

UNIVERSITY OF LJUBLJANA  
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

**TRANSFORMING BUSINESS STRATEGY INTO SUSTAINABILITY  
STRATEGY: THE CASE OF LOTRIČ METROLOGY**

Ljubljana, July 2020

MAJA LOTRIČ

## AUTHORSHIP STATEMENT

The undersigned Maja Lotrič, a student at the University of Ljubljana, Faculty of Economics, (hereafter: SEB LU), author of this written final work of studies with the title Transforming business strategy into sustainability strategy: the case of LOTRIČ Metrology, written under supervision of Full Prof. dr. Adriana Rejc Buhovac

### DECLARE

1. this written final work of studies to be based on the results of my own research;
2. the printed form of this written final work of studies to be identical to its electronic form;
3. the text of this written final work of studies to be language-edited and technically in adherence with the SEB LU's Technical Guidelines for Written Works, which means that I cited and/or quoted works and opinions of other authors in this written final work of studies in accordance with the SEB LU's Technical Guidelines for Written Works;
4. to be aware of the fact that plagiarism (in written or graphical form) is a criminal offense and can be prosecuted in accordance with the Criminal Code of the Republic of Slovenia;
5. to be aware of the consequences a proven plagiarism charge based on the this written final work could have for my status at the SEB LU in accordance with the relevant SEB LU Rules;
6. to have obtained all the necessary permits to use the data and works of other authors which are (in written or graphical form) referred to in this written final work of studies and to have clearly marked them;
7. to have acted in accordance with ethical principles during the preparation of this written final work of studies and to have, where necessary, obtained the permission of the Ethics Committee;
8. my consent to use the electronic form of this written final work of studies for the detection of content similarity with other written works, using similarity detection software that is connected with the SEB LU Study Information System;
9. to transfer to the University of Ljubljana free of charge, non-exclusively, geographically and time-wise unlimited the right of saving this written final work of studies in the electronic form, the right of its reproduction, as well as the right of making this written final work of studies available to the public on the World Wide Web via the Repository of the University of Ljubljana;
10. my consent to the publication of my personal data that are included in this written final work of studies and in this declaration when this written final work of studies is published.

Ljubljana, \_\_\_\_\_

Author's signature: \_\_\_\_\_

# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>1</b>
<b>1 THE CONCEPT AND IMPLEMENTATION OF CORPORATE SUSTAINABILITY</b> .....	<b>4</b>
<b>1.1 Empirical findings on corporate sustainability</b> .....	<b>4</b>
<b>1.2 Corporate sustainability in practice</b> .....	<b>7</b>
<b>2 LOTRIČ Metrology</b> .....	<b>14</b>
<b>2.1 Company introduction and financial performance</b> .....	<b>14</b>
<b>2.2 LOTRIČ Metrology sustainability performance</b> .....	<b>17</b>
<b>2.3 LOTRIČ Metrology corporate strategy 2017-2020</b> .....	<b>18</b>
<b>3 TRANSFORMING CORPORATE STRATEGY INTO SUSTAINABILITY STRATEGY</b> .....	<b>24</b>
<b>3.1 Key owner’s expectations relating to sustainability and financial performance</b> .....	<b>26</b>
<b>3.2 LOTRIČ Metrology materiality matrix</b> .....	<b>27</b>
<b>3.3 LOTRIČ Metrology Destination Statement 2025</b> .....	<b>30</b>
<b>3.4 LOTRIČ Metrology sustainability business strategy 2020-2025</b> .....	<b>33</b>
<b>3.5 Timeline of strategic activities</b> .....	<b>36</b>
<b>3.6 Sustainability KPIs for strategic control</b> .....	<b>37</b>
<b>3.7 LOTRIČ Metrology sustainability differentiation</b> .....	<b>39</b>
<b>4 GUIDELINES FOR DEVELOPING SUSTAINABILITY BUSINESS STRATEGIES FOR SMEs</b> .....	<b>42</b>
<b>4.1 The key steps</b> .....	<b>42</b>
<b>4.2 Improving SME processes, products, and projects for increased sustainability</b> .....	<b>47</b>
<b>CONCLUSION</b> .....	<b>50</b>
<b>REFERENCE LIST</b> .....	<b>52</b>
<b>APPENDICES</b> .....	<b>56</b>

## LIST OF FIGURES

Figure 1:	Relationship between social and long-term financial performance .....	5
Figure 2:	General model of Corporate Responsibility and Corporate Sustainability .....	7
Figure 3:	The basic logic model.....	9
Figure 4:	The Corporate Sustainability Model .....	11
Figure 5:	Sources for social and political risks .....	13
Figure 6:	Group organizational structure .....	16
Figure 7:	Strategic focus of LOTRIČ Metrology throughout the years.....	17
Figure 8:	LOTRIČ Metrology corporate values .....	17
Figure 9:	Strategy map of LOTRIČ Metrology Group 2017-2020.....	22
Figure 10:	The process of preparing sustainability business strategy.....	25
Figure 11:	LOTRIČ Metrology materiality matrix .....	29
Figure 12:	LOTRIČ Metrology sustainability business strategy 2020-2025.....	34
Figure 13:	Purposes of measurement.....	38
Figure 15:	Overview of the relative screens .....	49

