark.de/en/theme-park/attractions/voltron-nevera-powered-rimac. [Downloaded: 10. 04. 2026].

Europa-Park (2024b). Croatia. https://www.europapark.de/en/theme-park/croatia [Downloaded: 10. 04. 2026].

Fu, Xiaoxiao – Baker, Carissa – Zhang, Wen – Zhang, Rouyang (2023). Theme park storytelling: Deconstructing immersion in Chinese theme parks. *Journal of Travel Research, 62*(4), 893–906. https://doi.org/10.1177/00472875221098933

Heath, Robert L. (2005). Battle of the Currents. In R. L. Heath (Ed.), *Encyclopedia of Public Relations* (Vol. 1, pp. 70–72). Thousand Oaks, CA: Sage Publications.

Kao, Yie-Fang – Huang, Li-Shia – Wu, Cheng-Hsien. (2008). Effects of theatrical elements on experiential quality and loyalty intentions for theme parks. *Asia Pacific Journal of Tourism Research, 13*(2), 163–174. https://doi.org/10.1080/10941660802048480

Mack Group (2025). Miriam Mack: The health expert. https://mack.group/en/about-us/mack-family/miriam-mack [Downloaded: 16. 08. 2025].

Mack One (2025). Michael Mack biography. https://mackone.eu/about-us/michael-mack-biography/ [Downloaded: 16. 08. 2025].

Milman, Ady – Tasci, Asli DA – Wei, Wei (2020). Crowded and popular: The two sides of the coin affecting theme-park experience, satisfaction, and loyalty. *Journal of Destination Marketing & Management, 18,* Article 100468. https://doi.org/10.1016/j.jdmm.2020.100468

Novelli, Luca (2020). *Tesla és a kozmikus energiával működő gépezet*. Budapest: Pagony Kiadó Kft.

Papp-Váry, Árpád (2018). Country branding: What branding? Relevant terminologies and their possible interpretations in the case of countries. *Economic and Regional Studies / Studia Ekonomiczne i Regionalne,* 11(4), 7–26. https://doi.org/10.2478/ers-2018-0032

Papp-Váry, Árpád (2024). 25-year odyssey in the world of country branding: Overcoming challenges and celebrating triumphs: 10 lessons based on theory and practice. In: Szegedi, K. (Ed.), *Branding in the academic and business world – Future challenges: BBU Day of Hungarian Science 2024* (pp. 129–148). Budapest: Budapest Business University. https://doi.org/10.29180/978-615-6342-86-7_10

Papp-Váry, Árpád (2026). Országmárka-építés hullámvasúttal: Hogyan lett Horvátország menő Európa legnagyobb vidámparkjában? *Márkamonitor*, 2026(1), 58–62.

Papp-Váry, Árpád – Hajeer, Ahmad (2025). The shortest form of storytelling in destination marketing: Tourism slogans of the European capitals. In R. Alkier, G. Catenazzo, V. Milojica, & A. Zając (Eds.), *Cases on Effective Destination Management* (pp. 1–26). Hershey, PA: IGI Global Scientific Publishing. https://doi.org/10.4018/979-8-3693-1548-4.ch001

Pine, B. Joseph, II – Gilmore, James H. (1999). *The Experience Economy: Work Is Theatre and Every Business a Stage*. Boston, MA: Harvard Business School Press.

Rimac Automobili (2025). *Rimac Nevera R destroys 24 world records | 0-400-0 in 25.79s!* [Video]. YouTube. https://www.youtube.com/watch?v=LOcp3-Ik3G4 Published: 2025-07-10.

Rimac Group (2024). *Voltron Nevera powered by Rimac opens at Europa-Park*. https://www.rimac-group.com/media/ [Downloaded: 10. 04. 2025].

Schmitt, Bernd H. (1999). *Experiential Marketing: How to Get Customers to Sense, Feel, Think, Act, and Relate to Your Company and Brands*. New York, NY: Free Press.

Seifer, Marc J. (2024). *Tesla – Varázsló a háborúban: A géniusz, a halálsugár, az energiakísérletek és egyéb titkos találmányok felhasználása a haditechnikában*. Budapest: Angyali Menedék Kiadó.

Perko, Marko – Stahl, Stephen M. (2022). *Tesla bámulatos és gyötrelmes élete*. Budapest: Helikon Kiadó.

Subramanian, Samanth (2017). *How to sell a country: The booming business of nation branding.* The Guardian. https://www.theguardian.com/news/2017/nov/07/nation-branding-industry-how-to-sell-a-country [Downloaded: 07. 11. 2017].

Szepes, András (2023). *Nikola Tesla Budapesten.* Budapest: Corvina Kiadó.

Tehnički muzej u Zagrebu (1936). *Brzojav Nikole Tesle Vlatku Mačeku [Telegram from Nikola Tesla to Vladko Maček, 26 May 1936].* Zagreb, Croatia. Reproduced at: https://commons.wikimedia.org/wiki/File:Telegram_Tesla_Macek_0108.JPG [Downloaded: 16. 08. 2025].

Time (1931). Nikola Tesla. *Time*, 18(3), July 20. https://time.com/vault/issue/1931-07-20/page/1/ [Downloaded: 10. 04. 2026].

Torres, Jose Filipe (2022). *Nation Brand Builders: A Retrospective Assessment of Nation and Place Branding and Its Prospects for the Future*. Lisbon, PT: Uzina Books.

Torres, Jose Filipe – Karaburun, Recep Richie (2026). *Nation and Place Branding: An Applied Approach to Building the Image of Countries, Regions, and Cities*. Abingdon, UK: Routledge

Wong, Kevin K. F., – Cheung, Phoebe W. Y. (1999). Strategic theming in theme park marketing. *Journal of Vacation Marketing, 5*(4), 319–332. https://doi.org/10.1177/135676679900500402

THE VÁLI WINERY'S PROMOTIONAL PRACTICES RELATED TO STORYTELLING

Dávid Harsányi
Budapest University of Economics and Business, Faculty of Marketing and Business Communication, harsanyi.david@uni-bge.hu

Péter Váli Jr.
Budapest University of Economics and Business, Faculty of Marketing and Business Communication, kezmuvesbor@gmail.com

Titanilla Oravecz
Budapest University of Economics and Business, Faculty of Marketing and Business Communication, oravecz.titanilla@uni-bge.hu

ABSTRACT

The enthusiasm and dedication to hospitality have always been central factors for the founder of the winery Péter Váli. In 2000, he launched the estate in Badacsonyörs, in the heart of the Balaton Highlands. Since then, they have worked to ensure the guests love being there at least as much as they do. They currently farm organically on nearly 10 hectares, providing accommodation for 24 persons close to the winery. They believe the success of the estate lies in the fact that making wine is still not a job for them, but a passion they pursue with care. All activities related to viticulture and winegrowing are done locally in accordance with the requirements of artisan wine. Visitors are welcomed in a spectacular garden, where everyone is guaranteed to feel like home. It is very important for small wineries in Hungary for financial reasons to avoid wholesalers as much as possible and try to sell directly. Therefore, Váli's main message is to "come and visit us and experience the magic of this place for yourselves". The aims of this study are to present the promotional practices of the Váli Winery in relation to storytelling and to make recommendations for the winemaker as well as for other wineries.

Keywords: wine, Váli Winery, promotion, promotional practices, storytelling

INTRODUCTION

The wine sector has experienced significant structural and market-related changes during the last decade as a result of changing consumer preferences (Hlédik – Harsányi, 2019; Harsányi et al., 2026), digitalization (Harsányi et al., 2023a; Chaillet – Bastard, 2023), sustainability concerns (Schäufele – Hamm, 2017; Maicas – Mateo, 2020), and increasing market competition (Galati et al., 2017). Today's consumers evaluate wine not only on the basis of objective product characteristics, such as grape variety, vintage, and price, but also through experiential, emotional, and symbolic dimensions associated with brands and places of origin (Harsányi et al., 2023b; Chakravorti, 2026).

Within premium wine markets, authenticity and place-based identity have emerged as critical determinants of consumer choice (Del Rey – Loose, 2023). Consumers increasingly prefer wine products that communicate transparency, sustainability, heritage, and local embeddedness (Schäufele – Hamm, 2017; Lai, 2019; Barber et al, 2021). In this context, storytelling can become one of the most effective marketing tools for communicating these attributes. Storytelling can be defined as the strategic use of narratives to communicate organizational values, identity, and purpose in a manner that fosters emotional engagement and long-term relationships with stakeholders (Rytkönen et al., 2021; Hall et al., 2025). The importance of storytelling is especially pronounced among small and medium-sized family-owned wineries (Canziani et al., 2020; Strickland – Ratten, 2024). Due to limited marketing budgets and restricted access to large-scale promotional channels (Harsányi et al., 2022; Harsányi, 2025), such enterprises often rely on direct consumer interactions (Hollebeek – Brodie, 2009; Chaillet – Bastard, 2023), wine tourism (Harsányi – Hlédik, 2020; Harsányi – Hlédik, 2022), and relationship-based marketing strategies in order to establish market presence and maintain competitiveness (Dressler – Paunovic, 2021a; Dressler – Paunovic, 2021b).

The focus of the present study is the Váli Winery, a biodynamic family-owned winery located in Badacsonyörs, Hungary. Founded by Péter Váli in 2000, the winery cultivates approximately 10 hectares of organically certified vineyards and combines wine production with hospitality and wine tourism services (Badacsonyi Borvidék, 2025). The estate offers accommodation for up to 24 guests, organizes wine tastings and cellar visits, and places strong emphasis on direct sales and visitor experiences (Váli, 2026). Its communication strategy consistently highlights family ownership, organic viticulture, the distinctive volcanic terroir of the Badacsony wine region, and traditional Hungarian grape varieties (particularly, the Kéknyelű). These characteristics position the winery as an illustrative example of how small wine enterprises can integrate storytelling, sustainability, and experiential marketing into their business models (Váli, 2026; Bor és Piac, 2026).

The aim of this study is to examine how the Váli Winery utilizes storytelling and promotional practices to create competitive advantage and strengthen consumer relationships. Particular attention is devoted to the role of direct-to-consumer marketing, wine tourism, and experience-based value creation, which have become increasingly important elements of contemporary agribusiness marketing and rural enterprise development. By analysing the communication practices and strategic positioning of the winery, the study seeks to identify lessons that may be relevant not only for the Hungarian wine sector, but also for small family-owned wineries operating in other similarly competitive market environments.

STORYTELLING IN THE WINE MARKET

Storytelling has become an increasingly important marketing tool in sectors where products are differentiated not simply by functional attributes but by symbolic and experiential values as well. This trend is particularly important in the wine industry, where consumers often associate products with cultural heritage, local identity, authenticity, and lifestyle-related meanings. The wine purchasing decisions are influenced not only by objective characteristics, such as grape variety or price, but also by narratives that communicate origin, sustainability, and producer values (Schäufele – Hamm, 2017).

In wine marketing, storytelling refers to the strategic use of narratives to communicate a brand's identity and values. By embedding wine products within meaningful stories, firms can strengthen emotional engagement, enhance perceived authenticity, and foster consumer trust (Rytkönen et al., 2021).

A central element of wine storytelling is terroir, which encompasses the environmental and cultural characteristics of a wine-producing region. Terroir-based narratives help wineries communicate uniqueness and to reinforce perceptions of quality and authenticity. For small wineries, such narratives provide an effective means of differentiation in increasingly competitive markets (Harvey et al., 2014; Warman – Lewis, 2019).

Storytelling also contributes to the development of wine tourism experiences. Visitors are often interested not only in wine tasting but also in understanding the history, production philosophy, and local context of wineries. Narrative-based experiences can increase visitor satisfaction, strengthen destination attachment, and support long-term customer loyalty (Santos et al., 2022).

The growing importance of digital communication has further expanded the role of storytelling. Through websites, social media platforms, and multimedia content, wineries can continuously communicate their values and engage consumers beyond the point of purchase. Digital storytelling has been shown to enhance consumer engagement and support relationship-building between producers and customers (Lim et al., 2022).

For small family-owned wineries, storytelling is more than a promotional technique. By emphasizing local identity, family heritage, sustainability, and craftsmanship, wineries can create distinctive brand positions that are difficult to imitate and that contribute to long-term competitiveness in premium wine markets (Strickland – Ratten, 2024).

MARKETING CHARACTERISTICS OF THE VÁLI WINERY

The Váli Winery represents a distinctive example of a family-owned wine enterprise operating in the premium segment of the Hungarian wine market. The winery combines organic viticulture, artisanal wine production, house-made gastronomy, hospitality services, and direct-to-consumer marketing within a coherent business model (Váli, 2026). From a marketing perspective, the winery's positioning strategy is primarily based on differentiation rather than price competition. The company emphasizes quality-oriented production, organic farming practices, local grape varieties, and the distinctive characteristics of the Badacsony wine region. Such a positioning strategy aligns with current consumer trends that favour authenticity, sustainability, and local embeddedness (Maicas – Mateo, 2020, Harsányi et al., 2026).

One of the winery's most important differentiating factors is its commitment to organic viticulture. Sustainable production methods have become increasingly important in consumer decision-making, particularly among highly involved wine consumers. By emphasizing organic certification and environmentally responsible production, the winery addresses growing market demand for sustainable agricultural products (Váli, 2026).

The winery also differentiates itself through its focus on traditional Hungarian grape varieties, particularly Kéknyelű, which is widely regarded as one of the flagship varieties of the Badacsony wine region. This strategy contributes to place-based branding while reinforcing the winery's connection to local traditions and cultural heritage (Váli, 2026).

Direct-to-consumer marketing represents another important component of the winery's business model. Rather than relying exclusively on intermediaries, the winery maintains direct relationships with consumers through cellar-door sales, wine tastings, tourism experiences, and online communication channels. According to Fiore (2016), direct sales strategies increase profitability while simultaneously strengthening customer loyalty and brand engagement. The integration of tourism services further enhances the winery's competitive position. Visitors are offered opportunities to experience the vineyard environment, participate in wine tastings, and engage directly with the producer. Such experiences contribute to value co-creation and increase consumers' emotional attachment to the brand. The hospitality dimension, therefore, functions not merely as a supplementary activity but also as an integral element of the winery's marketing strategy.

