

# Basque Hidden Champions: International Niche Market Leaders competing globally, growing locally

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## Highlights:

- International Niche Market Leaders (INMLs) matter for Europe's competitiveness because they anchor advanced industrial capabilities in territories, sustain high-quality jobs and innovation, and support export performance in an increasingly contested global economy.
- The Hidden Champions phenomenon is operationalised through the INML definition and typology, providing a practical and policy-relevant lens for analysis and discussion.
- The Basque Country offers fertile ground for INMLs, combining a strong industrial base, export orientation, and cooperative and family-business traditions that reinforce long-term competitiveness and territorial embeddedness.
- The BBK-Orkestra [Hidden Champions Observatory](#) functions as a practice-based learning platform, connecting firms and stakeholders to identify specific needs, refine typologies and translate firm-level experience into insights with policy relevance.
- Building on the initial cohort of firms, the Observatory is set to consolidate itself as a reference space for INMLs, while expanding the community and segmenting firms across development stages to better identify distinct needs and support focused peer learning.
- Four interconnected pressures are reshaping INMLs' playing field: technological disruption, geopolitical fragmentation and market-access frictions, sectoral transitions, and succession and talent constraints.

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# Hidden Champions

## Why they matter and where they emerge

International Niche Market Leaders, often referred to as Hidden Champions, are essential drivers of industrial and technological performance, emerging in regions with strong industrial traditions and outward-oriented business cultures.

As geopolitical fragmentation, supply-chain disruptions and strategic competition intensify, **manufacturing and industrial competitiveness have returned to the centre of economic and policy debates across Europe**. Concerns around strategic autonomy, economic security and territorial resilience have renewed attention not only to large multinational corporations, but also to the broader industrial ecosystems that sustain technological capabilities, productive employment and long-term competitiveness at territorial level.

Within these ecosystems, some of the most decisive actors are also the least visible. Often referred to as Hidden Champions -or, in more operational terms, International Niche Market Leaders (INMLs)- these firms occupy leading positions in narrowly defined global markets while remaining largely unknown to the general public. **Operating primarily in business-to-business (B2B) environments, they supply highly specialised components, technologies and services that are indispensable to complex industrial systems**, global value chains and export performance.

While the concept of Hidden Champions was first articulated in the German context, subsequent research has shown that **such firms are not country-specific anomalies**. They tend to emerge in regions that combine strong industrial traditions, dense innovation infrastructures, effective public-private collaboration and outward-oriented business cultures. Under these conditions, deep specialisation, long-term strategic horizons and early internationalisation allow firms to compete globally while remaining firmly embedded in their local environments.

**The Basque Country is one such region**. With an industrial heritage spanning more than a century,

it brings together manufacturing expertise, cooperative and family-business traditions, cluster dynamics and an export-oriented mindset. This configuration has enabled a critical mass of mid-sized firms to achieve global leadership in tightly defined niches, making the region a relevant case for understanding how industrial competitiveness is built and sustained under changing global conditions.

***INMLs occupy leading positions in narrowly defined global markets while remaining largely unknown to the general public.***

This policy brief builds on the international Hidden Champions literature and **more than a decade of research by Orkestra - Basque Institute of Competitiveness on International Niche Market Leaders in the Basque Country**. Over time, this work has evolved from analytical mapping and firm-level studies toward more sustained engagement with companies and policymakers. The BBK-Orkestra Hidden Champions Observatory represents the institutionalisation of this trajectory: a dedicated space that consolidates accumulated evidence, enables continuous interaction among stakeholders, and supports collective learning over time.

Against this backdrop, the brief frames International Niche Market Leaders (INMLs) as a distinct category within current debates on industrial renewal and strategic autonomy, examines the Basque Country as a competitive ecosystem for these firms, and **combines empirical evidence with collective learning to identify key challenges, policy-relevant learnings and priorities for action** in an increasingly volatile global environment.

# The Hidden Champions framework

## The origins and expansion

While initially associated with German-speaking countries, subsequent research has shown that Hidden Champions are not a uniquely German phenomenon, but rather reflect broader structural transformations in the global economy.

The concept of Hidden Champions was **introduced by business strategist Hermann Simon in 1990** to explain the strong export performance of the German economy. Rather than being driven by large corporations, this success rested on a dense layer of small and mid-sized industrial firms that led global niche markets through deep specialization, strong internationalization, and long-term strategic focus.

