



# Case Study: New Challenges at *elobau*—Can Purpose Orientation and Sustainability Create New Strategic Options?

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Waldemar Pfoertsch

On July 3, 2021, the influential business newspaper *Handelsblatt*<sup>1</sup> declared Michael Hetzer, CEO, Speaker of the Board of Management, and Chairman of the Advisory Board, as new role model for steward-ownership transition. Michael had moved the family-owned company into two foundations owing and managing the successful sensor and control panel manufacturer *elobau*. Already in 2010, he had made *elobau* carbon neutral and encouraged employees to develop a new compensation scheme—a human-oriented way of leading motivated people in and outside the company.

As a family-run foundation company with around 950 employees worldwide, *elobau* develops and manufactures sensors for electromechanical applications in agricultural equipment and commercial vehicle systems. The quality products are characterized by a very high level of vertical integration and are manufactured in a climate-neutral manner in the southern Bavarian region of Allgäu. *elobau* operates under the maxim “focus on human” and sustainability is their top priority. That is

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This case was prepared by Professor Waldemar Pfoertsch at Cyprus International Institute of Management. It is intended to be used as a basis for class discussion rather than an illustration of an either effective or ineffective handling of a management situation. It provides analysis and questions that are intended to present alternative approaches to deepening students’ comprehension of business issues and energizing classroom discussion.

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<sup>1</sup>See Müller (2018).

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why the company publishes an economic report for the sustainability and common good.<sup>2</sup>

On December 9, 2020, *elobau* was recognized as an environmentally conscious industrial company by Minister-President Winfried Kretschmann and Environment Minister Franz Untersteller of Baden-Württemberg. They presented to CEO Michael Hetzer the “Landes-Umweltpreis” for medium-sized companies in the White Hall of the New Palace in Stuttgart.

Since 1991, Michael Hetzer has guided *elobau* to become a leading solution provider for modular operating systems for agricultural and off-road vehicles, transforming the company to a purpose-oriented one. He has achieved everything a sustainable and socially conscious company could accomplish, transferred the ownership of the company to a foundation, and has had many years of continuous revenue growth and public recognition.

At this point, a couple of factors are complicating Michael’s future options, and he faces dilemmas to solve—in particular, the company’s high success in sustainability, which has been steadily improving since 2014. After 5 years of preparation, in 2014, *elobau* joined the German Sustainability Code. Since 2016, the company has been providing annual sustainability reports and established a double foundation system as the new ownership structure. In 2016–2017, the certificate for the Economy for the Common Good<sup>3</sup> was issued. In 2017, in addition, the company was certificated for greenhouse gas compensation by Vision Wald.<sup>4</sup> In 2018, a Climate Neutral Certificate was issued because all buildings and production processes are carbon neutral and it is considered as a purpose company. During 2018–2019, a corporate carbon footprint analysis was conducted, and EMAS (Eco-Management and Audit Scheme) Certificate according to EN ISO 14001 were purchased to offset the environmental damages. Already in 2013, the company was ranked 23rd in Great Places to Work® Europe. In 2015, *elobau* was on the list of best employers of Germany.

Ironically, with such an illustrious history of achievements, the dilemma to face at this time is to figure out what else the management could initiate to continue the road to success.

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## Company Background

The company was founded in 1972 by Fritz Hetzer, father of Michael Hetzer. In the beginning, *elobau* supplied contactless sensor technology with a single product, a magnetic proximity switch (see [Appendix 1](#)) on a dry reed contact basis for agricultural hay distribution equipment to a nearby tractor company named Fendt. In the following years, many new innovations were introduced, from safety switch to

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<sup>2</sup>*elobau* (n.d.).

<sup>3</sup>See Economy for the Common Good (n.d.).

<sup>4</sup>See Waldvision (n.d.).

operator control equipment (see Product Overview in [Appendix 2](#)). The product offering expanded to off-highway equipment and other industry applications. In 1996, the first contactless joystick for machine operation control was introduced. Intensive innovation and digitalization of machine control established the reputation of *elobau* for components and solutions for agro-industrial and heavy-duty off-highway vehicles. Among the extensive product line are components and systems for equipment control, machine safety, and level measurement. A comprehensive and constantly growing range of standard products was developed and integrated into customized solutions for various industrial applications. With the company growing continuously, in 2008, in its hometown Leutkirch, a second production plant was added. Since 2015, the tooling division (*Werkzeugbau*) was transferred to a new facility in Probstzella, Thuringia.

All *elobau* products, safety sensors, safety relays, joysticks and joystick grips, push button switches, tilt switches, angle sensors, and float level sensors, are made in Germany. Nearly all development and production processes are performed in-house, which speeds up production development processes and allows flexible response to customers' individual requests. Over the last 45 years, it has become one of the most important employers in the small city of Leutkirch and Probstzella. With 9 subsidiaries and about 40 distribution partners/agents around the world, they can guarantee customers a speedy and flexible order processing and delivery service.

The components of the company product range can be organized in four main areas (see in [Appendix 3](#) distribution in percent of 2016/2017 revenues):

- Sensors
- Machine safety
- Level measurement
- Operator controls

These components are the basis for integrated solutions for application in selected industries. With constant daily improvements, engineers work on getting closer to customers' requirements and giving value offers to customers and all members of the company.