THE VÁLI WINERY AND STORYTELLING

The communication strategy of the Váli Winery demonstrates how storytelling can be integrated into a winery's overall value creation process. Rather than focusing exclusively on wine products, the winery communicates a broader narrative centered on family ownership, personal commitment, local identity, and sustainable production. This narrative framework transforms the winery from a producer of agricultural products into a creator of experiences and meanings (Váli, 2026).

A central element of the winery's storytelling strategy is the personal story of founder Péter Váli and the gradual development of the estate. The narrative of building a family-owned winery from a small-scale initiative into a recognized wine tourism destination contributes significantly to perceived authenticity. The personal founder stories enhance brand credibility because they humanize the organization and create stronger emotional connections with consumers (Liu – Chelliah, 2025).

The Badacsony wine region itself functions as an important narrative resource. The volcanic terroir, the proximity of Lake Balaton, and the cultivation of traditional grape varieties provide a rich foundation for place-based storytelling. These elements help communicate uniqueness while simultaneously supporting destination branding and regional identity formation (Badacsonyi Borvidék, 2025).

Another important dimension of storytelling is sustainability communication. The winery's commitment to organic farming is not presented merely as a technical production method but as part of a broader philosophy concerning environmental responsibility, quality, and long-term stewardship of natural resources. Such narratives resonate strongly with contemporary consumers who increasingly seek products that reflect their personal values.

Storytelling also plays a crucial role in consumer relationship development. Through direct interactions, wine tastings, tourism experiences, and digital communication channels, consumers gain access to the people and stories behind the wines. These interactions facilitate trust-building and contribute to long-term loyalty. According to relationship marketing theory, trust and commitment are among the most important determinants of sustainable customer relationships (Rodrigues et al, 2024).

The winery's tourism activities reinforce storytelling by transforming narratives into lived experiences. Visitors do not simply hear stories about the winery; they experience the physical environment, are welcomed in a spectacular garden, meet the producers, and engage directly with the context of consumption. This experiential dimension significantly strengthens the effectiveness of storytelling and contributes to higher levels of customer engagement. According to the winemaker, storytelling enhances not only customer engagement, but also trust, loyalty, willingness to pay, and the memorability of the brand.

The use of integrated communication is fundamental to ensuring that individual contact points reinforce one another. Accordingly, the digital platforms also feature aligned textual, visual, and audiovisual messages that strengthen personal communication.

CASE STUDY: EXAMPLES OF PROMOTIONAL PRACTICES RELATED TO STORYTELLING

The winery identifies and communicates important messages to consumers, which can be regarded as storytelling:

1. The magic of the place: This includes the wonderful atmosphere of the Balaton Highlands, the uniqueness of the Badacsony wine region, the microclimate, the volcanic soil, the local culture, and the gastronomy of the region with centuries-old traditions. People

experience a special atmosphere and unique gastronomy that is unmatched anywhere else in the world. It is like going to Provance or Toscana. They use local ingredients in the catering services: they grow vegetables and herbs, make salami, sausages, cheese, jam and they bake the bread. Every waiter knows everything about their wines and can answer every question about the cellar and the wine region.

2. Authentic Badacsony / Hungarian wine varieties and terroir: The winery works with authentic Badacsony / Hungarian wine varieties, showing how Badacsony is all about centuries of history and uniqueness. The terroir has also made it one of the best wine regions in the world, as the volcanic soil gives the wines their unique flavours.

3. Thousand years of winemaking tradition: Badacsony is an historic wine region, where winemaking has been a tradition for thousands of years. The history goes back all the way to Roman times, when the area was a border region of the Roman Empire.

+1. Organic grape growing: There are many organic wineries in Western Europe, yet it remains worthwhile to highlight the relevance of organic production in Hungary. Although many guests may not consider organic cultivation a primary concern, the winemaker emphasizes that it constitutes an essential component of sustainability, ensuring that the vineyards and cultivated lands can be passed on to his children and grandchildren.

CONCLUSIONS

This study examined the roles of storytelling and promotional practices in the competitiveness of small family-owned wineries, using the example of Váli Winery. The findings point that storytelling functions as more than a communication tool: it serves as a strategic resource that supports brand authenticity, consumer engagement, and competitive differentiation. The Váli Winery has successfully integrated organic viticulture, local identity, wine tourism, and direct-to-consumer marketing into a sustainable and competitive business model. Its communication strategy emphasizes family heritage, the Badacsony terroir, and sustainable production practices, creating a distinctive brand identity and strengthening consumer trust. The analysis highlights the importance of direct consumer relationships and experiential value creation. Through wine tourism, hospitality services, and personal interactions, the winery transforms product consumption into a broader experience through storytelling, contributing to customer loyalty and long-term competitiveness.

The results suggest that success is not necessarily driven by a single message or narrative, but rather by a combination of elements that together can shape a unique story. Moreover, consistent and continuous communication, along with sustained experience creation, is also indispensable for achieving success. Although specific business information could not be included in the article, the winery's consistent performance provides clear evidence of the effectiveness of its approach.

From a practical perspective, the results suggest that wineries can effectively use storytelling to differentiate themselves despite limited marketing resources. Authentic narratives, local embeddedness, and direct communication can enhance brand value and support direct sales strategies. The winemaker's personal story or the history of the cellar can also contribute to creating a unique story. Findings may be particularly useful for wineries that share certain characteristics with the Váli Winery, such as being family-owned small or medium-sized producers, following sustainable practices, and placing a strong emphasis on terroir. Further investments in digital storytelling and sustainability communication could strengthen the Váli Winery's future market position.

As one of Hungary's best-known and most popular wine regions (Harsányi – Hlédik, 2020; Harsányi et al., 2023b; Szolnoki, 2025), the Badacsony wine region has also recognized the importance of experience-based communication, as demonstrated by events such as Szent György-hegy Hajnalig, which focuses on wine, and Gasztrohegy Badacsony, which highlights gastronomy (Szent György-hegy Hajnalig, 2026; Gasztrohegy Badacsony, 2026).

ACKNOWLEDGEMENTS

This research has been supported by, and the conference paper was prepared within the project ”From Grapes to Stories: Storytelling at the Heart of Sustainable Wines in the Visegrad Region (Visegrad Grant no. 22510339)“. The project is co-financed by the Governments of Slovakia, Czechia, and Hungary through Visegrad Grants from the International Visegrad Fund. The mission of the fund is to advance ideas for sustainable regional cooperation in Central Europe.

REFERENCES

Badacsonyi Borvidék (2025. jan. 17.). *Váli Péter: minden egy álommal kezdődött*. https://badacsony.com/news/details/3504-vali-peter-minden-egy-alommal-kezdodott [Downloaded: 06. 06. 2026].

Barber, Matthew – Sung, Billy – Lee, Sean – Cheah, Isaac (2021). Exploring the influence of novelty and authenticity in wine consumption: the moderating effect of regionality and price. *International Journal of Wine Business Research*, 33(2), 288–311. https://doi.org/10.1108/IJWBR-06-2020-0031

Bor és Piac (2026. júl. 1.). *Váli Péter sikereket hozott Badacsonynak*. https://borespiac.hu/2023/12/17/vali-peter-sikereket-hozott-badacsonynak/ [Downloaded: 06. 06. 2026].

Canziani, Bonnie F. – Welsh, Dianne. H.B. – Dana, Léo-Paul – Ramadani, Veland (2020). Claiming a family brand identity: The role of website storytelling. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, 37(1), 68–81. https://doi.org/10.1002/cjas.1543

Chaillet, Audrey – Bastard, Alexandre (2023). Consumer expectations and values: the role of digitalization in understanding and meeting consumer needs in the wine industry. *BIO Web of Conferences*, 68, 03012. EDP Sciences. https://doi.org/10.1051/bioconf/20236803012

Chakravorti, Samit (2026). Global Wine Consumption Behavior: Narrative Review and Development of Global Framework. *International*

Review of Management and Marketing, 16(2), 288–301. https://doi.org/10.32479/irmm.22263

Del Rey, Rafael – Loose, Simone (2023). State of the International Wine Market in 2022: New market trends for wines require new strategies. *Wine Economics and Policy*, 12(1), 3–18. https://doi.org/10.36253/wep-14758

Dressler, Marc – Paunovic, Ivan (2021a). A typology of winery SME brand strategies with implications for sustainability communication and co-creation. *Sustainability*, 13(2), 805. https://doi.org/10.3390/su13020805

Dressler, Marc – Paunovic, Ivan (2021b). Not all wine businesses are the same: examining the impact of winery business model extensions on the size of its core business. *Sustainability*, 13(18), 10117. https://doi.org/10.3390/su131810117

Fiore, Mariantonietta (2016). Direct selling in the wine sector: lessons from cellars in Italy's Apulia region. *British Food Journal*, 118(8), 1946–1959. https://doi.org/10.1108/BFJ-05-2016-0201

Galati, Antonino – Tinervia, Salvatore – Crescimanno, Maria – Spezia, Francesco (2017). Changes in the international wine market competitiveness. *International Journal of Globalisation and Small Business*, 9(4), 277–293. https://doi.org/10.1504/IJGSB.2017.089901

Gasztrohegy Badacsony (2026). https://www.facebook.com/gasztrohegybadacsony [Downloaded: 06. 06. 2026].

Hall, Kelly R. – Harrison, Dana – Obilo, Obinna O. (2025). Building positive internal and external stakeholder perceptions through CSR storytelling. In: Mills, Adam J. (ed.) *Strategic Brand Storytelling* (pp. 126-147). Routledge. https://doi.org/10.4324/9781003593751

Harsányi, Dávid (2025). A kis- és középvállalkozások weboldalainak vizsgálata egy kutatássorozat segítségével. In: Csillag, Sára – Bánhegyi, Mátyás (2025). *Vállalkozás és fenntarthatóság* (pp. 144–159). Budapesti Gazdasági Egyetem, https://doi.org/10.29180/978-615-6342-98-0

Harsányi, Dávid – Hlédik, Erika (2020). Utazási célpontok kiválasztásának szempontjai a hazai borturizmusban. *Marketing & Menedzsment*, 54(4), 89–101. https://doi.org/10.15170/MM.2020.54.04.07

Harsányi, Dávid – Hlédik, Erika (2022). Attractiveness of wine region types: how less popular wine regions can attract wine tourists?. *International Journal of Wine Business Research*, 34(4), 627–642. https://doi.org/10.1108/IJWBR-09-2021-0046

Harsányi, Dávid – Hlédik, Erika – Máté, Zoltán (2023a). Az online borvásárlás jelentősége hazánkban, és változása a pandémia időszakában. *Multidiszciplináris kihívások, sokszínű válaszok – Gazdálkodás- és Szervezéstudományi folyóirat*, 3–27. https://doi.org/10.33565/MKSV.2023.KSZ.02.01

Harsányi, Dávid – Totth, Gedeon – Szabó, Zoltán (2026). Events that are aging via innovation: The touristic importance of wine festivals in Hungary. In: Bouzdine-Chameeva, Tatiana – Szolnoki, Gergely – Kawasaki, Noriaki – Gennari, Alejandro (Eds.) *Exploring the Dynamics of Wine Tourism: Case Studies and Best Practices Around the Globe* (pp. 101–116). https://doi.org/10.1515/9783111428901-007

Harsányi, Dávid – Totth, Gedeon – Szabó, Zoltán – Brávácz, Ibolya (2022). Hazai kis-és középvállalkozások weboldalainak vizsgálata egy újszerű értékelési rendszer használatával. *Vezetéstudomány / Budapest Management Review*, 53(8-9), 162–175. https://doi.org/10.14267/VEZTUD.2022.08-09.12

Harsányi, Dávid – Zarándné Vámosi, Kornélia – Hlédik, Erika (2023b). Az egyes generációk borfogyasztási szokásainak vizsgálata Magyarországon. *Vezetéstudomány / Budapest Management Review*, 54(7-8), 44–57. https://doi.org/10.14267/VEZTUD.2023.07-08.04

Harvey, Matt – White, Leanne – Frost, Warwick (Eds.). (2014). *Wine and identity: Branding, heritage, terroir.* Routledge.

Hlédik, Erika – Harsányi, Dávid (2019). Towards quality consumption: segmentation of the Hungarian wine market based on wine consumption and purchasing habits. *International Journal of Wine Business Research*, 31(4), 602–617. https://doi.org/10.1108/IJWBR-10-2018-0063

Hollebeek, Linda D. – Brodie, Roderick J. (2009). Wine service marketing, value co-creation and involvement: research issues. *International Journal of Wine Business Research*, 21(4), 339–353. https://doi.org/10.1108/17511060911004914

Lai, Maria B. (2019). Consumer behavior toward wine products. In: Santini, Cristina – Cavicchi, Alessio (Eds.) *Case Studies in the Wine Industry* (pp. 33–46). https://doi.org/10.1016/B978-0-08-100944-4.00003-3

Lim, Weng. M. – Rasul, Tareq –, Kumar, Satish. – Ala, Mamun (2022). Past, present, and future of customer engagement. *Journal of Business Research*, 140, 439–458. https://doi.org/10.1016/j.jbusres.2021.11.014

Liu, Jing – Chelliah, Shankar (2025). Personal brand and consumer purchase intention: The mediating role of perceived emotional value. *Journal of Ecohumanism*, 4(1), 3907–3919. https://doi.org/10.62754/joe.v4i1.6253

Maicas, Sergi – Mateo, José J. (2020). Sustainability of wine production. *Sustainability*, 12(2), 559. https://doi.org/10.3390/su12020559

Rodrigues, Paula – Sousa, Ana – Borges, Ana P. – Matos Graça Ramos, Paulo (2024). Understanding masstige wine brands' potential for consumer-brand relationships. *European Business Review*, 36(6), 918–944. https://doi.org/10.1108/EBR-04-2022-0066

Rytkönen, Paulina – Vigerland, Lars – Borg, Erik (2021). Tales of Georgian wine: storytelling in the Georgian wine industry. *Journal of Wine Research*, 32(2), 117–133. https://doi.org/10.1080/09571264.2021.1940903

Santos, Vasco – Dias, Álvaro L. – Matos Graça Ramos, Paulo – Madeira, Arlindo – Sousa, Bruno B. (2022). The influence of wine storytelling on the global wine tourism experience. *Wine Economics and Policy*, 11(1), 3–13. https://doi.org/10.36253/wep-11454

Schäufele, Isabel – Hamm, Ulrich (2017). Consumers' perceptions, preferences and willingness-to-pay for wine with sustainability characteristics: A review. *Journal of Cleaner production*, 147, 379–394. https://doi.org/10.1016/j.jclepro.2017.01.118

Strickland, Paul – Ratten, Vanessa (2024). Family business succession: opportunities from the Victorian wine industry. *Journal of Family Business Management*, 14(3), 697–707. https://doi.org/10.1108/JFBM-08-2023-0147

Szent György-hegy Hajnalig (2026). https://szentgyorgyhegyhajnalig.com/ [Downloaded: 06. 06. 2026].