While initially associated with Germany and other German-speaking countries, subsequent research has shown that **Hidden Champions are not a uniquely German phenomenon, but rather reflect broader structural transformations in the global economy**, including the expansion of global value chains, trade liberalization, and the growing complexity of industrial systems, which have created favourable conditions for highly specialized niche leaders across different regions.

In parallel with this expansion, academic efforts have sought to refine the definition and analytical value of the Hidden Champions concept. In this regard, in 2020 **Bart Kamp and Asier Murciego coined the term International Niche Market Leaders (INMLs)** as an operationally grounded adaptation of the base concept for economies in which SMEs and mid-sized firms play a central role.

The INML framework thus builds upon the following four criteria:

1. **Niche market leadership:** firms rank among the top three globally (or lead their continent) in market share within a narrowly defined product-market combination.
2. **High internationalisation:** at least 50% of revenue is generated abroad.
3. **Middle-market size:** typically, between €20 million and €1 billion in annual turnover.

4. **Industrial B2B focus:** firms operate primarily in industrial B2B markets, which results in limited visibility to the general public.

INMLs can be found at different stages of development, both in terms of their business life cycle and the maturity of the niche markets they serve. From this perspective, **four profiles can be distinguished**, each reflecting a different combination of market position, growth trajectory, and strategic priorities:



**Star INMLs:** mature firms with a dominant position in global niche markets, recognized internationally for their leadership and deeply consolidated in their value chains.



**Threatened INMLs:** well-established companies currently under pressure due to technological change, new entrants, or shifts in demand that may endanger their leadership positions.



**Emerging INMLs:** fast-growing firms expanding abroad and gaining strategic weight, but still in the process of consolidating their position in international markets.



**Potential INMLs:** Young firms, often under ten years old, with innovative offerings and international ambition but still navigating the path toward global niche leadership.

This typology provides a **dynamic and policy-relevant lens for understanding heterogeneity within the INML ecosystem** and for designing more targeted support strategies across different stages of firm development.

# The Basque Country

## A competitive ecosystem for International Niche Market Leaders

A century of industrial heritage and distinctive governance models have positioned the Basque Country as a fertile ground for innovation-driven and globally competitive firms.

### Why does the Basque Country foster INMLs?

Industrialised since the nineteenth century, the region has developed **one of the most robust and diversified industrial bases in Southern Europe**, supported by dense supplier networks, strong engineering capabilities and a vocational training system closely aligned with industry needs. This industrial foundation has been continuously renewed through competitiveness-oriented regional policies.

### Sectoral positioning and performance of Basque INMLs

Basque INMLs are concentrated in a limited number of technology-intensive and globally relevant sectors, including advanced manufacturing, energy systems, metalworking and industrial automation. A defining feature of these firms is their strong international orientation: on average, **they export around 75% of their output**, reflecting deep integration into global value chains.

Innovation performance is also notably high. **Basque INMLs invest on average 4% of annual**

**turnover in R&D and innovation**, roughly twice the Basque industrial average, and around 70% report launching more product innovations than their top three competitors. While patenting activity remains relatively modest, these firms account for a substantial share of patent applications filed by Basque companies at the European Patent Office.

### Macroeconomic relevance and ecosystem dynamics

Beyond firm-level performance, Basque INMLs play a **strategic role in shaping the trajectory of the region's industrial economy**. They constitute a stable industrial core, generating high-quality employment, investing in long-term innovation and sustaining regionally rooted production and knowledge ecosystems.

Importantly, their geographic footprint strengthens territorial balance. **More than 75% of INMLs are located outside major metropolitan areas**, in intermediate cities and industrial corridors, contributing to spatial cohesion and mitigating the concentration dynamics typical of urban-centric growth models.



Geographical distribution of the identified Basque INMLs across the region. Source: [BBK-Orkestra Hidden Champions Observatory](#)

# The Hidden Champions Observatory

## Building a learning community

Launched in 2025 by the BBK Banking Foundation and Orkestra, the Hidden Champions Observatory institutionalises more than a decade of research and engagement on International Niche Market Leaders in the Basque Country.

The [BBK-Orkestra Hidden Champions Observatory](#) responds to the need for a stable, shared space where firms, researchers and relevant stakeholders can collectively reflect on the strategic challenges facing Hidden Champions in a context of geopolitical fragmentation, technological disruption and renewed industrial policy.