From 2010 to 2016, the company was transformed into two foundations. The formerly family-owned corporation is now owned by *elobau foundation* and managed by *Hetzer foundation*. The purpose of this structure is so that the *elobau group* stands on solid ground for the future and cannot be interfered with by an outsider. The management had the right mindset, in that they believed that the value of the company is not only created by the owner but by everybody in the company. The foundation structure that was established makes sure that family tradition and legacy of the company continues with the participation of all who have a stake in the future of the company. This is grounded in the belief that the entrepreneurial spirit is kept alive by every person regardless of his or her position in the corporation. Michael Hetzer calls himself a "Menschenfreund" (philanthropist), and his human-oriented corporate culture is testament to this. However, when Hetzer started the process of transferring ownership, there was heavy resistance on many levels. The workers

were not used to carrying so much responsibility, and the customers did not care about environmentally friendly products when he started the sustainability projects in 2009. Now in 2020, after many public recognitions, eco-friendly solutions are in the middle of customer focus, with sustainability solutions having become very popular with customers.

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## Global Market and Competition

The global industrial controls market is huge and dominated by large players. Its size is expected to reach \$173.96 billion in 2025, from \$117.37 billion in 2017, growing at a compound annual growth rate (CAGR) of 5.3% from 2018 to 2025.<sup>5</sup> Industrial control systems are being applied in automation equipment, machines, and components. These components, systems monitor, control, and perform manual and automatized industrial tasks and processes and improve product quality and reliability. Large companies that are players, like ABB, GE, Mitsubishi Electric Factory Automation, Siemens, Honeywell International, Emerson Electric, and Schneider Electric, are operating in the lucrative segments of the global market. The smaller segments are catered by local and specialist suppliers such as WayCon, SICK, Zettler, and Variomh. They are highly specialized and focus on specific niches and applications.

“Industrial control systems are being adopted by organizations from various industries due to their increase in focus on attaining energy efficiency in manufacturing processes.”<sup>6</sup> The global market for control systems on agricultural and off-highway vehicles reached 850,000 units in 2019.<sup>7</sup> This includes connected units deployed on various off-highway vehicles across construction, mining, agriculture, and forestry sectors. The construction sector accounts for the largest share, driven by OEM systems offered by heavy equipment manufacturers. Agriculture and mining moreover each account for a similar number of connected units deployed on machines and vehicles used in agricultural and mining operations, respectively. The remainder is represented by the forestry sector. The overall market is growing at a compound annual growth rate (CAGR) of 17.8%.<sup>8</sup>

Competition is very fierce in the various segments and niches. The large companies compete with their system approaches and the small ones with their adaptability and innovation capability. Proximity and reaction time to customer requests are very important, because some of the segments are highly fragmented by application or regional requirements.

To meet goals related to efficiency and emission reductions, integrated and smarter systems are required by use of sensors and other electronics. A future

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<sup>5</sup> Allied Market Research (2021).

<sup>6</sup> Ditto.

<sup>7</sup> Research and Markets (2021).

<sup>8</sup> Ditto.

trend is hybrid off-highway vehicles. Some have been introduced into the market and have shown significant gains in performance and considerable reductions in operating costs. Suppliers including *elobau* are working on new solutions.

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## Structure of the Company

The company *elobau group* is owned by a management holding (*elobau management GmbH*) which is owned 99% by *elobau foundation*, a nonprofit endowment trust, and 1% by the for-profit family *Hetzer foundation*. The voting rights are exercised reciprocally, so the family foundation determines the leadership, but the profit stays with the company and nonprofit foundation. In 2016, Michael Hetzer, the initiator of this structure, provisioned the company to these foundations for two reasons. Firstly, this ensures the company's long-term independence, thus guaranteeing continuity and autonomy. Secondly, this structuring offers an opportunity to work actively in the nonprofit sector and thus further strengthen the great sense of social responsibility that has always been present in the company. This steward-ownership with a foundation-owned structure secures a stakeholder and human-to-human orientation.

The *elobau foundation* is a cooperative, supportive, accompanying, and individually active institution and civil society partner. With the firm conviction that social change usually originates from individual initiatives but can generally only be implemented in partnership-based cooperation, the *elobau foundation* sees itself as an instigator, facilitator, and initiator of innovative solution models to constantly changing social challenges. Supported and internal projects include the fields of education, environmental protection, and integration. Emphasis is placed on results and efficacy in achieving the goals set. These are also achieved through cooperation with other foundations, nonprofit organizations, and other nonprofit institutions.

The operative company is *elobau GmbH & Co. KG*<sup>9</sup> where R&D, marketing, production, etc. take place. They have two locations in Leutkirch and Probstzella. The sales organization has its own legal structure in *sensales GmbH & Co. KG* with eight subsidiaries in Austria, France, Japan, Scandinavia, Brazil, Switzerland, the USA, and the UK. Currently, they also have 42 agents/partners around the world. In addition, *elostore GmbH & Co. KG* takes care of the online sales 24 h a day all around the globe (see [Appendices 4 and 9](#)).

In 2019, *elobau* decided on a digital transformation path. With the subsidiary *elostore*, they started building a digital sales channel for a selected product range of *elobau* products. With the young and committed team, everything was done to make online shopping something special. Because at *elostore* there is a strong focus on the

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<sup>9</sup>GmbH & Co. KG means Limited Liability Company & Limited Partnership. The most important advantage of this organization form is the limited liability (min. 50,000 euros). It has tax policy advantages that can be used to design options for the distribution of profits.

customer's needs, the aim is to provide a simple procedure and to ensure a fast purchasing process.

The *elo.Deli GmbH & Co. KG* is in charge of the company cafeteria under the brand name of "Esszimmer" (dining room), which supplies fresh, regional, and bio food to the employees, the community, and public guests.