Szolnoki, Gergely (2025). *A magyar borpiac és a borfogyasztói szokások elemzése – összehasonlító elemzés 2017 – 2023 – 2025*. Hegyközségek Nemzeti Tanácsa. Szakmaközi Szervezet. https://hnt.hu/dokumentumok/a-magyar-borpiac-es-a-borfogyasztoi-szokasok-elemzese-osszehasonlito-elemzes-2017-2023-2025 [Downloaded: 06. 06. 2026].

Váli (2026). *Introduction*. https://www.valibor.hu/ [Downloaded: 06. 06. 2026].

Warman, Russell D. – Lewis, Gemma K. (2019). Wine place research: Getting value from terroir and provenance in premium wine value chain interventions. *International Journal of Wine Business Research*, 31(4), 493–508. https://doi.org/10.1108/IJWBR-09-2018-0052

PART III

ECONOMIC AND POLITICAL RELATIONS IN EUROPE: REGIONAL AND INSTITUTIONAL PERSPECTIVES

THE ROLE OF INTELLECTUAL CREATIONS AS INTANGIBLE ASSETS IN CORPORATE PERFORMANCE

Gábor Szilágyi
University of Debrecen, Doctoral School of Management and Business, szilagyi.gabor@uni-bge.hu

ABSTRACT

In the contemporary knowledge-based economy, intellectual creations — patents, trademarks, copyrighted works, industrial designs and trade secrets — have become decisive intangible assets that shape the competitiveness, innovation capacity and long-term sustainability of enterprises. This paper examines, from an interdisciplinary law-and-economics perspective, how intellectual property rights (IPR) function as value-generating resources within the firm and how their strategic management contributes to corporate performance. Building on the resource-based view of the firm and on recent empirical evidence, the study argues that intangibles provide unique, hard-to-replicate advantages that fuel resilience, profitability and revenue growth. Special attention is paid to the complementarity between formal IPR portfolios and other intangible and managerial assets, which jointly enhance the appropriation of innovation profits.

The analysis also addresses the moderating role of national IPR regimes in transforming sustainability-oriented strategies into measurable intangible capital, with particular relevance to Central and Eastern European jurisdictions and the EU CDSM framework. Methodologically, the paper combines doctrinal legal analysis of Hungarian and EU intellectual property regulation with a synthesis of recent econometric findings on intellectual capital and firm value. The results highlight that effective protection, valuation and disclosure of intellectual creations are not merely accounting or compliance issues, but strategic levers of innovation-driven, sustainable corporate success. The presentation concludes with policy and managerial

recommendations for V4 enterprises seeking to align IP strategy with ESG and sustainability objectives.

Keywords: intellectual property, intangible assets, firm performance, innovation, sustainability, EU law

INTRODUCTION

The structural transformation of the European economy over the past three decades has fundamentally altered the composition of corporate value. While tangible assets — buildings, machinery, inventories — once dominated the balance sheets of leading firms, today the principal drivers of competitiveness, profitability, and long-term sustainability are the intangibles: knowledge, brands, patents, copyrighted works, software, organizational capital, and relational capital (Balla et al., 2025). According to recent estimates, the share of intangible investment in total business investment in advanced economies has surpassed that of tangible investment, and goodwill alone now represents a growing portion of corporate balance sheets (Nichita, 2019).

Among these intangibles, intellectual creations — works protected by copyright, inventions covered by patent law, distinctive signs protected by trademark law, and confidential know-how — occupy a particularly important position. They are simultaneously legal categories, economic resources, and strategic instruments. Their unique characteristic is that, unlike most other intangibles, they are anchored in legally enforceable exclusive rights that allow the holder to internalize the returns on innovation and creative effort (Guo-Fitoussi – Bounfour – Rekik, 2019).

The aim of this study is to examine, from an interdisciplinary law-and-economics perspective, the role of intellectual creations as intangible assets in corporate performance. The research questions are threefold: First, how can intellectual creations be conceptualized within the framework of the resource-based view of the firm and modern intellectual capital theory? Second, how do the Hungarian and the EU legal regimes — including the recent Directive (EU) 2019/790 on copyright and related rights in the Digital Single Market (CDSM Directive) — shape the conditions under which intellectual creations contribute to firm performance? Third, what does the recent empirical evidence reveal about the impact of intellectual capital and intangible assets on profitability, firm value, and sustainability, with particular reference to Central and Eastern European (CEE) and Visegrad Group (V4) firms?

The paper is structured as follows: Section 2 develops the conceptual framework, integrating legal categories of intellectual creations with the economic notion of intangible assets and the resource-based view. Section 3 presents the relevant legal regime, focusing on Hungarian and EU intellectual property laws and the CDSM Directive. Section 4 synthesizes empirical evidence on the impact of intellectual capital and IPR on firm performance. Section 5 discusses the complementarity among IPR, sustainability, and innovation strategies, with attention to V4 specificities. Section 6 addresses accounting and valuation challenges under IAS 38 and recent disclosure practices. Section 7 concludes with policy and managerial recommendations.

CONCEPTUAL FRAMEWORK: INTELLECTUAL CREATIONS AS INTANGIBLE ASSETS

THE LEGAL NOTION OF INTELLECTUAL CREATIONS

In Hungarian and European legal doctrine, intellectual creations are protected products of human intellectual activity that satisfy the substantive requirements of the relevant intellectual property regime. They include, on the one hand, copyrighted works (literary, scientific and artistic works, computer programs, databases) and related rights (rights of performers, phonogram producers, broadcasters, press publishers), on the other hand, industrial property objects, such as patented inventions, utility models, registered designs, trademarks, geographical indications, and protected know-how (trade secrets). Although these categories differ significantly in their substantive requirements and in the scope and duration of their protection, they share a common legal logic: the law confers on the right holder a temporary exclusive right which excludes third parties from the unauthorized exploitation of the protected subject matter.

From a private-law perspective, intellectual creations are typically classified as immaterial goods. They are non-rival and partially non-excludable: the same invention or piece of music can be exploited simultaneously by an unlimited number of users, and exclusion is possible only through legal and technological means. This economic peculiarity is the foundational reason why public-law intervention — in the form of intellectual property rights — is necessary to provide adequate incentives for innovation and creative production (Geiger – Jütte, 2021).

THE ECONOMIC NOTION OF INTANGIBLE ASSETS

In economic and accounting terms, intangible assets are identifiable non-monetary resources without physical substance, from which the entity expects future economic benefits. International Accounting Standard 38 (IAS 38) defines intangible assets in essentially these terms and prescribes the criteria for their recognition, measurement, amortization and disclosure (Savciuc, 2023; Jafarov, 2023). However, accounting standards capture only a fraction of the intangibles that actually drive firm value, since IAS 38 generally precludes the recognition of internally generated brands, customer lists and similar items, and imposes strict conditions on the capitalization of internally generated development costs (Mindermann – Brösel, 2009; Nichita, 2019). This recognition gap has important consequences. It means that the bulk of the value generated by intellectual creations — particularly in knowledge-intensive sectors — remains "hidden" from financial statements and is reflected only indirectly, through market capitalization, goodwill on acquisition, or value relevance studies. Empirical research has consistently shown that intangibles generate value-relevant information well beyond what is captured by traditional accounting (Procházka – Zouhar, 2019; Balla et al., 2025).

THE RESOURCE-BASED VIEW AND INTELLECTUAL CAPITAL

The resource-based view (RBV) of the firm provides the dominant theoretical lens through which the strategic role of intellectual creations is understood. According to RBV, sustainable competitive advantage stems from the possession of resources that are valuable, rare, inimitable, and non-substitutable (Lubis, 2022). Intellectual creations exhibit, by their very legal nature, two of these characteristics: they are formally rare (the right is, by definition, exclusive) and inimitable for the duration of protection (Radjenović – Krstić, 2017). Whether they are also valuable and non-substitutable is a strategic and market question that depends on how they are integrated into the firm's overall resource portfolio.

Modern intellectual capital theory extends RBV by disaggregating intangibles into three interrelated components: human capital (knowledge, skills, and experience embodied in employees), structural capital (codified knowledge, processes, databases, intellectual property), and relational capital (brand reputation, customer loyalty, partnerships) (Radjenović – Krstić, 2017; Zambon – Monciardini, 2015). Intellectual creations, in the strict legal sense, are concentrated in structural capital; however, their generation depends on human capital and their economic exploitation is mediated by relational capital. This means that the contribution of intellectual creations to firm performance cannot be assessed in isolation; it must be understood as an element of an integrated intellectual capital system.

THE LEGAL REGIME OF INTELLECTUAL CREATIONS IN HUNGARY AND THE EU

HUNGARIAN INTELLECTUAL PROPERTY LAW

The Hungarian intellectual property system is built on a series of specialized statutes — most importantly Act LXXVI of 1999 on copyright (Szjt.), Act XI of 1997 on the protection of trademarks and geographical indications (Vt.), and Act XXXIII of 1995 on the protection of inventions by patents (Szt.) — embedded in the broader framework of the Civil Code (Act V of 2013) and harmonized with EU and international instruments, including the Berne Convention, the TRIPS Agreement, and the WIPO Copyright Treaty. These instruments provide enterprises with legally enforceable exclusive rights over their intellectual creations, define the scope and duration of protection, and regulate licensing, assignment and enforcement.

From a corporate-performance perspective, three features of Hungarian intellectual property law are particularly relevant. First, the dualistic structure of authorship and exploitation: economic rights may, in principle, be transferred or licensed by the creator (or be acquired ex lege by employers in respect of works created in the course of employment), while moral rights remain with the author. This shapes the conditions under which firms can build coherent IP portfolios. Second, the well-developed regime of trade secrets (Act LIV of 2018, transposing Directive (EU) 2016/943) provides protection for confidential business information that does not satisfy the criteria for patent or copyright protection but is nonetheless of substantial commercial value. Third, the rules on collective licensing and statutory remuneration rights, particularly in the audiovisual and music sectors, structure the cash flows associated with the exploitation of certain categories of works.

THE EU FRAMEWORK AND THE CDSM DIRECTIVE

EU law has progressively harmonized the substantive and procedural aspects of intellectual property protection. In the field of copyright, the most significant recent reform is Directive (EU) 2019/790 on copyright and related rights in the Digital Single Market (the CDSM Directive). This Directive pursues three principal objectives: adapting copyright exceptions and limitations to the digital and cross-border environment, improving licensing practices and access to cultural heritage, and ensuring a well-functioning marketplace for copyright (Guzel, 2021). Several provisions of the CDSM Directive have direct implications for corporate performance. Article 15 introduces a new related right for press publishers, conferring on them an exclusive right of online use of their press publications for two years; this right has reshaped the negotiating position of media enterprises vis-à-vis online platforms. Article 17 establishes a sui generis liability regime for online content-sharing service providers, requiring them, in principle, to obtain authorization from rightsholders for user-uploaded content or to make best efforts to prevent its availability (Romero Moreno, 2020; Geiger – Jütte, 2021). For platform operators, this provision has materially increased compliance costs and incentivized investment in content recognition technologies (Brieske – Peukert, 2022). For right holder enterprises, it has strengthened the legal basis for monetizing user-generated content. Article 18 enshrines the principle of appropriate and proportionate remuneration for authors and performers, with associated transparency, contract adjustment, and revocation mechanisms (Priora, 2019; Xalabarder, 2020), thereby influencing the contractual relations between creative enterprises and their counterparties.

Particularly relevant for the educational and research sectors — and, by extension, for enterprises operating in those sectors — is Article 5 CDSM, which introduces a mandatory exception for digital and cross-border teaching activities. Hungary was the first Member State to implement Article 5, in April 2020, in the context of the COVID-19 pandemic (Mezei, 2022; Priora, Jütte – Mezei, 2022). The Hungarian implementation has clarified the conditions under which copyrighted works may be used in digital teaching environments, while also defining the limits within which licensing carve-outs operate. From a corporate perspective, the Article 5 regime affects the business models of academic publishers, e-learning providers, and educational technology firms (Despotidou, 2021). Article 14 CDSM, which excludes neighboring rights protection over non-original reproductions of works of visual art in the public domain, has further repositioned the boundary between cultural heritage institutions and commercial exploitation (Sappa – Widła, 2023). Together, these provisions illustrate that EU copyright law is no longer a purely defensive tool but rather an active component of the strategic environment in which enterprises holding or using intellectual creations operate.

INTELLECTUAL CREATIONS AND FIRM PERFORMANCE: EMPIRICAL EVIDENCE

INTELLECTUAL CAPITAL AND PROFITABILITY

A substantial and growing body of empirical research has examined the relationship between intellectual capital — and, more specifically, intellectual property — and firm performance. Using the Value-Added Intellectual Coefficient (VAIC) and its modified versions, scholars have repeatedly documented a positive association between intellectual capital efficiency and accounting measures of profitability, such as return on assets (ROA) and return on equity (ROE). For instance, Nazneen et al. (2025), studying Indian public sector companies, found that intellectual capital exerts a statistically significant positive effect on financial performance, with human capital efficiency and capital employed efficiency emerging as the strongest drivers.

Similar findings have been reported in other contexts. Lisda and Anthony (2023) showed, on a sample of Indonesian property and real estate firms, that intellectual capital significantly affects profitability, while firm size alone does not. Uwhejevwe-Togbolo et al. (2025) confirmed, for Nigerian consumer goods firms, that human capital efficiency and relational capital efficiency exert a significant positive effect on financial performance. Jin and Xu (2022) found that Chinese agricultural firms with higher intellectual capital exhibit lower financial leverage, with firm profitability partially mediating the relationship — suggesting that intellectual capital both increases earnings capacity and reduces dependence on debt financing.

INTANGIBLE ASSETS AND FIRM VALUE

Beyond accounting profitability, intangible assets are strongly associated with firm value as measured by market capitalization, Tobin's Q, or analogous metrics. Balla, Ballas and Sykianakis (2025) document a strong correlation between high intangible asset valuation and superior firm growth trajectories, arguing that intangibles provide unique, hard-to-replicate advantages that fuel resilience and adaptability in dynamic markets. Mailini, Gursida and Sasongko (2025) likewise find, on a sample of Indonesian pharmaceutical firms, that intellectual capital, enterprise risk management, and sustainability reporting each have a positive and significant impact on firm value.