The Observatory functions as a **learning-oriented platform that connects firm-level experience, academic analysis and policy debate**. Its purpose is to consolidate accumulated knowledge, enable continuous interaction, and support collective sense-making around emerging risks, opportunities and strategic choices.

This tool is structured around three complementary lines of activity:

### 1. Thematic learning sessions

Focused on issues that repeatedly emerge as critical for Hidden Champions, including geoeconomic fragmentation, sectoral transitions, regulatory pressures, competition from China and access to new markets. These sessions enable **peer exchange, discussion of business cases and identification of shared challenges and good practices**.

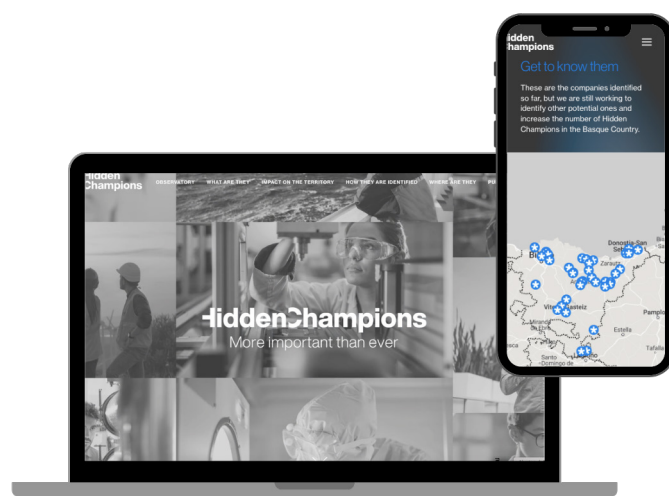
### 2. Structured dialogue with public policy

Creating spaces where firms can engage directly with policy instruments, clarify uncertainties and discuss implementation challenges. During its first year, the Observatory has fostered **discussions linked to key agendas such as the Basque Industrial Strategy 2030 and Euskadi Eraldatuz 2030** (a Basque Government-led financial strategy designed to mobilise public and private investment to support business growth

and the structural transformation of the regional economy) strengthening alignment between firm realities and policy objectives.

### 3. Continuous knowledge integration

Connecting academic research developed at Orkestra – Basque Institute of Competitiveness, firm-level insights and policy perspectives to **refine understanding of how competitiveness, resilience and territorial embeddedness can be sustained over time**, with the support of BBK Banking Foundation as a key territorial actor.



A central feature of the Observatory is its role in **bringing together the 39 International Niche Market Leaders identified in the Basque Country**, with the aim of fostering a shared learning community around common strategic challenges. This collective dimension is reflected in an open-access digital platform that aggregates firm profiles, research outputs, publications and information on community activities, contributing to greater visibility and knowledge sharing around Hidden Champions.

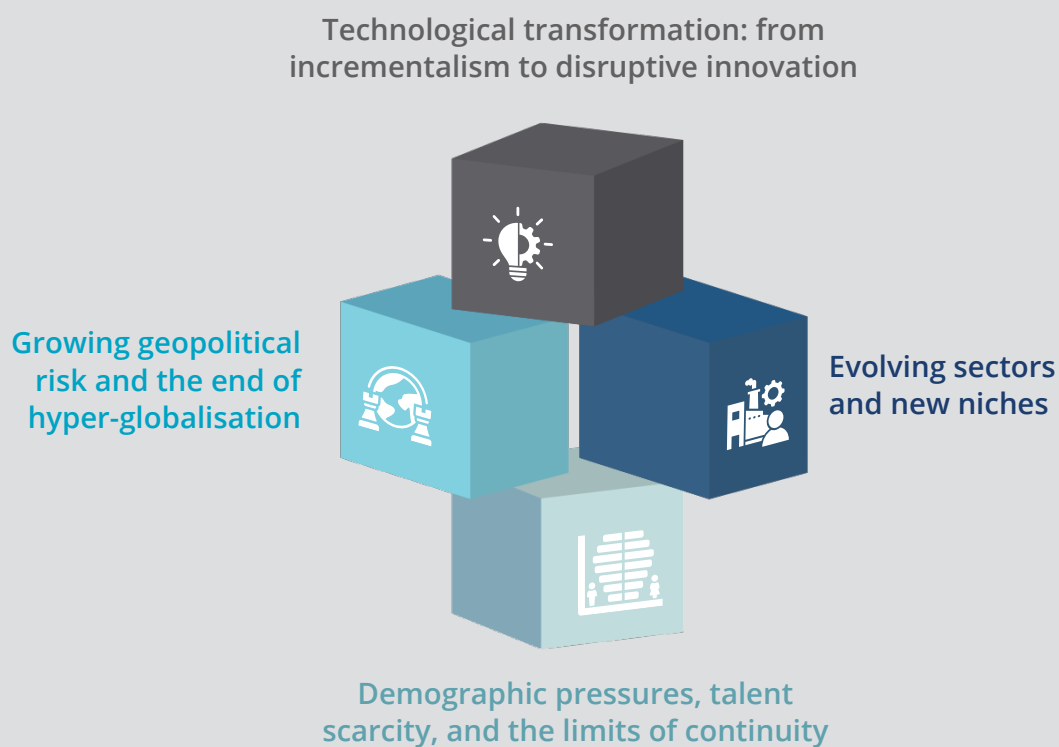
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# Navigating the future