All parts of the organization are supported by the *elobau Energie GmbH & Co. KG*, which is responsible for energy management and the maintenance of the facilities. Their goal is energy-neutral production, which means that energy is created by regenerative sources. They are part of the initiative *elobau goes green*. An integrated environmental and energy management system (DIN EN ISO 14001 and DIN EN ISO 50001) forms the essential basis for optimizing. The company established several internal measures, particularly in energy efficiency. The company's commitment is based on the specially developed "elobau goes green" initiative, which implements the *elobau* environmental policy. The complete compensation of the company's CO<sub>2</sub> emission of the manufacturing process and of the products is sought. Measures such as the preparation of an energy balance analysis, the design of the new logistics center as an energy-plus building, and the support of various environmental and nature conservation projects (e.g., renaturation of a moor) underline the company's ecological focus.

To ensure a climate-neutral company with climate-neutral production, the subsidiary *elobau Energie* was founded, which provides the necessary energy from renewable energy sources. A solar park in Saxony with an output of 2.4 MW makes a significant contribution to the company's climate neutrality. This can save around 1300 tons of CO<sub>2</sub> per year. The solar system on Plant 2 in Leutkirch generates an additional 240 kW. In addition, micro gas turbines, which are operated 100% with biogas, supply electricity and heat to be fed directly into the plants.

In addition to energy generation, energy saving is also a major issue at *elobau*. For example, the waste heat from the injection molding machines is fed into the heating circuit. In 2012 *elobau* decided to have the company certified according to the Stop Climate Change standard to further expand climate protection and to have it confirmed by independent third parties. The carbon dioxide, which cannot be avoided or reduced, is completely offset. For this reason, *elobau* became a partner of Vision Wald, a model project in Costa Rica. The underlying calculations of the manufacturing process are made available to suppliers on request. The CO<sub>2</sub> neutrality of the products of *elobau* makes it easier for the processing companies to manufacture climate-neutral or ecologically high-quality products.

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## Revenue Development

From 2010 to 2018, *elobau* doubled its revenue from 50 million euros to more than 115 million euros. For the 2018 financial year, *elobau GmbH & Co. KG* was able to generate sales growth of 17.2 million euros in absolute terms and 17.0% in relative terms. Revenue growth in the double-digit percentage range was achieved in all divisions—controls (+22%), sensors (+10%), level sensors (+12%), and machine

safety (+20%). The sales target for *elobau* of around 106.0 million euros for 2018 was clearly exceeded. The degree of target achievement was 109%. Existing customer relationships were further expanded, and new interesting customers were won. In 2018, around 1.23 million euros were realized with new customers. In the agricultural engineering, construction machinery, and conveyor technology as well as food and packaging technology sectors, business relationships were expanded significantly. The order backlog at the end of 2018 was significantly higher than at the same time in the previous year. The order book was at a historically high level and further increases in sales can be expected for 2019 and 2020. The company profit jumped from about 1 million euros in 2010 to 4 million euros in 2018 (see [Appendix 5](#)). From this year on, all reporting of financial performance is part of the foundation reporting.

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## Personnel

In 2020, the company employed 950 people and is continuously hiring. In the last 10 years, *elobau* was nominated and received numerous awards as best employer (see [Appendix 6](#)). Currently, they have more than 20 open positions in Germany, the USA, and other locations. According to the study “Great Place to Work 2019,” more than 85% of the employees are very happy with the situation and conditions. All employees get a market-conform basic remuneration, including 13th month salary and voluntary profit sharing. They have flexible working hours and a life-working-time account. They have modern working environment and individual training opportunities. Every employee participates in the company pension schemes and capital formation benefits and gets a “benefit card” for free gas and more. In addition, there are support with childcare during the holidays and social counseling in the company when needed. A Corporate Health Management scheme is in place and the company offers free water and coffee and fresh fruit every day. During the year, there are various company celebrations like family day.

These all developed from the start of the company, with incremental and radical changes happening over time. Ten years ago, the interest on the employees concentrated on salary increase with the company aiming for output percentage increase. Every morning, when the workers started their job in production, they had to aim to assemble more control units than was required of the per day quota in the agreed standard. If they succeeded, up to 30% of the basic wage was added. The calculation was simple: more units, more percentages, more money. But it did not work out—neither for employees nor for the company. The remuneration system in the manufacturing departments was not the appropriate method because it was hard to understand how many percent had been added or not. Also, since the final number was totaled at the end of the month, employees who had to stay at home sick a day or so were penalized because the lost workday was hard to make up, no matter how hard they worked on the other days. The result was regularly visible in the employee surveys—only around 60% of the participants from production were satisfied with their income. Also, the management did not like the old bonus wage system, because

it led to the practice “that the employees primarily processed attractive, efficient orders and the unpopular but urgent ones were left behind.”

As a result, in April 2015, the management hired a consulting company to moderate the process over 1.5 years. The outcome was a new remuneration system based on transparency, fairness, quality awareness, motivation of employees, and delivery reliability, to replace a monthly fixed wage. Additional bonuses should, for example, reward high-quality work and general company success and include social skills. In addition, they considered 20 anchor points that should serve to assess soft skills, such as self-reliant action, communication, and reliability. Once a year these are assessed in an employee interview. In January 2017, 95% of the colleagues signed the new contracts, and today, the gap between poor and high earners has narrowed significantly with everyday life in the company very different from what it used to be. “We are now taking on more responsibility, helping each other and working together more often instead of just doing it alone. And because there are no more percentages, we can afford to do jobs in a more customer-oriented manner.”<sup>10</sup> The new remuneration system (see details in [Appendix 7](#)) will not stand still; colleagues are considering adopting the concept to changing requirements. Presently, employee satisfaction is at a 92% level. The sick leave rate is 3.78% (industry average: 5.3%) and the turnover rate stands at 3.26% average. Length of service of employees is 8.03 years and 87% of employees would recommend *elobau* as an employer.<sup>11</sup>

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## Innovation and Service Orientation

Innovation is at the heart of *elobau*. Since the early beginning of the company, new product development and innovative processes characterized the existence of this company. In the meantime, new standards in terms of design, ergonomics, and functionality have been set, which were implemented by qualified and self-sufficient employees who are forward-thinking and acting.