Importantly, the relationship between intangibles and firm value is moderated by industry, firm age, and institutional environment. Contractor, Yang and Gaur (2016), analysing more than 2,000 multinational enterprises and 5,000 of their foreign affiliates, find that the value of parent intangible assets for affiliate profitability is attenuated by technological, institutional, and economic distances between home and host economies. This suggests that the corporate returns to intellectual creations depend not only on the firm's internal capabilities but also on the strength and coherence of the intellectual property regime in which they are exploited.

THE COMPLEMENTARITY OF FORMAL IPR AND OTHER INTANGIBLES

A key finding of the empirical literature is that formal intellectual property rights — patents, trademarks, registered designs — yield their highest economic returns when combined with other complementary assets. Guo-Fitoussi, Bounfour and Rekik (2019), using data from the Community Innovation Survey, document mixed results for the productivity effects of IPR alone, but high complementarity when IPR are combined with innovation activities and innovation cooperation. The implication is clear: an isolated IPR strategy — for example, building a patent portfolio without a corresponding investment in R&D, marketing and organizational capabilities — is unlikely to translate into superior firm performance.

Chung (2021), in a resource-based-view analysis of Korean firms, similarly demonstrates that intangible investment is positively associated with firm-specific internal resources — innovative capability, cumulative IP holdings, organizational resources — as well as with external resources such as outsourcing and external R&D. Listing status and exporting activity further facilitate intangible investment, suggesting that firms that are exposed to international markets and have strong capital-market discipline tend to invest more intensively in intangibles.

INTELLECTUAL CREATIONS, INNOVATION AND SUSTAINABILITY

THE IPR–ESG NEXUS

The conference theme of innovation and sustainability invites particular attention to the interaction between intellectual property rights and environmental, social and governance (ESG) strategies. Recent research has produced nuanced findings on this point. Zengin (2025), analysing a panel of 201 telecommunications companies between 2003 and 2023, finds that ESG scores have an overall negative effect on intangible asset accumulation, but that this effect turns positive when moderated by strong intellectual property regimes. The relationship is further shaped by firm age: for young firms, ESG alone has no effect on intangibles, but becomes effective under strong IP protection; for middle-aged firms, ESG is detrimental unless supported by IP environments; for older firms, ESG is slightly beneficial, but the marginal benefit of IP declines.

These findings have important implications for V4 enterprises. The CEE region is characterized by IPR regimes that are formally aligned with EU standards but exhibit significant variation in enforcement intensity and judicial sophistication. For firms in this region, integrating IPR strategy with ESG and sustainability strategy is not a matter of separate compliance exercises but of strategic complementarity: the institutional context determines whether sustainability investments translate into measurable intangible capital.

INNOVATION, INTELLECTUAL CAPITAL AND SUSTAINABLE VALUE CREATION

From a normative perspective, the contemporary view of corporate sustainability emphasizes long-term value creation across financial, environmental, and social dimensions. Intellectual creations contribute to all three. They contribute to financial value through the appropriation of innovation rents; to environmental value when they protect green technologies, energy-efficient designs, or cleaner production processes; and to social value when they sustain creative industries, cultural production, and educational content. Zambon and Monciardini (2015) propose a research agenda designed to reconnect intellectual capital studies with regional innovation policies and corporate value creation — specifically by promoting new forms of IC-driven innovation.

In the V4 context, this perspective is particularly fertile. Each of the V4 countries has developed national innovation strategies that explicitly recognize the strategic role of intangible assets; further, the EU Recovery and Resilience Facility has channelled substantial funds towards digital and green transitions. Enterprises that align their intellectual property strategies with these macro-level priorities are likely to capture both private returns (in the form of competitive advantage) and access to public co-financing.

ACCOUNTING, VALUATION AND DISCLOSURE OF INTELLECTUAL CREATIONS

THE LIMITS OF IAS 38

As noted in Section 2, IAS 38 defines and regulates the recognition, measurement, and disclosure of intangible assets in IFRS-compliant financial statements. Acquired intellectual property — for example, patents and trademarks acquired in business combinations — is generally recognized at fair value at the acquisition date, while internally generated intangibles are subject to stricter conditions:

research expenditures must be expensed, and only development expenditures meeting six cumulative criteria may be capitalized (Mindermann – Brösel, 2009; Savciuc, 2023). Internally generated brands, customer lists and similar items cannot be recognized at all.

These rules create a structural asymmetry. A firm that acquires a portfolio of trademarks shows the corresponding asset on its balance sheet; a firm that builds an equivalent portfolio internally over many years does not. The asymmetry is most pronounced for firms whose competitive advantage rests precisely on internally generated intellectual creations — software firms, creative industries, brand-driven consumer goods companies. This is the principal reason why market-to-book ratios in such sectors can substantially exceed unity even in the absence of speculative valuations (Kosova – Kamneva – Khandoshko, 2022).

DISCLOSURE PRACTICES IN CEE FIRMS

Empirical work on CEE disclosure practices reveals a mixed but improving picture. Procházka and Zouhar (2019), examining 210 annual reports of Czech firms between 2008 and2017, document a moderate increase in the disclosure quality of intangible assets, attributable mainly to capital-market reporting incentives. The level of compliance, however, varies significantly with the firm's auditor and ownership structure, while industry and country of origin are not statistically significant. Papula and Volná (2014, in earlier work cited by the literature) have similarly identified heterogeneous disclosure quality among Slovak firms.

These findings suggest that the value-relevance of intellectual creations is shaped not only by the underlying legal protection but also by the quality of corporate communication. Enterprises that disclose more comprehensively about their intangible portfolios — particularly through integrated reports, IP-specific disclosures and, sustainability reports — provide investors with more accurate signals of long-term value creation. This in turn is associated with lower cost of capital and higher firm value (Mailini – Gursida – Sasongko, 2025).

CONCLUSIONS AND POLICY RECOMMENDATIONS

This paper has examined the role of intellectual creations as intangible assets in corporate performance, integrating legal, economic and accounting perspectives with recent empirical evidence, focusing particularly on the V4 and CEE context. Three principal conclusions emerge.

First, intellectual creations are dual-natured resources: legally, they are exclusive rights over identifiable subject matter; economically, they are intangible assets that, when integrated into a coherent intellectual capital system, generate sustainable competitive advantage. Their contribution to firm performance is consistently positive in the empirical literature, but this is moderated by complementary investments, by the institutional environment and by the firm's stage of development.

Second, EU copyright reform — particularly the CDSM Directive — has substantially altered the strategic environment for enterprises holding or using intellectual creations. The new regime is not merely a compliance burden but also a source of new monetization opportunities (notably for press publishers and creative authors) and new operational constraints (notably for online content-sharing service providers). The early Hungarian implementation of Article 5 CDSM is particularly noteworthy as a case study of how legislative reform can reshape the business models of education and content firms.

Third, the IPR–ESG–innovation nexus is critical for V4 enterprises. Sustainability strategies do not automatically translate into intangible capital; they require strong IPR regimes and complementary investments. Policy makers should therefore reinforce IPR enforcement and judicial expertise, while corporate managers should integrate IP strategy with ESG and innovation strategy, ensuring that intangible investments are appropriately disclosed.

Several policy and managerial recommendations follow. At the policy level, the V4 countries should strengthen specialized IP enforcement and judicial training, align national implementations of the CDSM Directive to minimize cross-border friction, and extend tax and grant incentives that explicitly target intangible investment (including investment in sustainability-related innovation). At the managerial level, enterprises should develop integrated intellectual property strategies (combining formal IPR with R&D, branding and organizational capabilities), invest in disclosure quality (including IP-specific and integrated reporting), and align IP strategy with ESG and sustainability objectives (recognizing that the institutional environment is a moderating but indispensable condition).

Future research should extend the empirical analysis to V4-specific datasets, examine the interaction between national IPR regimes and ESG strategies in the CEE context, and develop more refined valuation methods for intellectual creations that bridge the gap between legal protection and accounting recognition. Such research would further illuminate how intellectual creations — as immaterial goods and intangible assets — can support innovation- and sustainability-driven corporate performance in Central and Eastern Europe.

REFERENCES

Balla, Vassiliki – Ballas, Panagiotis – Sykianakis, Nicos (2025). The subjective power of intangibles in a firm's growth: Unlocking hidden assets within a company strategy. *Corporate and Business Strategy Review*, 6(4), 184–193. https://virtusinterpress.org/The-subjective-power-of-intangibles-in-a-firm-s-growth-Unlocking-hidden-assets-within-a-company-strategy.html [Downloaded: 28. 04. 2026].

Brieske, Jasmin – Peukert, Alexander (2022). Coming into Force, not Coming into Effect? The Impact of the German Implementation of Art. 17 CDSM Directive on Selected Online Platforms. *CREATe Working Paper. SSRN Electronic Journal*. https://www.ssrn.com/abstract=4016185 [Downloaded: 28. 04. 2026].

Chung, Hyuk-Jin (2021). Understanding firm-level intangible investment: a resource-based view on Korean firms. *Applied Economics Letters*, 29(19), 1757–1764. https://ideas.repec.org/a/taf/apeclt/v29y2022i19p1757-1764.html [Downloaded: 28. 04. 2026].

Contractor, Farok – Yang, Yong – Gaur, Ajai S. (2016). Firm-specific intangible assets and subsidiary profitability: The moderating role of distance, ownership strategy and subsidiary experience. *Journal of World Business*, 51(6), 950–964. https://doi.org/10.1016/j.jwb.2016.09.002 [Downloaded: 28. 04. 2026].

Despotidou, Anna (2021). The New Mandatory Teaching Exception or Limitation (Article 5 of the CDSM Directive): Ensuring Its Application in the Digital and Cross-Border Environment(s) While Losing the Way to Harmonization? In: Synodinou, Tatiana-Eleni – Jougleux, Philippd – Markou, Christiana – Prastitou-Merdi, Thalia (Eds.). *EU Internet Law in the Digital Single Market* (pp. 99–139). Cham: Springer. https://doi.org/10.1007/978-3-030-69583-5_5 [Downloaded: 20. 04. 2026].

Geiger, Christophe – Jütte, Bernd Justin (2021). Towards a Virtuous Legal Framework for Content Moderation by Digital Platforms in the EU? The Commission's Guidance on Article 17 CDSM Directive in the light of the YouTube/Cyando judgement and the AG's Opinion in C-401/19. *European Intellectual Property Review*, 43(10), 625–635. *SSRN Electronic Journal*. https://www.ssrn.com/abstract=3889049 [Downloaded: 28. 04. 2026].

Guo-Fitoussi, Liang – Bounfour, Ahmed – Rekik, Sabrine (2019). Intellectual property rights, complementarity and the firm's economic performance. *International Journal of Intellectual Property Management*, 9(2), 136–165. https://hal.science/hal-03427803v1 [Downloaded: 20. 04. 2026].

Guzel, Sevra (2021). Directive on Copyright in the Digital Single Market and Freedom of Expression: The EU's Online Dilemma. In: Synodinou, Tatiana-Eleni – Jougleux, Philippd – Markou, Christiana – Prastitou-Merdi, Thalia (Eds.). *EU Internet Law in the Digital Single Market* (pp. 205–229). Cham: Springer. https://doi.org/10.1007/978-3-030-69583-5_8 [Downloaded: 20. 04. 2026].

Jafarov, Elkhan Orkhan (2023). Some issues related to the reflection of financial transactions in accounting in accordance with IAS No. 38 "Intangible Assets". *Audit Journal*, 3(1), 5–19. https://doi.org/10.59610/bbu3.2023.3.1 [Downloaded: 20. 04. 2026].

Jin, Guangchun – Xu, Jian (2022). Does Intellectual Capital Affect Financial Leverage of Chinese Agricultural Companies? Exploring the Role of Firm Profitability. *Sustainability*, 14(5), 2682. https://doi.org/10.3390/su14052682 [Downloaded: 12. 05. 2026].

Kosova, Tetiana – Kamneva, Yelyzaveta – Khandoshko, Dmytro (2022). Accounting, analysis and control of intangible assets in the system of financial innovative policy of the enterprise. *International Humanitarian University Herald. Economics and Management*, 52, 114–120. https://doi.org/10.32841/2413-2675/2022-52-15 [Downloaded: 12. 05. 2026].

Lisda, Ruslina – Anthony, Anthony (2023). Do intellectual capital and firm size affect profitability? Evidence from property and real estate companies in Indonesia. *Jurnal Riset Akuntansi Kontemporer*, 15(2), 215–228. https://doi.org/10.23969/jrak.v15i2.8128 [Downloaded: 12. 05. 2026].

Lubis, Nurul Wardani (2022). Resource Based View (RBV) in Improving Company Strategic Capacity. *Research Horizon*, 2(6), 587–596. https://doi.org/10.23969/jrak.v15i2.8128 [Downloaded: 20. 04. 2026].

Mailini, Dini – Gursida, Hari – Sasongko, Hendro (2025). The Role of Enterprise Risk Management, Intellectual Capital, and Sustainability Report in Enhancing Firm Value: Profitability as a Moderator in Indonesian Pharmaceutical Companies (2017–2023). *International Journal Administration, Business & Organization*, 6(2), 79–90. https://doi.org/10.61242/ijabo.25.540 [Downloaded: 20. 04. 2026].

Mezei, Péter (2022). Digital Higher Education and Copyright Law in the Age of Pandemic – The Hungarian Experience. *JIPITEC - Journal of Intellectual Property, Information Technology and E-Commerce Law,* 14(2), 330-350. *SSRN Electronic Journal*. https://www.ssrn.com/abstract=4217887 [Downloaded: 28. 04. 2026].

Mindermann, Thorsten – Brösel, Gerrit (2009). Does the capitalization of internally generated intangible assets according to IAS 38 really provide useful information? *Managerial Economics*, 6, 7–16. https://journals.bg.agh.edu.pl/EKONOMIA/2009-06/EM_01.pdf [Downloaded: 28. 04. 2026].

Nazneen, Afroze – Qazi, Sayeeduzzafar – Ali, Inass Salamah – Saleem, Imran – Safdar, Umar – Arafat, Mohd. Yasir (2025). Measuring the impact of intellectual capital on the firm's financial performance: evidence from Indian public sector companies. *Discover Sustainability*, 6, 82. https://doi.org/10.1007/s43621-025-00827-4 [Downloaded: 28. 04. 2026].