## Global challenges and emerging debates facing INMLs

This section synthesises the main challenges that Basque International Niche Market Leaders currently face, drawing on the cumulative work carried out within the BBK–Orkestra Hidden Champions Observatory.

To structure this diagnosis, the challenges are grouped into **four interrelated areas that repeatedly emerge from both empirical engagement and the literature**: technological transformation, geopolitical realignment, sectoral evolution and demographic and organisational pressures.



### 1. Technological transformation: from incrementalism to disruptive innovation

INMLs, many of them rooted in manufacturing, have traditionally built their competitive advantage on incremental innovation, deep engineering expertise and long-term relationships with industrial clients. This paradigm -highly effective in relatively stable sectors- is now under growing pressure, as **competitiveness increasingly shifts from incremental improvement toward more disruptive forms of innovation.**

Advances in artificial intelligence, robotics, digital platforms and other deep technologies are reshaping value chains, blurring sectoral boundaries and altering the basis of competition. **Firms increasingly face competitors originating outside their historical industries**, as new technological architectures enable alternative products, services and business models. As a result, established niches may be eroded or displaced, challenging even highly innovative firms.

## 2. Growing geopolitical risk and the end of hyper-globalisation

INMLs developed and expanded during the last phase of globalisation, characterised by relatively open markets, low trade and logistics costs, limited localisation requirements and growing access to emerging economies such as China. This context favoured export-based growth without extensive physical presence abroad, supported by Europe's strong industrial positioning.

Today, this environment has changed markedly. **Rising trade frictions, security-driven industrial policies and tighter market access conditions are increasing uncertainty and entry barriers.** At the same time, Chinese firms are intensifying competition across multiple sectors, while opportunities in markets such as the United States are accompanied by tariffs, localisation rules and complex procurement requirements. For export-oriented mid-sized firms, internationalisation has thus become structurally more demanding and risk-intensive.

## 3. Evolving sectors and new niches

Beyond geographical repositioning, many INMLs are confronting challenges linked to the sectoral evolution of their industries. A significant share operates in mature niches with limited growth prospects, while others are embedded in sectors undergoing deep structural transformations -such as automotive, energy or oil & gas- driven by decarbonisation, digitalisation and regulatory change.



As a result, established niches are increasingly exposed to declining demand, technological substitution or intensified competition. This creates pressure on INMLs to reassess the long-term viability of their sectoral positioning, often in contexts characterised by unfamiliar technologies, regulatory frameworks and market dynamics, increasing uncertainty and strategic complexity for mid-sized firms.

## 4. Demographic pressures, talent scarcity, and the limits of continuity

INMLs are increasingly challenged by socio-demographic transformations, including **population ageing, leadership succession constraints, changing societal values and persistent local talent shortages.** Many operate under family-owned or cooperative governance models that have historically prioritised continuity, long-term commitment and deep organisational know-how. While these features have underpinned long-term stability, they are increasingly strained by demographic ageing and shifting generational expectations.

If senior management teams approach retirement, and there may be limited succession planning and changing career preferences among younger cohorts, this puts continuity-based models under pressure. At the same time, shortages in engineering, international development and digital skills are becoming structural bottlenecks, particularly in low-visibility industrial territories, constraining firms' capacity to adapt, diversify and integrate new technologies.