The company-wide implemented sustainable cycle thinking requires holistic thinking. Design thinking, scrum, coaching, user testing, R&D, and prototyping were applied on a daily basis, which finally leads to the foundation of an incubator for innovative products and services for sustainable agriculture. Since 2019, HelloSolution<sup>12</sup> is assisting start-up with the expertise from *elobau* by developing new business ideas for the next agricultural revolution. From many of these innovations, the holding company *elobau* also gains lots of benefits. According to the company’s motto, if you want to become fit for the future, people must first and foremost start building bridges with one another. This always requires a change of posture, role, and perspective, which could be achieved through the change of the mindset.

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<sup>10</sup>Ditto.

<sup>11</sup>Great Place to Work (2017).

<sup>12</sup>See HelloSolution (n.d.).



## Sustainability

Sustainability is a matter close to the heart of everybody within the *elobau* organization. Most importantly, they understand that sustainability requires holistic thinking. To preserve the Earth as the basis of life for our children, there is no way around a circular economy. “We want to pave the way for this necessary change in our industries,” said Dr. Thilo Ittner, Managing Director.<sup>13</sup>

On the way to becoming a sustainable company, in 2013, a first milestone was achieved with the introduction of an energy management system according to ISO. Also, a photovoltaic system with solar panels went into operation. One year later, the gas heating systems in the works in Leutkirch were expanded to include micro gas turbines, which produce heat and electricity and had a 95% energy efficiency. This established the basis to make the company production climate neutral. Then this was followed by the support of a reforestation project in South America and the start of the partnership with VisionsWald for CO<sub>2</sub> compensation. The completion of the first building with the energy-plus standard followed in 2016. In the same year, the first electric vehicles for the company fleet were purchased. This led to the fulfillment of the German Sustainability Code. The company then revised its carbon footprint in accordance with the international Greenhouse Gas (GHG) Protocol (see [Appendix 8](#)).

The bike leasing campaign was started by providing every employee an electrical bike. This led to the Green Fleet Award from TÜV SÜD. At the end of 2017, the new construction of the plant in Probstzella was nominated for the Sustainable Building Award, and huge progress could be achieved in the production and assembly of the product, for example, a modular armrest control unit, developed in-house with plastic parts consisting of approximately 75% bio-based plastics. In order to meet the sustainability requirements at the product level, *elobau* developed a modular, standardized vehicle operating system. The company nominated Stefan Teichmann as coordinator for sustainability. According to his judgment, sustainability is already deeply rooted in the corporate DNA. At the same time, all employees are working intensively on processes in the various corporate areas with regard to holistic sustainable action and continuous improvement. With development-accompanying simulation processes, the company avoided resource-intensive development loops. This allowed to optimally design components from the point of view of material and strength and save resources by reducing weight. The shortened development times and the avoidance of unnecessary field tests also contribute to this. Simulation processes were also supported optimizing the means of production.

*elobau* has the goal to achieve an improved ecological balance and at the same time added value for customers through repair-friendly products and long spare parts availability. In addition, they invest more than 10% of our sales in research and development. They want to provide food for thought in our industries with innovative, sustainable products. It is worth noting that *elobau* categorically refuses to supply the armaments industry.

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<sup>13</sup>*elobau* (2017).

They prefer to work with business partners on a long-term basis and on eye level. Their declared goal is long-term partnerships with preferred suppliers who want to go all the way with them. At *elobau*, sustainability does not stop on the company premises. Since 2012, they have also been evaluating product suppliers according to ecological and social aspects. Since 2017, they were evaluating all service providers. They made sure that small- and medium-sized companies could pass the rating by not only asking schematic management systems questions or asking for certificates. Customer-oriented, partnership-based thinking is a matter of course. They advise their customers on complex problems and find cost-effective solutions that were precisely tailored to their needs. As a family company run by a foundation, they do not think and plan in quarterly figures, but in the long term. Four different business areas and the limitation of the turnover of individual customers to 10% of the total turnover ensure economic independence. This makes them a stable and reliable partner for all customers with a long-term perspective.

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## Digitalization

Digitalization is a part of *elobau* from the beginning. The invention of the electric noncontact sensors was digitalized with the introduction of the digital control units, which is documented through the application of the company's patents. The DE-PAT.3703857 was granted on August 3, 1988. Now, the digital product offerings consist of a large selection of proven products from the areas of control elements, machine safety, and sensor technology.

In 2019, the *elobau* company decided on a digital transformation. With a separate subsidiary, *elobau* started to build one digital sales channel for a selected product range of *elobau* products to make shopping something special, because at *elo.store* the focus is always on the customer.

In May 2021, Nick Traenkle Head of Processes and Digital Transformation at *elobau* postulated: "The digitalization was made by humans and therefore it has to be for humans."<sup>14</sup> The human being at the center of the digital transformation is an integral part of the *elobau* corporate culture. For him digital transformation is not an end, but digitizing processes to relieve employees of tiresome tasks or to save time. And above all, the fear of digital transformation from employees must be taken away, and at *elobau* all employees are trained in the field of digital fitness.

The digitalization of the business model evolved recently as effect of the covid pandemic. A first step was the introduction of the online shop *elo.store*.<sup>15</sup> Buyers benefit from both faster delivery times and discounts. In addition, information on the current inventory and delivery times is anytime available. "With *elo.store* we want to better meet the needs of small and medium-sized companies. *elo.store*'s infrastructure is optimized for the processing of small orders and passes on the benefits gained

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<sup>14</sup>Traenkle (2021).