Nichita, Mirela (2019). Intangible assets – insights from a literature review. *Journal of Accounting and Management Information Systems*, 18(2), 224–261. https://ssrn.com/abstract=3408506 [Downloaded: 08. 05. 2026].

Priora, Giulia (2019). The Principle of Appropriate and Proportionate Remuneration in the CDSM Directive: A Reason for Hope? *European Intellectual Property Review*, 42(1), 1–3. *SSRN Electronic Journal*. https://www.ssrn.com/abstract=3521272 [Downloaded: 28. 04. 2026].

Priora, Giulia – Jütte, Bernd Justin – Mezei, Péter (2022). Copyright and Digital Teaching Exceptions in the EU: Legislative Developments and Implementation Models of Art. 5 CDSM Directive. IIC – *International Review of Intellectual Property and Competition Law*, 53(4), 543–566. https://doi.org/10.1007/s40319-022-01179-6 [Downloaded: 28. 04. 2026].

Procházka, David – Zouhar, Tomáš (2019). The determinants of disclosures about intangible assets by listed Czech companies. International Academic Conference Proceedings (IISES), Barcelona, 222–235. https://ideas.repec.org/p/sek/iacpro/9912151.html [Downloaded: 28. 04. 2026].

Radjenović, Tamara – Krstić, Bojan (2017). Intellectual Capital as the Source of Competitive Advantage: The Resource-Based View. *Facta Universitatis – Series: Economics and Organization*, 14(2), 127–137. https://doi.org/10.22190/FUEO1702127R [Downloaded: 28. 04. 2026].

Romero Moreno, Felipe (2020). 'Upload filters' and human rights: implementing Article 17 of the Directive on Copyright in the Digital Single Market. *International Review of Law, Computers & Technology*, 34(2), 153–182. https://doi.org/10.1080/13600869.2020.1733760 [Downloaded: 08. 05. 2026].

Sappa, Cristiana – Widła, Bohdan (2023). Framing Texts and Images: Critical and Posthumous Editions in the Digital Single Market. *IIC*

– *International Review of Intellectual Property and Competition Law*, 54(10), 1567–1592. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4627260 [Downloaded: 08. 05. 2026].

Savciuc, Maria (2023). Depreciation and amortization of intangible and tangible assets: analysis of referent standards IAS 16 PP&E, IAS 38 Intangible Assets and IAS 36 Impairment of Assets. *ASEM Conference Proceedings*, 35, 311–319. https://doi.org/10.53486/9789975359023.35 [Downloaded: 08. 05. 2026].

Uwhejevwe-Togbolo, Samuel Ejiro – Okwoma, A. A. – Ubogu, F. – Efanimjor, Prince – Olise, J. (2025). Impact of Intellectual and Natural Capital on Financial Performance of Listed Consumers Goods Firm in Nigeria. *International Journal of Accounting, Business and Economics Policy*, 1(3), 145–158. https://doi.org/10.66324/ijabep.v1i3.133 [Downloaded: 28. 04. 2026].

Xalabarder, Raquel (2020). The Principle of Appropriate and Proportionate Remuneration for Authors and Performers in Art. 18 Copyright in the Digital Single Market Directive. *InDret*, 4, 1–48. https://indret.com/wp-content/uploads/2020/10/1591.pdf [Downloaded: 28. 04. 2026].

Zambon, Stefano – Monciardini, David (2015). Intellectual capital and innovation. A guideline for future research. *Journal of Innovation Economics & Management*, 17(2), 13–26. https://doi.org/10.3917/jie.017.0013 [Downloaded: 20. 04. 2026].

Zengin, Burcu (2025). The Effectiveness of ESG Strategies in Building Intangible Capital: The Moderating Role of National Intellectual Property Intensity and Firm Age. *Üçüncü Sektör Sosyal Ekonomi* , 60(3), 2561–2580. https://doi.org/10.63556/tisej.2025.1610 [Downloaded: 16. 04. 2026].

ECONOMIC DIPLOMACY BEYOND THE STATE: SOFT POWER, TRUST, AND HYBRID ACTORS IN CROSS-REGIONAL SYSTEMS

Enikő Bartha
Senior Advisor, Sundance Group Intl., ceo@sundancegroupintl.com

ABSTRACT

Economic diplomacy is no longer driven solely by states, but increasingly shaped by networks of hybrid and non-state actors operating across institutional and regional boundaries. This paper examines this shift across Europe, Asia, and the Middle East, focusing on how influence is exercised through informal mechanisms, trust-based networks, and relationship-driven engagement. The analysis highlights intermediary actors, such as chambers of commerce, sovereign-linked institutions, and think tanks, operating at the intersection of public and private spheres. These actors frequently function as strategic "door-openers" into governmental systems, shaping access and facilitating cross-border engagement. Sovereign-linked entities such as Temasek and GIC, alongside initiatives like the EU's Global Gateway, illustrate how hybrid actors influence agendas related to economic security and technological sovereignty. The category also includes influential individuals operating beyond formal diplomatic roles, including Kriengsak Chareonwongsak and Nikolay Mladenov, whose networks enable cross-border economic engagement.

Drawing on practice-informed insights, the paper argues that trust functions as an enabling infrastructure, one that often precedes formal agreements and determines whether they emerge at all. It proposes a framework in which soft power operates as the mechanism of influence, trust as its foundation, and hybrid actors as its primary agents. Finally, the paper considers the growing role of artificial intelligence as a quasi-actor within economic diplomacy, an embedded digital layer that increasingly shapes how decisions are framed, prioritised, and made.

Keywords: economic diplomacy, hybrid actors, soft power, non-state actors, cross-regional engagement, sovereign-linked institutions, trust-based networks

INTRODUCTION

CHANGING CONTEXT OF ECONOMIC DIPLOMACY

Economic diplomacy has historically been conceptualized as a state-centric activity aimed at advancing national economic interests through formal diplomatic channels, including trade negotiations, bilateral agreements, and multilateral institutions. However, this traditional understanding no longer fully captures the realities of contemporary cross-regional engagement, where influence is increasingly exercised through a broader constellation of actors, informal mechanisms, and network-based interactions.

Contemporary economic diplomacy is increasingly shaped by hybrid actors operating across institutional, geographic, and sectoral boundaries. Hybrid actors are organizations, institutions, networks, and influential individuals that operate across institutional boundaries between the public and private sectors. Rather than replacing states, they complement formal diplomacy by facilitating trust, mobilizing expertise and resources, connecting diverse stakeholders, and enabling cross-border economic and political cooperation through network-based forms of influence. This paper argues that the traditional state-centric paradigm is insufficient to explain how influence is exercised in cross-regional contexts spanning Europe, Asia, and the Middle East.

Instead, economic diplomacy should be understood as a multi-layered, network-based system in which hybrid actors, ranging from chambers of commerce and sovereign wealth funds to think tanks and influential individuals, play a structurally embedded role. These actors function as institutional trust brokers and semi-formal diplomatic infrastructure. They facilitate access, reduce transaction costs, and create relational infrastructures that precede formal agreements.

Chambers of commerce should not be understood merely as business associations, but increasingly as semi-formal diplomatic platforms operating between public and private domains. Their influence derives not only from representation, but from accumulated institutional trust, continuity of engagement, and privileged access to governmental and commercial networks.

Building on this premise, the paper advances a three-part analytical framework. First, it conceptualizes soft power as a central mechanism of influence in economic diplomacy. Second, it positions trust as the operational foundation through which such influence becomes effective in cross-regional contexts. Third, it examines hybrid actors as the key agents through which soft power is exercised and trust is constructed in practice.

By integrating these dimensions, the paper seeks to provide a more comprehensive and practice-informed understanding of how economic diplomacy functions in a fragmented, multipolar, and networked global environment.

PURPOSE AND RESEARCH APPROACH

This paper adopts a practice-informed analytical approach. Rather than presenting quantitative findings, it draws on observed patterns of cross-regional engagement and practitioner experience across diplomatic, commercial, and institutional settings involving Europe, Asia, and the Middle East. In addition, the analysis is grounded in a series of illustrative comparative case studies drawn from these regions, including examples from the European Union, ASEAN, Singapore, the Gulf states, and China's Belt and Road Initiative. These case studies are used to examine how hybrid actors, soft power, and trust operate in diverse institutional and cultural contexts, providing empirical support for the conceptual framework developed in this paper.

STRUCTURE OF THE PAPER

To ensure analytical clarity, the paper is structured in line with this framework. Section 2 develops the conceptual foundations of soft power, trust, and network-based influence. Section 3 examines hybrid actors as structurally embedded agents within these systems, while Section 3.1 adds policy evidence from Europe, Asia, the Middle East/GCC, and China's Belt and Road Initiative to demonstrate that these dynamics are visible in actual policy practice. Section 4 analyzes the operational mechanisms through which influence is exercised in practice. Section 5 focuses on trust as a form of relational infrastructure across cultural contexts, while Section 6 extends the framework by considering the emerging role of artificial intelligence as a digital layer within economic diplomacy.

THEORETICAL FRAMEWORK

SOFT POWER AND INFLUENCE

The theoretical foundation of this paper draws on Joseph Nye's concept of soft power (2004), which conceptualizes influence as the ability to shape the preferences and behavior of others through attraction, credibility, and trust rather than coercion or financial inducement. This framework is particularly relevant to economic diplomacy, where outcomes are often determined not only by formal agreements, but by the capacity to build relationships, establish legitimacy, and operate effectively within complex, multi-actor environments.

In the context of economic diplomacy, soft power is not merely a complementary dimension but a central mechanism through which outcomes are achieved. Cross-regional engagement, particularly across Europe, Asia, and the Middle East, rarely unfolds in purely transactional terms. Instead, it is embedded in long-term relationship-building processes, reputational signaling, and the cultivation of mutual confidence among actors operating within diverse institutional and cultural environments.

TRUST AS RELATIONAL INFRASTRUCTURE

Trust, in this framework, emerges as a core operational component of soft power rather than a peripheral outcome. It functions as a form of relational capital that reduces uncertainty, facilitates cooperation, and enables access to decision-making processes that are often not formally codified. In many cases, trust precedes formal agreements, acting as a prerequisite for negotiation rather than a by-product of it.

The importance of trust is particularly pronounced in cross-cultural settings. As highlighted by intercultural management scholarship (Meyer, 2014; Trompenaars, 1997), different regions conceptualize and operationalize trust in distinct ways. In many Asian and Middle Eastern contexts, trust is relationship-based and developed through sustained personal interaction, while in European contexts it is more frequently institutionalized through legal frameworks and procedural transparency. These differences create structural asymmetries that must be navigated for effective economic engagement.

NETWORK-BASED INFLUENCE AND HYBRID ACTORS

This networked understanding of influence is further supported by scholarship on international networks and power diffusion (Hafner-Burton – Kahler – Montgomery, 2009), which highlights how authority is increasingly exercised through relational structures rather than hierarchical state systems.

Hybrid actors play a critical role in this process. Their ability to operate across public and private domains positions them as key facilitators of trust-building. By maintaining long-term relationships with both governmental and private stakeholders, they generate continuity in environments characterized by political change and institutional fragmentation. In doing so, they transform soft power from an abstract concept into a practical instrument of economic diplomacy.

Beyond soft power, this analysis is further informed by network-based approaches to international relations, which emphasize the diffusion of power across interconnected actors rather than its concentration within state hierarchies. As Hafner-Burton, Kahler, and Montgomery (2009) argue, networks structure access, shape flows of information, and determine the distribution of influence. Hybrid actors can thus be understood as central nodes within these networks, mediating interactions and amplifying the effects of soft power through relational positioning.

Finally, the growing importance of geo-economics reinforces the relevance of this framework. As Blackwill and Harris (2016) suggest, states increasingly pursue strategic objectives through economic means, blurring the boundaries between political and economic domains. In this environment, soft power and trust become critical enablers of influence, and hybrid actors can be conceptualized as "connective institutions" that translate strategic intent into operational reality particularly where formal authority is limited or contested.

SOFT POWER AS OPERATIONAL PRACTICE

While soft power is often conceptualized at the level of state strategy or national image, its practical application in economic diplomacy unfolds through everyday interactions, institutional mediation, and sustained relational engagement. In cross-regional contexts, soft power is not exercised through singular acts of persuasion, but through the gradual accumulation of credibility, familiarity, and trust across multiple touchpoints.

In this sense, soft power operates less as a resource that actors possess and more as a process that is continuously constructed and reinforced. Hybrid actors play a central role in this process. Through regular engagement with policymakers, facilitation of dialogue, and organization of formal and informal encounters, they create environments in which preferences can be shaped indirectly and over time. For example, multi-jurisdictional organizations such as European chambers of commerce do not merely represent business interests; they also embody regulatory standards, governance norms, and institutional credibility associated with the European Union. Their presence in host countries enables the diffusion of these norms through ongoing interaction rather than formal imposition. Similarly, regional bodies operating across ASEAN and the broader Asia-Pacific contribute to shaping expectations and aligning interests across diverse political and economic systems.

Sovereign-linked institutions and statutory boards further extend this operationalization of soft power. Entities such as Temasek Holdings and GIC, while primarily financial in function, also signal stability, long-term commitment, and strategic alignment, thereby reinforcing trust and influencing perceptions among international partners. Their role illustrates how economic presence itself can function as a vehicle of soft power.

At the individual level, influential non-state actors also contribute to this process. High-profile individuals operating outside formal diplomatic structures illustrate this dynamic. Their influence derives not from institutional authority, but from network access, credibility, and the ability to operate across political and economic domains.

Taken together, these dynamics suggest that soft power in economic diplomacy is best understood as an operational practice embedded in networks, relationships, and institutional ecosystems. It is through these mechanisms that influence is exercised, access is negotiated, and outcomes are ultimately shaped.

HYBRID ACTORS IN ECONOMIC DIPLOMACY

THE HYBRID-ACTOR LANDSCAPE

Hybrid actors in economic diplomacy must be conceptualized broadly. While chambers of commerce and business councils remain central, they represent only one subset of a broader ecosystem. Multi-jurisdictional organizations such as EuroCham Vietnam, which is linked to Brussels, aggregate the interests of companies across 27 EU member states. This creates a unique dual-directional influence: upward toward EU institutions and outward toward host-country governments. This stands in contrast to organizations such as AmCham, which represent a single national interest.