*Workshops of the Basque Hidden Champions community: Participants from leading INMLs engage in a collaborative session to identify shared challenges and strategic opportunities within the regional ecosystem.*

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# Overall policy-relevant learnings

## Insights for Hidden Champions

Sustaining global leadership no longer depends solely on excellence within established niches, but on firms' ability to adapt core capabilities to a more volatile technological, geopolitical and organisational environment.

Taken together, the challenges identified in this policy brief show that the operating model that has historically underpinned Hidden Champions' success is under increasing strain. In this context, four policy-relevant learnings stand out:



### Technology as a driver of structural repositioning

For many INMLs, technology is no longer primarily an instrument for incremental improvement. Advances in digitalisation, automation and data-driven systems increasingly reshape value chains and redefine market boundaries. A key learning is that competitiveness depends **not only on adopting new technologies, but on understanding how they may alter or even displace existing niches**. This requires stronger exploratory capacities, external knowledge sourcing and strategic experimentation alongside traditional engineering strengths.



### Strategic realignment through adjacent diversification

As sectoral transitions accelerate and some niches mature or decline, INMLs face growing pressure to reassess their long-term positioning. Evidence suggests that **successful adaptation does not imply abandoning specialisation, but extending it into adjacent markets, applications or value-chain segments** where existing capabilities remain relevant. Diversification is most effective when it builds on accumulated strengths rather than diluting them.



### Beyond exports, internationalisation in a fragmented global economy

In a context of geopolitical tension, localisation requirements and regulatory fragmentation, export intensity alone is no longer sufficient to sustain international growth. The main learning is that global competitiveness increasingly depends on firms' ability to **combine exports with other forms of international presence, such as partnerships or local production**, adapted to market-specific risks and policy constraints. This raises organisational, governance and managerial demands for mid-sized firms.



### Continuity under demographic pressure

Ageing leadership, succession challenges and shortages of specialised talent are becoming structural constraints on firms' adaptive capacity. A central learning is that **generational renewal and skills availability underpin all other strategic responses, from technology adoption to international expansion**. For many INMLs, particularly family-owned and cooperative firms, this increases the importance of succession planning, employer attractiveness and stronger links with education and training systems.

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# Where next

## The Hidden Champions Observatory's agenda

Following the initial mapping, analysis and learning phase, the Hidden Champions Observatory moves into a stage focused on consolidation and selective expansion. Two priorities will guide this next phase:

### 1 Consolidating the Observatory as a trusted multi-actor learning space for INMLs

The first priority is to reinforce trust-based interaction among participating firms and to consolidate the Observatory as a space where strategic issues can be discussed openly and informally. Continued emphasis will be placed on **peer exchange, sharing of experiences and identification of good practices**, enabling INMLs to contrast approaches, learn from comparable trajectories and address common strategic dilemmas in a confidential setting.

### 2 Expanding the evidence base and segmenting INML trajectories

The second priority is to expand and refine the empirical basis of the Observatory. Building on the initial cohort of 39 firms, **mapping and validation work will be extended to identify additional companies that may display INML characteristics**. Preliminary screening points to more than 80 potential candidates, subject to verification against the criteria applied in this brief. A broader evidence base will allow clearer segmentation across development stages (star, threatened, emerging and potential INMLs) supporting more focused peer interactions and a sharper understanding of differentiated needs along firm trajectories.

The priority is to position the Observatory as a reference space for International Niche Market Leaders in the Basque Country and to deepen its contribution as a platform for shared learning and policy-relevant insight.

By combining consolidation of the learning space with expansion of the empirical base, the Observatory will further strengthen its role as a sustained point of reference for **connecting firm-level experience with policy discussion** and for tracking the evolution of internationally competitive niche leaders in the Basque Country.

Visit the Hidden Champions Observatory by scanning the QR code or following [this link](#).

Explore the map of Basque INMLs, learn about their impact, and access our collection of publications.



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# Read more

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- Aranguren, M-J., Izulain, A., Wilson, J.R., Shared visioning as an approach to regional strategic foresight: The experience of Euskadi 2040, *Orkestra Policy Briefs* 01/2024. <https://doi.org/10.18543/EKBY5763>

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