<sup>15</sup>Go online at the *elobau* online store <https://elo.store/>

here in the form of discounts directly to the customer,” said Michael Hetzer, Managing Director of *elobau* and *elostore*.<sup>16</sup> For many years, larger suppliers and customers are connected through EDI (Electronic Data Interchange)<sup>17</sup> systems.

On June 15, 2021, *elobau* opened *eloLounge*—its own virtual showroom. To mark the opening, the *eloLounge Days* took place from June 15 to 17, 2021. Over the 3 days, there were presentations covering the whole *elobau* world. The 100 m record holder Julian Reus was also among the speakers.

The *eloLounge* will remain accessible after the pandemic to combine the benefits of mobile work with the trade fair experience. The supporting program of the virtual in-house exhibition included presentations from every aspect of *elobau*: around the areas of off-highway, industrial applications, sustainable entrepreneurship, and personal development. “We consciously decided against just replicating our trade fair stand,” explains Managing Director Ruediger Koehler; “Our trade fair stand works well in the context of a trade fair. However, since the trade fair experience as a whole is omitted, our aim was to create a new experience. Whether we succeeded with the combination of architecture, design of the showroom and the lecture program, however, is for our visitors to decide for themselves.”<sup>18</sup>

Trade fairs are still very important for *elobau*. Because over the years, these are the regular points of contact where *elobau* as a company and in addition new products can be touched and become tangible. “With the discontinuation of the trade fairs during the corona pandemic, this point of contact was not possible anymore. However, this gave *elobau* the opportunity to focus on the development of a virtual platform,” mentions Marnie Roeder, Head of Marketing. “However, the opening of the *eloLounge* does not mark the end of the project. The space will be constantly updated and expanded so that the next version of *eloLounge Days* will also be a new event.”<sup>19</sup>

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## Other Stakeholders

*elobau* does not consider themselves as an isolated island; on the contrary, they feel very close to their homeland Allgäu, the most southern part of Bavaria adjacent to the Alps. The *elobau* foundation is continuously supporting financially regional, nonprofit initiatives in the main areas of environmental protection, education, and culture. In recent years, they backed clubs in their hometown Leutkirch, such as cineclub, Larifari, the ALSO-Festival Leutkirch, as well as the Theaterfestival Isny. They bolstered the soccer clubs FC Leutkirch and Leutkircher Puckstiere and donated to the water lifesaving organization DLRG Leutkirch. In cooperation with

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<sup>16</sup> Announcement retrieved from <https://der-maschinenbau.de/markt-trends-technik/elobau-startet-neuen-online-shop/>

<sup>17</sup> For more information visit [https://en.wikipedia.org/wiki/Electronic\\_data\\_interchange](https://en.wikipedia.org/wiki/Electronic_data_interchange)

<sup>18</sup> *elobau* (2021).

<sup>19</sup> Visit [elolounge.com](http://elolounge.com) for more information.

the Wilde Argen Foundation and the interregional renaturation project of the marshland Haubacher Moos near Isny, as the company is actively committed to environmental protection in the region.

Over the years, a dense network of educational partnerships with various cooperation partners has also emerged. This includes schools, universities, training institutions, and workshops for the disabled. The management is also concerned with helping people, who, through no fault of their own, are in need, which is why the *elobau* Social Fund Allgäu e.V. was launched. In an emergency, the social fund provides quick and unbureaucratic help in the form of financial support.

*elobau*, at its heart, has a human-to-human (H2H) Mindset, characterized by human-centeredness, service orientation, agility and experimentalism, and the empathetic interest in humans. For everybody in this organization, the purpose of doing something good is more important than profit. Fortunately, in Germany, *elobau* is not alone. Companies like Alnatura as well as corporations like Bosch or ZEISS follow similar concepts. The fact that arte.tv selected *elobau* to feature as a prime example of medium-sized companies cements the success story of the *elobau* foundation company.<sup>20</sup>

### Questions for Discussion

1. How do *elobau*'s purpose orientation and sustainability generate new strategic options? What criteria would you use to assess *elobau*'s H2H Marketing?
2. Are role models for steward-ownership transition necessary in today's market? What do you find most impressive about *elobau*'s transformation?
3. How can a small sensor and solution vendor have such power in the industry? What should management do next to maintain a competitive advantage?
4. What is the responsibility that comes with being one of the most important employers in the little town of Leutkirch and Probstzella? What does it mean to be named one of Germany's finest employers?
5. What are your thoughts on the company's organizational structure's complexity?
6. Can success be defined solely by revenue growth, or would you add other criteria, and what would this mean for the company's management?
7. Is there an imbalance for stakeholders as a result of the drive for sustainability and profitability?

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## Appendixes

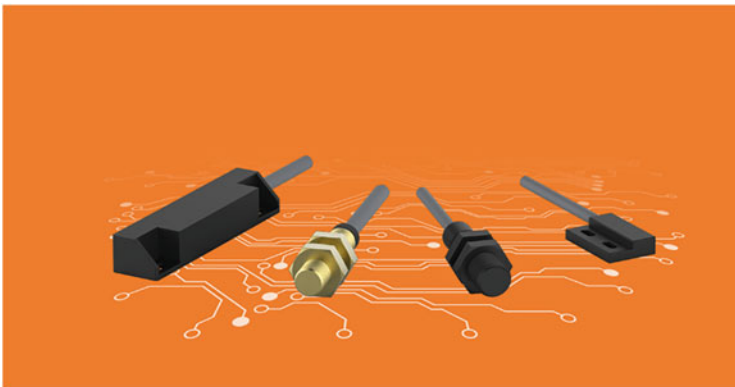
### Appendix 1

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<sup>20</sup>arte re (2021).