This distinction is analytically significant. Multi-jurisdictional actors tend to exercise influence through coordination, consensus-building, and regulatory alignment, whereas single-state actors more frequently rely on centralized advocacy and direct representation. These structural differences shape not only the channels of influence but also the speed, flexibility, and scope of engagement across regions.

Similarly, the EU-ASEAN Business Council operates (EU-ABC) across the Asia-Pacific region, engaging multiple ASEAN governments simultaneously and functioning as a cross-regional policy interface.

In Singapore, hybrid actors extend further to include sovereign-linked institutions such as Temasek Holdings and GIC. These entities combine financial influence with strategic alignment to national policy, operating globally while maintaining strong domestic anchoring. Statutory boards and organizations such as the Singapore Business Federation further reinforce this ecosystem.

These variations suggest that hybrid actors cannot be treated as a uniform category. Rather, their influence is contingent on their institutional design, geographic scope, and degree of alignment with state structures, reinforcing the need for a differentiated analytical approach.

Importantly, think tanks must also be included within this category. They shape policy discourse, provide strategic analysis, and often act as intermediaries between government, business, and academia. Their inclusion strengthens the analytical robustness of the hybrid-actor framework and prevents conceptual gaps.

EVIDENCE OF POLICY CHANGE IN PRACTICE

The framework advanced in this paper is not only theoretical. Across Europe, Asia, and the Middle East/GCC, there is substantial evidence that policymaking is becoming more networked, geo-economic, and hybrid. This does not mean that states are being replaced. Rather, states increasingly govern, project influence, and implement strategic objectives through networks of institutions, capital vehicles, standards, platforms, and semi-formal intermediaries.

In Europe, the clearest illustration is the European Union's shift from regulatory influence alone toward strategic and geo-economic engagement. Global Gateway is no longer simply a development-assistance label; it functions as a geopolitical connectivity strategy linking infrastructure, trade, digitalization, critical raw materials, clean energy, standards, and strategic partnerships. The EU's recent engagement with Central Asia demonstrates this shift: under Global Gateway, European and international institutions have committed major financing to sustainable connectivity and the Middle Corridor, while EU-Central Asia cooperation increasingly combines transport, digital connectivity, critical raw materials, energy, water, and investment diplomacy (European External Action Service, 2024; DGAP, 2025; Borodyna, 2025). This matters for the hybrid-actor framework because Europe increasingly projects influence through institutions, standards, investment platforms, and strategic partnerships rather than through classical diplomacy alone. The EU itself remains central, but implementation depends on a wider ecosystem: European institutions, development banks, business councils, chambers of commerce, private investors, regulatory platforms, and partner-country institutions. This is precisely the type of multi-layered structure in which hybrid actors become operationally significant.

Asia has arguably operated in this way for longer. Singapore's sovereign-linked institutions, including Temasek Holdings and GIC, illustrate how financial entities can combine investment discipline, national credibility, and international positioning. Scholarship on Singapore's sovereign wealth funds has already described their evolution from domestic development instruments toward actors with an external economic-diplomacy function (Yeung, 2011; Wu, 2008). More broadly, Asian economic diplomacy frequently works through sovereign wealth funds, business ecosystems, digital infrastructure, port and logistics networks, regional platforms, and strategic economic corridors. China's Belt and Road Initiative also fits this box, although with an important distinction. BRI is fundamentally state-led, but it operates through hybrid implementation mechanisms: policy banks, state-owned enterprises, infrastructure developers, ports, digital platforms, standards, host-government agreements, and private or semi-private commercial actors. It is therefore best treated not as a non-state actor, but as a large-scale geo-economic connectivity platform that demonstrates how states can project influence through networked, economic, infrastructural, and institutional channels. In this sense, BRI strengthens the argument that contemporary economic diplomacy increasingly functions through connectivity systems and intermediary actors rather than through formal diplomacy alone (Council on Foreign Relations, 2023; IISS, 2022).

The Middle East/GCC provides perhaps the strongest evidence base for the argument. Gulf sovereign wealth funds increasingly function not only as investors, but as instruments that expand foreign-policy options, deepen strategic partnerships, and project influence across regions. Recent analysis of Saudi, Emirati, and Qatari funds shows that sovereign capital can translate into foreign-policy clout through investments in infrastructure, technology, media, sports, defence-related sectors, and strategic co-investment structures (Roll 2026). At the same time, the Middle East-Asia corridor has become increasingly important, with Gulf capital, Asian growth markets, and financial-services ecosystems creating a new interregional field of economic diplomacy (Asia House, 2025).

These developments support the central claim of this paper: hybrid actors are not peripheral to modern economic diplomacy. They are increasingly part of the way policy is implemented, access is created, and influence is operationalized. Chambers of commerce, sovereign-linked institutions, think tanks, investment platforms, and strategic individuals all contribute to the trust-based infrastructure through which formal policy objectives become practical outcomes.

OPERATIONAL MECHANISMS OF INFLUENCE

This aligns with the broader evolution of economic diplomacy as described by Bayne and Woolcock (2017), who emphasize the growing complexity of actors and negotiation environments in international economic relations. The operational mechanisms of hybrid actors are multi-layered and continuous rather than episodic. Formal engagement includes structured dialogue with policymakers, participation in advisory councils, and involvement in regulatory consultation processes.

However, equally important are informal mechanisms: private meetings, networking events, and relationship-building interactions that generate trust and facilitate access. In many contexts, hybrid actors function as "door-openers" into government systems. For example, chambers in the Gulf region maintain close institutional ties that enable accelerated access to decision-makers.

Differences in structure shape differences in influence. European chambers, representing multiple jurisdictions, operate through consensus-building and multi-level coordination. In contrast, American chambers typically reflect a more centralized advocacy model. Regional platforms such as EU-ABC extend this influence across multiple states simultaneously.

The role of individuals further reinforces this dynamic. Figures such as Jared Kushner and Steve Witkoff demonstrate how non-state actors can operate across diplomatic and economic domains. Comparable influence is visible in European and Asian contexts through individuals such as Nikolay Mladenov and Kriengsak Chareonwongsak, whose credibility and networks enable them to act as connectors across institutional boundaries.

TRUST AND CROSS-CULTURAL DYNAMICS

Trust functions as a form of invisible infrastructure within economic diplomacy. In Asia and the Middle East, trust is predominantly relational and built through repeated interaction. In Europe, it is more institutionalized and embedded in legal frameworks.

In practical terms, this infrastructural role can be understood as a sequential process. Trust enables access to decision-makers and informal networks; access facilitates the exchange of information and alignment of expectations; and this alignment, in turn, increases the likelihood of formal agreements. Without this prior layer of relational infrastructure, formal negotiations are often delayed, constrained, or unsuccessful.

Hybrid actors bridge these systems. Their ability to navigate cultural differences, translate expectations, and sustain engagement makes them essential to cross-regional cooperation. Without such actors, many formal agreements would not materialize, as the relational groundwork would be absent.

In this sense, trust should not be understood merely as a cultural variable, but as a strategic asset within economic diplomacy. Actors capable of generating and sustaining trust across different institutional and cultural environments gain a significant advantage in shaping outcomes. Hybrid actors, by virtue of their embeddedness in multiple networks, are uniquely positioned to accumulate and deploy this form of relational capital, reinforcing their role as indispensable intermediaries in cross-regional engagement.

AI AND DIGITALIZATION

Technological developments, particularly in artificial intelligence, are reshaping the informational dimension of economic diplomacy. Hybrid actors increasingly leverage data analytics and digital platforms to enhance coordination and identify opportunities.

However, these tools do not replace human relationships. Instead, they act as amplifiers of existing capabilities. Trust, credibility, and access remain the core determinants of influence.

Beyond its role as an enabling technology, artificial intelligence increasingly occupies a structurally embedded position within systems of economic diplomacy. While AI does not constitute a non-state actor in the classical sense – lacking autonomy, intent, and accountability – it can, under certain conditions, function as a quasi-actor. This is particularly evident in governance environments where AI systems are granted privileged access to data, integrated into decision-support processes, and embedded within institutional frameworks. In such contexts, AI does not merely process information; it actively shapes the parameters within which decisions are made, influencing priorities, timelines, and perceived options.

This dynamic is especially visible in advanced digital governance models, such as those emerging in the United Arab Emirates, where AI-driven systems are increasingly incorporated into public sector functions. Here, AI contributes to reducing informational asymmetries, accelerating policy cycles, and enhancing coordination across actors. However, its influence remains mediated through human and institutional structures.

The policy evidence for this claim is becoming increasingly concrete. The UAE Cabinet has established an official AI governance structure to oversee AI integration in government departments, while Abu Dhabi's Government Digital Strategy 2025-2027 aims to make the emirate a fully AI-native government across digital services, including sovereign cloud adoption, process automation, and the implementation of more than 200 AI solutions across government services (UAE Government, 2025; Department of Government Enablement - Abu Dhabi, 2025). Recent comparative research on AI governance in the GCC also emphasizes multi-stakeholder governance and soft-regulation approaches, confirming that public authority, private technology infrastructure, and institutional ecosystems are increasingly entangled (Albous et al., 2025).

AI should therefore be understood as an amplifying digital layer within the broader ecosystem of economic diplomacy rather than a replacement for hybrid actors. Its growing role further blurs the boundaries between state, non-state, and technological actors, reinforcing the need to understand economic diplomacy as a complex, multi-layered system of interaction. Within the framework advanced in this paper, AI interacts with all three dimensions: it shapes informational environments associated with soft power, supports trust formation through enhanced transparency and predictability, and operates alongside hybrid actors as part of an increasingly sophisticated ecosystem of influence.

CONCLUSION

From a geo-economic perspective, economic diplomacy increasingly reflects strategic competition through economic instruments rather than military means (Blackwill – Harris, 2016), further reinforcing the importance of non-coercive forms of influence.

This paper has argued that economic diplomacy in the 21st century is best understood as a networked system characterized by complexity, interdependence, and multi-level interaction. Within this system, soft power functions as a primary mechanism of influence, trust operates as its enabling infrastructure, and hybrid actors serve as the key agents through which both are mobilized in practice.

By conceptualizing soft power as an operational process, rather than a static attribute, and by recognizing trust as a strategic asset rather than a secondary outcome, the analysis highlights how influence is constructed through sustained interaction, relational positioning, and institutional embeddedness. Hybrid actors, positioned at the intersection of public and private domains, are uniquely equipped to translate these dynamics into tangible economic outcomes.

Recognizing the interplay between soft power, trust, and hybrid actors is therefore essential not only for academic analysis but also for practical engagement. As global fragmentation intensifies and traditional diplomatic channels become increasingly constrained, the ability to navigate these hybrid, trust-based systems will become a defining factor of effective economic diplomacy.

Economic diplomacy beyond the state is therefore not an emerging exception, but an increasingly defining characteristic of contemporary international engagement.

REFERENCES

Albous, Mohammad Rashed – Al-Jayyousi, Odeh Rashed – Stephens, Melodena (2025). AI Governance in the GCC States: A Comparative Analysis of National AI Strategies. *Journal of Artificial Intelligence Research*, 82. https://doi.org/10.1613/jair.1.17619

Asia House (Nov. 13, 2025). *The Middle East Pivot to Asia: The Gulf's Rise as a Global Middle Power.* London: Asia House. https://www.asiahouse.org/wp-content/uploads/2025/11/The-Middle-East-Pivot-to-Asia-2025-The-Gulfs-Rise-as-a-Global-Middle-Power-1.pdf [Downloaded: 01. 05. 2026].

Bayne, Nicholas – Woolcock, Stephen (2017). *The New Economic Diplomacy: Decision-Making and Negotiation in International Economic Relations* (4th ed.). London: Routledge. https://doi.org/10.4324/9781315555188

Blackwill, Robert – Harris, Jennifer (2016). *War by Other Means: Geoeconomics and Statecraft.* Cambridge, MA: Harvard University Press.

Borodyna, Olena (April 16, 2025). *Central Asia in Focus: What to Watch as the EU Scales Up Engagement.* London: ODI Global. https://odi.org/en/insights/central-asia-in-focus-what-to-watch-as-the-eu-scales-up-engagement/

Council on Foreign Relations (Feb. 2, 2023). *China's Massive Belt and Road Initiative.* New York: Council on Foreign Relations. https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative [Downloaded: 01. 05. 2026].

Department of Government Enablement – Abu Dhabi (2025). Abu Dhabi to be the world's first fully AI-native government across all digital services by 2027. Abu Dhabi: Department of Government Enablement. https://www.dge.gov.ae/en/news/adg-digital-strategy [Downloaded: 01. 05. 2026].

DGAP Policy Brief (May 14, 2025). *Rethinking EU Strategy in Central Asia. Achieving Long-Term Success for the Middle Corridor.* Berlin: German Council on Foreign Relations. https://dgap.org/en/research/publications/rethinking-eu-strategy-central-asia [Downloaded: 01. 05. 2026].

European External Action Service (2024). *Global Gateway.* Brussels: European Union External Action Service. https://www.eeas.europa.eu [Downloaded: 01. 05. 2026].

Hafner-Burton, Emilie – Kahler, Miles – Montgomery, Alexander (2009). Network Analysis for International Relations. *International Organization,* 63(3), 559–592.

IISS (Nov. 17, 2022). *China's Belt and Road Initiative – Strategy: China's Evolving Ambitions*. London: International Institute for Strategic Studies. https://www.iiss.org/online-analysis/online-analysis/2022/11/bri-dossier-chapter-one/

Meyer, Erin (2014). *The Culture Map: Breaking Through the Invisible Boundaries of Global Business*. New York: PublicAffairs.

Nye, Joseph S. Jr. (2004). *Soft Power: The Means to Success in World Politics*. New York: PublicAffairs.

Roll, Stephan (2026 February). *Sovereign Wealth Funds and Foreign Policy. How Saudi Arabia, the UAE and Qatar Invest in Their Power*. SWP Research Paper. Berlin: Stiftung Wissenschaft und Politik. http://dx.doi.org/10.18449/2026RP03

Trompenaars, Fons (1997). *Riding the Waves of Culture: Understanding Cultural Diversity in Business*. New York: PublicAffairs.

UAE Government (2025). *Artificial Intelligence in Government Policies*. Abu Dhabi: The Official Portal of the UAE Government. https://u.ae/en/about-the-uae/digital-uae/digital-technology/artificial-intelligence/artificial-intelligence-in-government-policies [Downloaded: 01. 05. 2026].