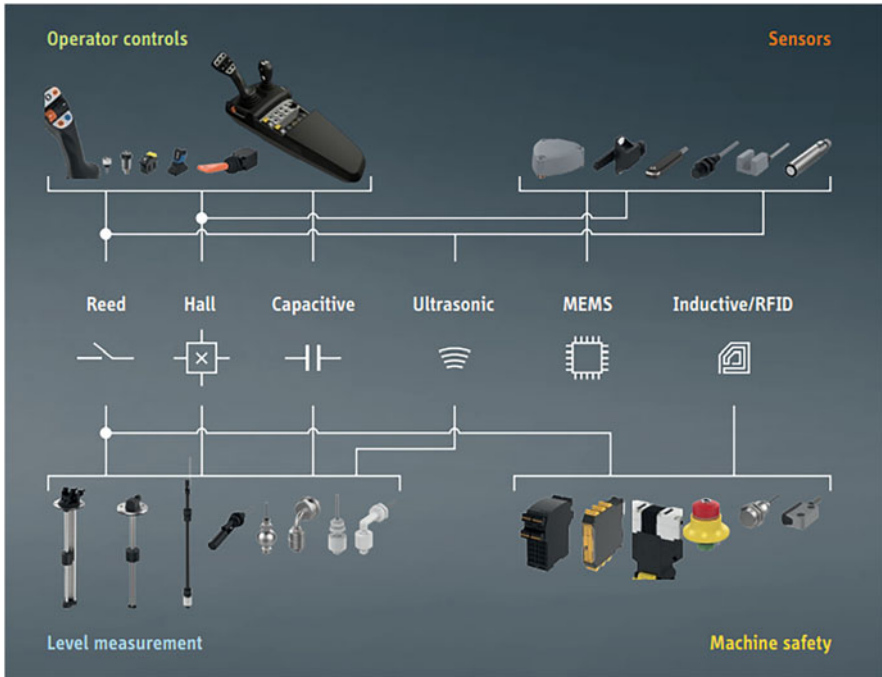
**elobau** analog proximity electrical switch 171271AA TÜV and UL listed<sup>21</sup> and image movie from 2019 [https://www.youtube.com/watch?v=LqWw\\_2B9SuI](https://www.youtube.com/watch?v=LqWw_2B9SuI)



Digital proximity switches <https://www.elobau.com/en/products/sensor-technology/proximity-switches/magneto-resistive-sensors/>

<sup>21</sup>Source: <https://www.elobau.com/en/products/sensor-technology/proximity-switches/magneto-resistive-sensors/>.

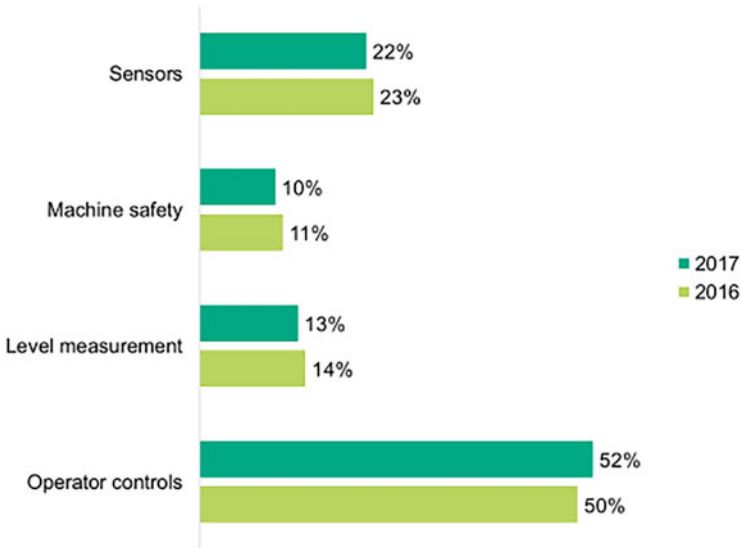
## Appendix 2



Elobau Product overview and its interrelationship<sup>22</sup>

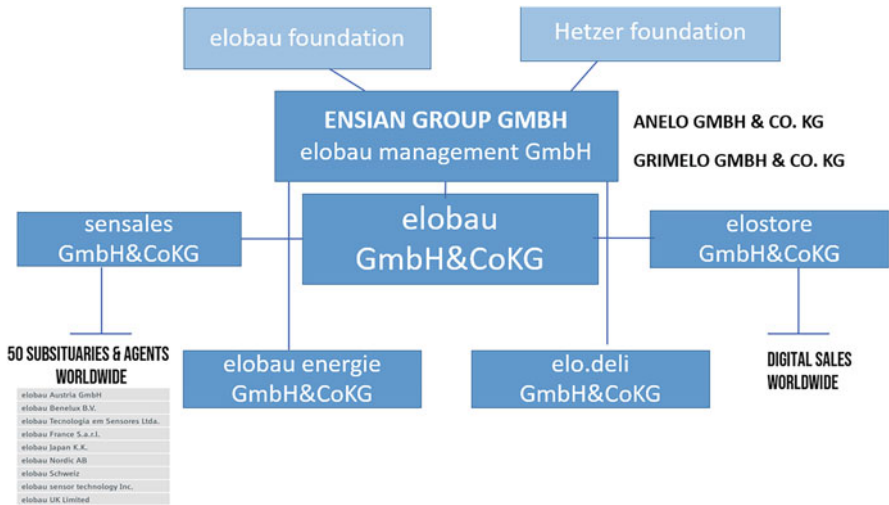
## Appendix 3

<sup>22</sup>See <https://www.elobau.com/en/elobau-product-range/>.



Distribution in percent of 2016/2017 revenues<sup>23</sup>

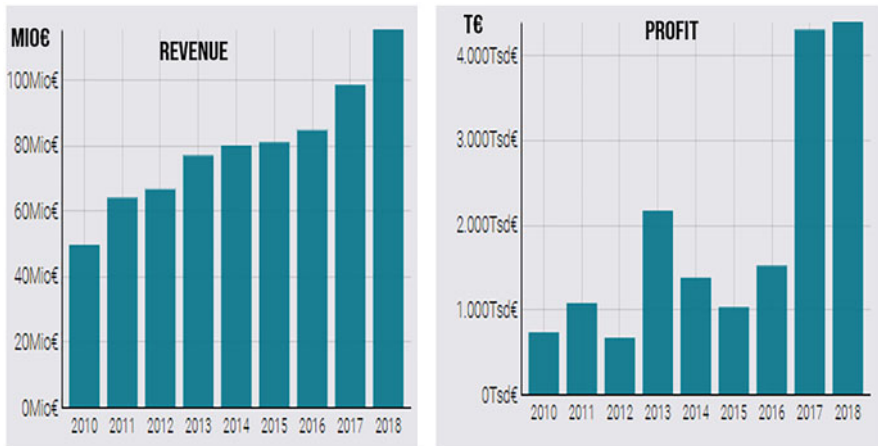
### Appendix 4



### Organizational Structure 2020

<sup>23</sup> From the Sustainability Report [elobau-report-sustainability-economy-for-the-common-good-2016-17.pdf](#).

### Appendix 5



Revenue and Profit development 2010–2018  
G&V



	1.1.2018 - 31.12.2018	1.1.2017 - 31.12.2017
	EUR	EUR
1. Umsatzerlöse	115.384.959,36	98.432.376,98
2. Erhöhung oder Verminderung des Bestandes an fertigen und unfertigen Erzeugnissen	678.055,44	295.639,51
3. Gesamtleistung	116.063.014,80	98.728.016,49
4. sonstige betriebliche Erträge	344.656,29	241.001,80
davon Erträge aus Währungsumrechnung	109.417,47	67.123,91
5. Materialaufwand	43.860.705,57	36.252.570,95
a) Aufwendungen für Roh-, Hilfs- und Betriebsstoffe und für bezogene Waren	37.107.642,55	31.677.074,19
b) Aufwendungen für bezogene Leistungen	6.753.063,02	4.575.496,76
6. Personalaufwand	36.418.295,18	31.603.126,66
a) Löhne und Gehälter	30.099.067,87	26.267.259,71
b) soziale Abgaben und Aufwendungen für Altersversorgung und für Unterstützung	6.319.227,31	5.335.866,95
davon für Altersversorgung	261.330,55	248.170,46
7. Abschreibungen	397.120,66	157.512,49
a) auf immaterielle Vermögensgegenstände des Anlagevermögens und Sachanlagen	397.120,66	157.512,49
8. sonstige betriebliche Aufwendungen	30.638.805,14	25.996.746,28
davon Aufwendungen aus Währungsumrechnung	55.247,70	217.039,51
9. Erträge aus Beteiligungen	1.000,00	1.000,00
10. sonstige Zinsen und ähnliche Erträge	130,00	0,00
11. Zinsen und ähnliche Aufwendungen	57.077,17	19.264,89
davon aus Abzinsung	7.400,00	0,00
12. Steuern vom Einkommen und vom Ertrag	647.678,21	647.158,62
13. Ergebnis nach Steuern	4.389.119,16	4.293.638,40
14. sonstige Steuern	3.999,12	510,22
15. Jahresüberschuss	4.385.120,04	4.293.128,18

Source: <https://www.northdata.de/elobau+GmbH+%26+Co.KG,+Leutkirch+i.+Allg%C3%A4u/Amtsgericht+Ulm+HRA+620742>

## Appendix 6

2019

### **Beste Arbeitgeber Allgäu - Platz 1**

<https://bit.ly/2UU7vgx>

2019

### **Beste Arbeitgeber Baden-Württemberg 2019 - Platz 5**

<https://www.greatplacetowork.de/presse/pressemitteilungen/attraktive-arbeitgeber-in-baden-wuerttemberg-ausgezeichnet/>

2019

### **Beste Arbeitgeber Deutschland 2019 - Platz 18**

<https://www.greatplacetowork.de/ausgezeichnete-arbeitgeber/deutschlands-beste-arbeitgeber/deutschlands-beste-arbeitgeber-2019/>

2019

### **Focus Business-Ranking Top Arbeitgeber 2019**

[https://www.focus.de/finanzen/karriere/berufsleben/focus-business-ranking-das-sind-die-top-arbeitgeber-deutschlands\\_id\\_10349040.html](https://www.focus.de/finanzen/karriere/berufsleben/focus-business-ranking-das-sind-die-top-arbeitgeber-deutschlands_id_10349040.html)

2019

### **Leading Employer Deutschland 2019**

Excerpts of best employer awards<sup>24</sup>

## Appendix 7

### **Elobau New Salary System (Production)<sup>25</sup>**

An elobau production employee salary consists of up to five different components: basic salary, market bonus, FMK share, quality bonus and a profit-sharing bonus. The amount of the basic salary depends solely on the employee's function. For this

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<sup>24</sup>See [News | elobau ranks 14th amongst Germany's top employers | elobau](#).

<sup>25</sup>Müller (2018).

purpose, he is classified according to his qualifications and tasks in one of five categories, from production assistant to specialist to manager. These are again divided into different levels. All employees can see how much money is being paid for which level.

### **The Market Premium**

is given to employees with special qualifications. Among other things, it considers how much specific specialists are sought and what they are paid in the region. The company examines this once a year and adjusts the premium if necessary.