Wu, Friedrich (2008). *Singapore's Sovereign Wealth Funds: The Political Risk of Overseas Investments*. RSIS Working Paper No. 166. Singapore: S. Rajaratnam School of International Studies. https://www.files.ethz.ch/isn/92196/WP166.pdf [Downloaded: 01. 05. 2026].

Yeung, Henry Wai-chung (2011). From National Development to Economic Diplomacy? Governing Singapore's Sovereign Wealth Funds. *The Pacific Review*, 24(5), 625–652. https://doi.org/10.1080/09512748.2011.634076

REVIEWING THE STYLIZED MACRO FACTS AND SHORT-TERM PROJECTIONS IN THE V4 COUNTRIES

Attila Gáspár
External Lecturer, Corvinus University of Budapest, Institute of Economics, attila.gaspar83@gmail.com

ABSTRACT

This study extends the previous research (Gaspar, 2025) by incorporating additional data and employing the revised version of the Global Macro Database (2026). Müller et al. (2025a) compiled a comprehensive dataset covering 240 economies, based on 121 underlying sources. The database provides harmonized historical time series for 46 macroeconomic variables, spanning a timeframe from as early as 1086 to projections through 2030. The dataset encompasses key indicators such as GDP, inflation, government finance, unemployment, and interest rates.

Using the recent version of the dataset, the paper examines historical trends, macroeconomic stylized facts and mid-term projections in the Visegrád Group. The analysis focuses – in particular – on long-term growth dynamics but public finance indicators are also illustrated. Comparative evidence is also presented relative to selected benchmark developed economies.

Keywords: historical macroeconomic data and records, macroeconomic stylized facts, cross-country comparison

INTRODUCTION

In this paper the historical macroeconomic performance and stylized facts are analysed in the Visegrad (V4) economies based on the Global Macro Database published in 2025. This database includes various historical records and projections concerning various economies around the world based on 110+ data sources. This paper extends previous research (Gaspar, 2025) by incorporating additional data and employing a revised dataset version. In addition, mid-term projections are also presented. The goal is to review various trends in V4 economies. In particular, the following hypotheses were tested based on the available historical records:

- *Hypothesis 1*: in baseline periods it is expected that many macroeconomic variables exhibit dynamics that are broadly consistent with their historical patterns, nevertheless, certain variables might have different patterns.
- *Hypothesis 2*: it is expected that V4 economies – even before the regime change of 1989 – show stylised facts which are broadly consistent with mainstream economics, for instance, investment is more volatile than consumption, investment and consumption are procyclical, etc.

In the database, fewer historical records are available for less developed countries than for more developed ones. In fact, Germany and the United States were chosen as benchmark developed economies to compare the V4 data with because more historical data are typically available for these countries.

The V4 group was analysed as a whole, which leads to several limitations:

- *Data coverage*: as data coverage may differ across the V4 economies, not all series include observations for every country over the full sample period. However, this limitation is partially mitigated by the use of ratio-based indicators in the analysis.
- *Key drivers*: some of the drivers and indicators such as Total Factor Productivity and Purchasing Power Parity are not available. As a result, a comprehensive assessment of long-run macroeconomic dynamics is constrained by data limitations.
- *FX conversion*: another limitation is related to FX conversion: time series expressed in USD are typically shorter. In order to mitigate for this limitation, individual country data were also used (based on national currencies) together with aggregated V4 data (based on USD) in some cases.

- *Proxy weights*: some of the weights needed to calculate weighted average were not available. In particular, V4 unemployment rate was calculated by using population as a proxy weight. Individual country data were also presented to mitigate this limitation.
- *Measurement error*: all data might be subject to measurement error, which is also true for historical records, especially when we compare data before / after the regime change of 1989. Still, we can also argue that economic transactions used to be simpler in historical records and these could be tracked easier. For instance, agriculture was the biggest driver of GDP growth before the industrial revolution, in addition, large number of datasets were used to compile the database and regular updates are available. Furthermore, data harmonization significantly elevates data quality of the Global Macro Database (Gaspar, 2025).

The paper is organized as follows: The next section presents the methodology, followed by an overview of the database. Section 4 is dedicated to the empirical research. Section 5 concludes the findings of this paper.

METHODOLOGY

Descriptive statistics, such as historical average, standard deviation and correlation have been applied in order to understand growth trends / differentials and macroeconomic stylized facts. Various data transformation and manipulations, presented in the following section are also applied. For additional analysis, like growth accelerations and structural break analysis, based on Hausmann et al. (2005) and Bai and Perron (2003), see: Gaspar (2025).

DATA

Various databases provide historical macroeconomic records for economies around the world. Among the most widely used are the Maddison Project Database and the Penn World Table, both of which offer long-run data on economic growth. These databases have become standard sources for comparative analyses of historical economic development and convergence, although they differ in their methodologies, coverage, and underlying assumptions (Bolt – Van Zanden, 2025).

Müller et al. (2025b) recently introduced the Global Macro Database (GMD), a comprehensive international macroeconomic dataset designed to harmonize and integrate historical and contemporary macroeconomic statistics into a single open-source framework. The database combines information from a wide range of institutional and historical records and sources, offering one of the broadest longitudinal macroeconomic datasets currently available for empirical research. The authors also highlight that the data coverage of GMD is considerably higher compared to other datasets, such as the Maddison Project Database and the Penn World Table.

The key features of the GMD are the following:

- open-source, continuously updated and harmonized structure;
- integration of 121 underlying data sources, including major international institutions such as the IMF, World Bank and OECD, alongside numerous historical archives and country-specific statistical collections (27 contemporary sources and 94 historical datasets.);
- coverage of 240 economies worldwide, including both sovereign states and historical entities;
- 46 macroeconomic variables covering, among others, GDP, inflation, government finance, trade, unemployment, exchange rates and interest rates;
- annual time series extending from the origins of modern statistical record-keeping with projection up to 2030, with the earliest observations dating back to 1086.

For the purposes of this study, the main macroeconomic variables were selected from the database for comparative analysis across the Visegrád countries (V4). As data coverage may differ across the V4 economies, not all series include observations for every country over the full sample period. However, this limitation is partially mitigated by the use of ratio-based indicators in the analysis.

Various data transformations and manipulations have been applied:

- *Historical state entity data*: Data for Czechoslovakia were incorporated whenever available. In cases where data for Czechoslovakia, the Czech Republic, and Slovakia were all available simultaneously, the Czech and Slovak observations were taken as benchmark ("golden source") data.
- *Weighted average*: V4 averages are calculated based on the underlying weights when applicable. Aggregated inflation was calculated based on household consumption (in USD) weights. As for unemployment, data on the number of unemployed persons and the active population were not available; therefore, the total population of the individual V4 countries was used to estimate the weighted unemployment rate of the V4 group.
- *Standard metrics*: percentage changes, moving averages, per capita terms, GDP ratios, USD conversions (for debt and deficit).

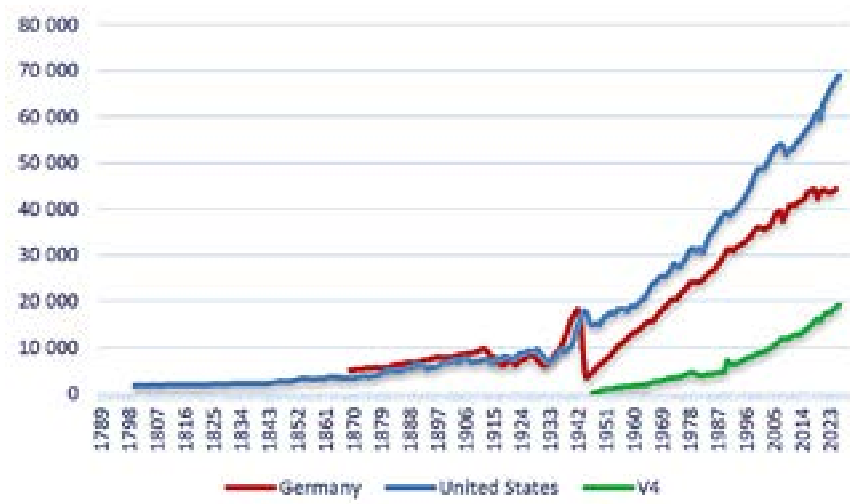
EMPIRICAL ANALYSIS

Various stylised facts are available in macroeconomics to understand long-run economic growth (Kaldor, 1963) or business cycle fluctuations (see for instance Cesaroni et. al, 2011). In GMD all of the relevant drivers are not available, however, several variables exist to understand short-term business cycle fluctuations, such as data on government finance.

GDP GROWTH

The V4 economies have experienced rapid GDP per capita growth over the past few decades (Figure 1). Recently, their growth rates have exceeded those of Germany; however, the V4 group still lags behind the United States. Although purchasing power parity comparisons are not available, the V4 group appears to be converging overall in relative terms: compared to the control groups, the share of the V4 economies has increased.

Figure 1: Real GDP per capita (USD/head)



Source of data: Global Macro Database (2026)

In order to gain a deeper insight into historical records, real GDP growth data were analysed in national currencies, as these series provide a longer historical coverage. Ten-year moving averages were applied to smooth short-term business cycle fluctuations driven by various macroeconomic, financial or other types of shocks (Figure 2). Overall, the results suggest that Hungary exhibited the strongest growth over the historical period; however, its growth was also among the most volatile ones, alongside Germany and Czechoslovakia. Over the past 30 years, Poland and Slovakia recorded the most dynamic growth compared to the other V4 economies and the control group. Therefore, V4 economies exhibited real convergence consistent with stylized facts (see for instance Barro – Sala-i-Martin, 1992), by demonstrating catching up toward advanced economies. Nevertheless, we can see that the pre- and post-regime growth rates are similar in baseline periods.

Figure 2: Real GDP growth in national currencies
(10 year moving average)

Source of data: Global Macro Database (2026)

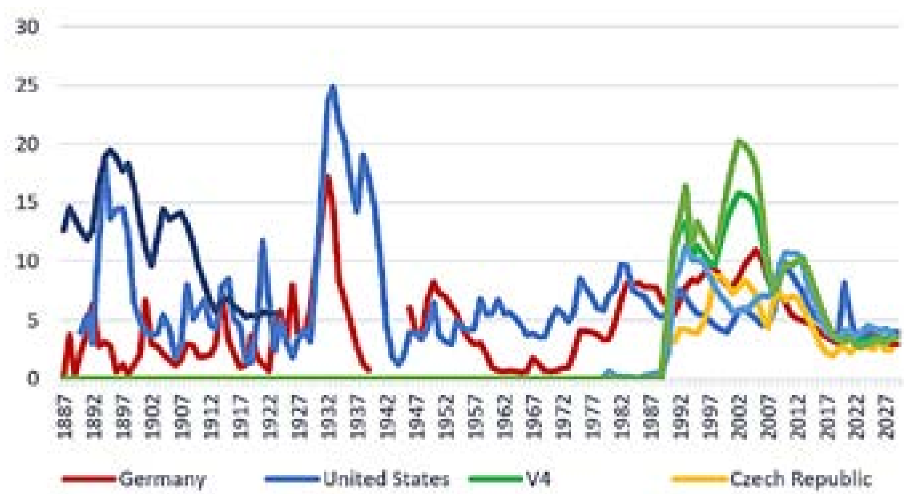
UNEMPLOYMENT RATE

We can observe that unemployment rates increased sharply during periods of crisis and typically stabilised a few years later (Figure 3). The early post-transition period was characterized by record inflation and high unemployment rates.

The approximately 0% unemployment rate in the V4 economies before the regime change is in line with the declared objective of full employment under the previous political system. More recently, unemployment rates across all economies have become more stable, remaining around 4–5%, which is also consistent with historical baseline levels.

Unemployment rate highly correlates with GDP growth: correlation is the strongest in Poland and Slovakia: around -0.8. This is intuitive and in line with Okun's law (Okun, 1963), considering that higher unemployment rate also leads to lower labour force contribution compared to capital, resulting in lower production and output.

Figure 3: Unemployment rate (%)



Source of data: Global Macro Database (2026)
Note: Population data were used to calculate the V4 weighted average.

DOMESTIC DEMAND: INVESTMENTS

A comprehensive understanding of the structure of economic growth is essential for identifying its underlying determinants. Empirical evidence suggests that higher GDP growth rates and episodes of growth acceleration are generally associated with increased investment activity, a finding that is consistent with mainstream growth theory. Higher investment rates contribute not only to capital accumulation but also to improvements in export performance, international competitiveness, and technological progress, thereby fostering sustained economic growth.

The investment ratios exhibit considerable volatility over the historical period (Figure 4), which is in line with macroeconomic stylised facts (see for instance: Kydland – Prescott, 1990). In fact, the relative standard deviation ranges from 20% to 40% across the countries. A pronounced increase is observed around 1970, which is largely attributable to the incorporation data from Poland into the series.

Figure 4: Investment ratio (Fixed Investments / GDP, %)

Source of data: Global Macro Database (2026)

In more recent decades, investment rates have become increasingly stable and converged toward a level of approximately 20 percent of GDP not only in V4 but also in the control groups. Moreover, contemporary investment ratios remain somewhat higher compared to historical records, suggesting a modest improvement relative to the long-term record.

DOMESTIC DEMAND: CONSUMPTION

According to stylised facts, investment is more volatile than consumption, driven by various factors like smoothening behaviour of households and the volatile nature of business decisions impacted by market demand and profit outlook. This is also the case in V4 and in the control groups: the relative standard deviation is around 5% across the countries, which is almost ten times lower than for investments. The consumption-to-GDP ratio remains relatively stable over time, generally fluctuating within the range of 50–70 percent, which is indicative of the persistence of household consumption behaviour (Figure 5).

Figure 5: Consumption ratio (Household consumption/GDP, %)

Source of data: Global Macro Database (2026)

Notable cross-country differences can also be observed in consumption patterns, with consumption ratios exhibiting an upward trend in the United States, while declining in the V4 countries and Germany. It is important to note that consumption includes various products and services like durable and non-durable products. Unfortunately, a detailed breakdown of consumption is not available.

Furthermore, underlying data also confirm the procyclical nature of consumption, which tends to move in tandem with business cycle fluctuations.

EXTERNAL BALANCE

Net export exhibits several extreme observations during the 1920s, reflecting the crisis conditions (Figure 6). Over the past few decades, the V4 countries as a group and Germany have generally maintained modest positive net export balances, whereas the United States has consistently recorded negative net export positions. These trends are shaped by a range of structural and cyclical factors, including international competitiveness, domestic demand conditions, saving and investment dynamics, and broader macroeconomic developments.

Figure 6: Net Export (Export – Import/GDP, %)

Source of data: Global Macro Database (2026)

Net exports exhibit a predominantly positive correlation with long-run GDP growth, especially in V4 (around 40%), which is somewhat surprising given that economic expansions are typically accompanied by stronger import growth and, consequently, a deterioration in the trade balance. One possible explanation is that the V4 countries are highly export-oriented economies, where robust export performance has a significant impact on economic growth.

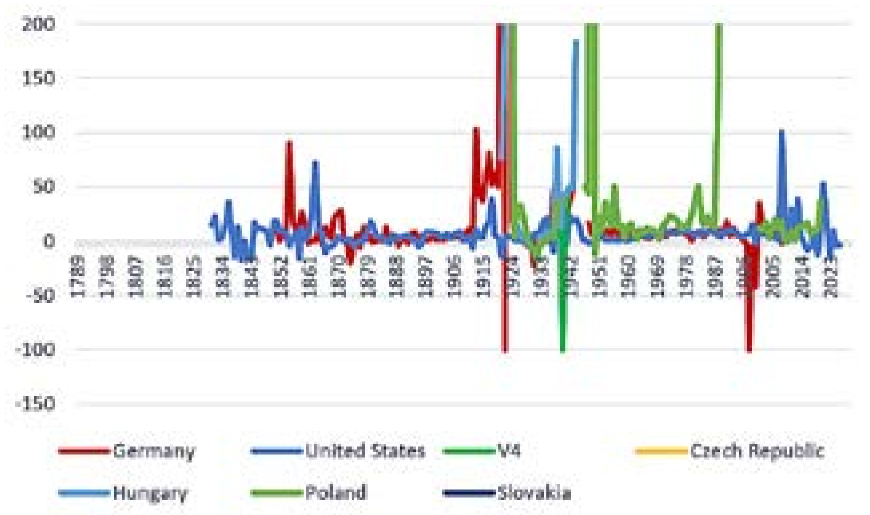
MONETARY AND FISCAL POLICIES

In recent years, central banks have implemented various monetary policy measures, while fiscal policy also supported economic growth, resulting in a policy environment characterized by the simultaneous presence of monetary and fiscal interventions. Compared to historical records, we can see that both monetary and fiscal stimuli are much more visible (Figure 7-10). In fact, we can see some evidence of deficits close to 0% of GDP based on the historical records – in Germany, as well. During the past few decades, however, debt ratios are at least two times higher compared to the historical records, and government balances are typically negative. Similarly, we can also see that money supply is much more dominant compared to historical records.

According to the stylized facts, fiscal policy may be either procyclical or countercyclical, depending on the country's level of economic development and various other factors (Kaminsky et al., 2004). However, the historical data reveal only weak, positive correlations (~10%) between government deficit and long-run GDP growth, suggesting that fiscal policy has been largely acyclical in the countries over the sample period. In practice, the type of fiscal measure matters: government spending on infrastructure may stimulate investments and economic growth, whereas general expenditures, such as intermediate consumption, are less likely to promote growth.

Monetary policy is generally characterized as countercyclical, because central banks tend to tighten policy during economic expansions and loosen it during recessions in response to inflation and output gaps. This monetary policy framework is based on Taylor-type rules (Taylor, 1993; Clarida – Galí – Gertler, 2000). The historical data provide partial support for this countercyclical pattern. Correlations between money supply growth and GDP growth are negative but relatively low (<15%), indicating weak contra-cyclical co-movement. This may reflect the high volatility of monetary aggregates, as well as changes in monetary policy rules, instruments and drivers impacting decision making.

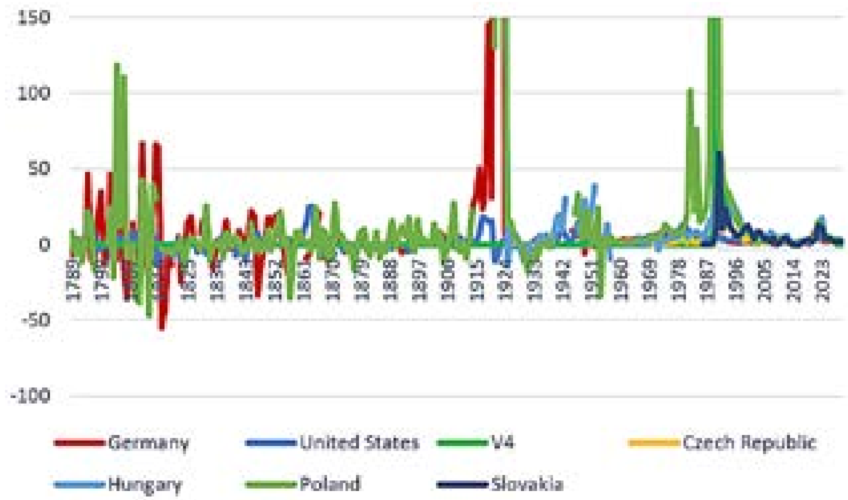
Figure 7: Money Supply (M0, % change)



Source of data: Global Macro Database (2026)
Note: The chart is truncated in order to improve readability and facilitate comparisons across periods. Consequently, several extreme observations, particularly those recorded during crisis episodes (especially around 1920s), are not displayed within the reported scale.

Monetary policy is generally characterized as countercyclical, because central banks tend to tighten policy during economic expansions and loosen it during recessions in response to inflation and output gaps. This monetary policy framework is based on Taylor-type rules. (Taylor, 1993; Clarida – Galí – Gertler, 2000) The historical data provide partial support for this countercyclical pattern. Correlations between money supply growth and GDP growth are negative but relatively low (<15%), indicating weak contra-cyclical co-movement. This may reflect the high volatility of monetary aggregates, as well as changes in monetary policy rules, instruments and drivers impacting decision making.

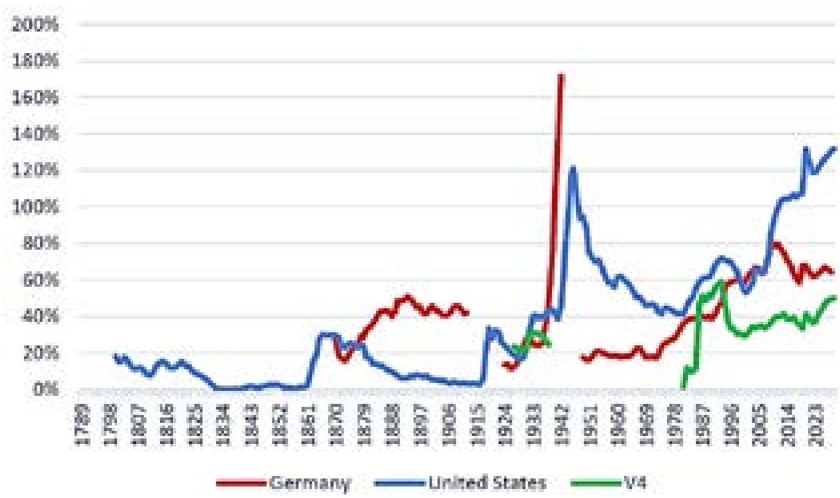
Figure 8: Inflation (%)



Source of data: Global Macro Database (2026)
Note: The chart is truncated in order to improve readability and facilitate comparisons across periods. Consequently, several extreme observations, particularly those recorded during crisis episodes (especially around 1920s), are not displayed within the reported scale.

Household consumption data in USD were used to calculate the V4 weighted average.

Figure 9: General government debt (debt/GDP, %)



Source of data: Global Macro Database (2026)

Figure 10: General government deficit (deficit/GDP, %)

Source of data: Global Macro Database (2026)

CONCLUSION

This paper reviews the historical macroeconomic records of the Visegrád Group on the basis of the Global Macro Database published recently. Overall, recent macroeconomic trends appear broadly consistent with historical baseline patterns across several key indicators, and various macroeconomic stylized facts can be confirmed. Nevertheless, certain variables exhibit noticeable level shifts: in particular, fiscal indicators and investment rates are considerably higher, suggesting the presence of structural breaks. It is important to highlight that these two variables are connected, as a portion of investment activity is directly associated with public-sector investment. These findings should be interpreted with caution, as the underlying data might be subject to measurement errors and methodological limitations; these limitations are especially true for historical records and data before the regime change in V4.

An important feature of the database is the inclusion of macroeconomic projections extending through 2029. These forecasts are primarily based on the World Economic Outlook projections published by the International Monetary Fund (Table 1).

According to the projections, economic growth in V4 countries is expected to remain stronger than in Germany and broadly comparable to that of the United States over the forecasting horizon. Growth is projected to be driven primarily by domestic demand, while net export balances are expected to remain relatively stable as well. Fiscal policy is likely to continue supporting economic growth. At the same time, inflation is projected to gradually converge toward central bank targets, reflecting the normalization of various conditions impacting price stability. Overall, the projections suggest a relatively favourable macroeconomic outlook characterized by moderate growth, stable labour market conditions, and a gradual return to price stability.

Table 1: Macroeconomic Outlook

Indicator/region		**2025**	**2026**	**2027**	**2028**	**2029**
Actuals		**Forecasts**				
Real GDP growth (%)	Germany	0.7	1.2	1.2	0.8	0.7
	United States	2.4	2.1	2.1	2.1	2.1
	V4	2.2	2.9	2.1	3.1	3.1
Unemployment rate (%)	Germany	3.8	3.5	3.3	3.0	3.0
	United States	4.1	4.1	4.2	4.0	4.0
	V4	3.4	3.4	3.4	3.5	3.5
Net export (% of GDP)	Germany	5%	5%	4%	4%	4%
	United States	-3%	-4%	-3%	-3%	-3%
	V4	4%	3%	3%	3%	3%
Deficit (% of GDP)	Germany	-2%	-2%	-1%	-1%	0%
	United States	-8%	-8%	-6%	-6%	-6%
	V4	-5%	-4%	-4%	-4%	-3%
Debt (% of GDP)	Germany	63%	65%	67%	66%	64%
	United States	124%	127%	128%	130%	132%
	V4	44%	47%	49%	49%	50%
Inflation (%)	Germany	2	2	2	2	2
	United States	2	2	2	2	2
	V4	4	3	3	-	-

Source of data: Global Macro Database (2026)

REFERENCES

Bai, Jushan – Perron, Pierre (2003). Computation and analysis of multiple structural change models. *Journal of Applied Econometrics*, 18 (1), 1–22. https://doi.org/10.1002/jae.659

Barro, Robert J., – Sala-i-Martin, Xavier (1992). Convergence. *Journal of Political Economy*, 100(2), 223–251. https://www.jstor.org/stable/2138606

Bolt, Jutta – Van Zanden, Jan Luiten (2025). Maddison-style estimates of the evolution of the world economy: A new 2023 update. *Journal of Economic Surveys*, 39(2), 631–671. https://doi.org/10.1111/joes.12618

Cesaroni, Tatiana – Maccini, Louis – Malgarini, Marco (2011). Business cycle stylized facts and inventory behaviour: New evidence for the Euro area. *International Journal of Production Economics*, 133(1), 12–24. https://doi.org/10.1016/j.ijpe.2010.07.044

Clarida, Richard – Galí, Jordi – Gertler, Mark (2000). Monetary policy rules and macroeconomic stability: evidence and some theory. *The Quarterly Journal of Economics*, *115*(1), 147–180. https://www.jstor.org/stable/2586937

Gáspár, Attila (2025). Analysing the Historical Macro Trends in the V4 Countries Based on the Global Macro Database. In: Fajt, Balázs – Jáki, Csaba – Csányi, Eszter (Eds.) *Central and Eastern Europe Between West and East: Economic, Political, and Cultural Transformations in the 21st Century*, (pp. 11–28). Aposztróf Kiadó.

Global Macro Database (2026). v2025_03. *https://www.globalmacrodata.com/* [Downloaded: 03. 05. 2026].

Hausmann, Ricardo – Lant Pritchett – Dani Rodrik (2005). Growth accelerations. *Journal of Economic Growth,* 10, 303–329. https://doi.org/10.1007/s10887-005-4712-0

Kaldor, Nicholas (1961). Capital accumulation and economic growth. *The Theory of capital: proceedings of a conference held by the International Economic Association*. London: Palgrave Macmillan UK.

Kaminsky, Graciela L. – Reinhart, Carmen M. – Végh, Carlos A. (2004). When it rains, it pours: procyclical capital flows and macroeconomic policies. *NBER Macroeconomics Annual*, 19, 11–53. https://www.nber.org/books-and-chapters/nber-macroeconomics-annual-2004-volume-19/when-it-rains-it-pours-procyclical-capital-flows-and-macroeconomic-policies [Downloaded: 03. 05. 2026].

Kydland, Finn E. – Prescott, Edward C. (1990). Business cycles: Real facts and a monetary myth. *Federal Reserve Bank of Minneapolis Quarterly Review,* 14(2), Spring, 3–18. Reprinted in: Hartley, James – Hoover, Kevin – Salyer, Kevin D. (Eds.) (1998). *Real Business Cycles: A Reader* (pp. 383–398). Routledge.

Müller, Karsten – Xu, Chenzi – Lehbib, Mohamed – Chen, Ziliang (2025a). *The global macro database: A new international macroeconomic dataset* (No. w33714). National Bureau of Economic Research Working Paper. https://doi.org/10.3386/w33714

Müller, Karsten – Xu, Chenzi – Lehbib, Mohamed – Chen, Ziliang (2025b). *The global macro database: A new international macroeconomic dataset*. Available at SSRN: https://ssrn.com/abstract=5121271 or http://dx.doi.org/10.2139/ssrn.5121271

Okun, Arthur M. (1963). *Potential GNP: its measurement and significance*. Cowles Foundation for Research in Economics at Yale University. https://milescorak.com/wp-content/uploads/2016/01/okun-potential-gnp-its-measurement-and-significance-p0190.pdf [Downloaded: 03. 05. 2026].

Taylor, John B. (1993). Discretion versus policy rules in practice. *Carnegie-Rochester Conference Series on Public Policy*, 39, 195–214. https://doi.org/10.1016/0167-2231(93)90009-L