### **The Anchor Points Part**

assesses, among other things, the social behavior of an employee. Decisive for this are 20 principles or anchor points. It says, for example: “We do unpopular work”, “We act in the interests of the entire production chain and don’t just look at our order steps” or “We communicate clearly with one another”. If an employee acts accordingly, he can increase his basic salary by up to ten percent. He assesses his behavior together with the department head in the annual employee interview. He can bring up to two other people of his choice to the meeting.

### **The Quality Bonus**

is given if the company had to spend little money on complaint costs in one year. To do this, the sum is compared with an index value. If it is lower, all production employees, from production assistants to skilled workers, receive the same reward.

### **A Success Bonus**

the company pays its employees additionally if business for *Elobau* is doing well. In the past, everyone received a certain percentage of their respective wages, but today, everyone receives the same amount. Last year, the company paid its employees a performance bonus and a quality bonus of 1350 euros each.

## **Appendix 8**

Corporate carbon footprint *elobau group* according to Greenhouse Gas Protocol (GHG)<sup>26</sup>

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<sup>26</sup>See Sustainability Report dito.

Scope	CO <sub>2</sub> factor	Quantity 2018 [kWh/(kg passenger.km)]	GHG emissions 2018 2019-01-20 [kg CO <sub>2</sub> e]	Quantity 2019 [kWh/(kg passenger.km)]	GHG emissions 2019 2020-08-18 [kg CO <sub>2</sub> e]	Deviation
Scope 1	Klimaktiv					
Scope 1	Heating oil consumption for tool construction [kWh] (stationary combustion)	0.87	0	0	0	-8.6%
Scope 1	Evaporation by cooling and refrigeration systems					
	Fleet diesel [liters] (mobile combustion)	2.53	66.24	166.156	62.865	5.30
	Fleet petrol [liters] (mobile combustion)	2.26	5.68	11.95	7.73	157.967
	Fleet natural gas [kg] (mobile combustion)	2.62	70	1.836	1.823	12.72
Scope 2	Green electricity for Leonding plant 1 + 2; Probadzella and PV plant Frautroth	0.000	3.116.938	0	3.127.038	6.023
Scope 2	Vehicle fleet Electricity external charging points [kWh] (mobile combustion)	0.421	0	0	3.127.592	0
Scope 3	Indirect emissions from upstream and downstream processes					
Scope 3.1	Purchased goods (L'Oréal to Green*)	repair	381,430,952	2,699,309	8,167,613	4,023
Scope 3.3	Fuel and energy-related emissions upstream chain					
	Petrol [liters] (upstream chain of fossil fuels)	0.04	5.168	242,267	179,646,346	6,696,464
	Diesel [liters] (upstream chain of fossil fuels)	0.601	66.24	2,545	7.73	3,665
	Fleet natural gas [kg] (mobile combustion)	0.640	70	39,760	62,865	37,801
	Vehicle fleet electricity charging station external [kWh] (mobile combustion)	0.084	0	449	1,323	847
	Heating oil [twh] (upstream chain of fossil fuels)	0.050	0	0	9,556	800
	Green electricity [kWh] (upstream chain of renewable energy sources)	0.034	3,185,184	199,403	3,121,148	107,446
	Bio gas [kWh] (upstream chain of renewable energy sources)	0.036	1,365,429	142,460	1,465,568	52,877
	Power supply micro gas turbine plant 1 [kWh credit]	-0.068	81.874	-5,833	59,079	-4,007
	Power supply micro gas turbine plant 2 [kWh credit]	-0.068	50,944	-6,457	73,836	-5,079
Scope 3.4 + 3.9	Up- and downstream transport	repair				
Scope 3.5	Waste (flat-rate transport factor for unfilled waste)	0.021	248,437	5,377	248,105	5,210
Scope 3.6	Business trips, flights	repair	189,453	48,662	270,387	89,235
Scope 3.7	Communiting of employees [sum]		4,074,829	764,871	4,572,645	836,037
	Not specified (leased like a car with a combustion engine)	0.209	284,701	59,389	246,532	51,510
	Ride-along / passenger	0.000	245,581	0	286,889	0
	Motorcycle or similar	0.127	23,259	2,861	25,009	3,184
	Public transport	0.0095	14,064	977	13,417	932
	By pedelec / E-bike	0.0020	22,974	119	28,643	143
	Electric car	0.0058	12,640	104	10,359	176
	Passenger car with combustion engine	0.0086	3,362,034	701,200	3,739,655	780,092
	On-foot / by bike	0.000	154,286	0	181,24	0

## Appendix 9

Subsidiaries	Business area	Head office	Ownership share
elobau management GmbH	Management	Germany	100%
elobau GmbH & Co. KG	Production	Germany	100%
anelo GmbH & Co. KG	Systems	Germany	100%
elobau Energie GmbH & Co. KG	Energy park	Germany	100%
sensales GmbH & Co. KG	Sales	Germany	100%
elobau Austria GmbH	Sales	Austria	100%
elobau Benelux B.V.	Sales	The Netherlands	100%
elobau Tecnologia em Sensores Ltda.	Sales	Brazil	100%
elobau France S.a.r.l.	Sales	France	100%
elobau Japan K.K.	Sales	Japan	100%
elobau Nordic AB	Sales	Sweden	100%
elobau Schweiz	Sales	Switzerland	100%
elobau sensor technology Inc.	Sales	USA	100%
elobau UK Limited	Sales	England	100%
grimelo GmbH & Co. KG	Properties	Germany	100%
elo.Deli GmbH & Co. KG	Organic canteen	Germany	100%

## Subsidiaries<sup>27</sup>

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<sup>27</sup> See corporate website [About elobau | elobau - flexible, sustainable and responsible | elobau](#).

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