## LIST OF TABLES

Table 1:	Key sustainability activities performed in the company today.....	18
Table 2:	LOTRIČ Metrology Destination statement 2020 .....	19
Table 3:	Strategic activity SA9 Breakthrough launch of EXACTUM .....	23
Table 4:	Timeline of strategic activity SA9 in the strategy of LOTRIČ Metrology group .....	23
Table 5:	Indicators for the control of strategic activities - example .....	23
Table 6:	Play to Win vs Play not to Lose strategies .....	24
Table 7:	LOTRIČ Metrology Destination Statement 2025.....	31
Table 8:	Strategic activity SA1 .....	36
Table 9:	Timeline of strategic activity SA9 in the strategy of LOTRIČ Metrology group .....	37
Table 10:	Indicators for the control of strategic activities .....	37
Table 11:	Positive aspects of the Centre for Sustainable Logistics .....	41
Table 12:	Key performance indicators for Centre for Sustainable Logistics.....	41

## LIST OF APPENDICES

Appendix 1:	Slovenian summary of the master's thesis. ....	1
Appendix 2:	Survey distributed among stakeholders.....	3
Appendix 3:	Survey analysis.....	10

## **LIST OF ABBREVIATIONS**

**CMC** – calibration and measurement capability

**CSR** – Corporate social responsibility

**EFQM** - European Foundation for Quality Management – Business Excellence Model

**KPI** – key performance indicator

**MeOL** – measurements online

**SME** – small and medium-sized enterprises

**SWOT** – strengths, weaknesses, opportunities, and threats

**QTree** – enterprise resource planning tool designed by LOTRIČ Metrology



## INTRODUCTION

Global companies and societies at large are facing increased risks from more sources and with greater impacts: climate change, potentially dangerous products, interrupted and unsafe supply, lack of quality education, poor working conditions and child labour, premature deaths and illnesses, global poverty, and consumer and community reactions. This further increases with the rapid development of international communication but also as companies achieve more global reach, use new technologies, apply financial instruments, and operate with global networks (Peycheva, Pötzschke, Hall & Rattinger, 2014; Epstein & Rejc Buhovac, 2015; Ditillo & Lisi, 2016). Indeed, experts predict that key challenges in the next ten years will arise from global issues; challenges to society's development, challenges to the environment, efficiency, and challenges to society's governance and economic models (GRI, 2016a). Sustainability issues are thus pressuring senior executives across many industries to rethink their businesses.

Since the 1990s, increased interest in environmental sustainability, triggered by numerous ecological crises and stricter environmental regulations, has been forcing companies to view corporate sustainability as a strategic issue (Lampikoski, Westerlund, Rajala & Moller, 2014). However, sustainability includes managing the issues of corporate social responsibility, environmental impacts, and improved stakeholder engagement. More specifically, it can be broken down to nine principles: ethics, governance principle, transparency, business relationships, financial return, community involvement/economic development, value of products and service, employment practices, and protection of the environment (Epstein & Rejc Buhovac, 2014).

**Sustainability** has matured. Managers are no longer discussing why, what or whether to focus on sustainability, but how to integrate social, environmental, and economic impacts into day-to-day management decisions to achieve better financial performance (Heal, 2008). Innovation, technology, and entrepreneurship are encouraged as this helps to overcome "win-lose" scenarios, that is the trade-offs between sustainability and financial goals (Epstein, Rejc Buhovac & Yuthas, 2014).

Companies are implementing **sustainability strategies** because of variety of innovations and incentives. Partly due to negative evaluation and dissatisfaction of the European public (in Slovenia, 79 per cent) regarding environmental issues, the responsibility for environmental problems was transferred to higher political levels – international and supranational institutions (Peycheva, Pötzschke, Hall & Rattinger, 2014). Research, carried out by Deloitte (2015) focusing on the social problems that businesses contributed to solving, confirmed this. Slovenian companies are focusing on environmental protection, supporting local communities, counteracting poverty, healthcare, reducing unemployment and promoting transparency in business. Government regulations are therefore one of the first reasons why companies are increasingly addressing sustainability (Kashmanian, Wells & Keenan, 2011). Regulatory noncompliance (whether it goes for government regulations as

well as industry practices) can result in high costs, either in the form of penalties, legal costs, potential closure or damaged reputation. General public too, is becoming aware of the impacts that corporations have on society, the environment and economy (Wood, Logsdon, Lewellyn & Davenport, 2006). When firms effectively signal externally that they have adopted eco-effective management, they are viewed by the market as having created value for shareholders through reduction of risk (Burnett, Skousen & Wright, 2011). It could be either because of societal and moral obligations or because of tax reductions, or cost and revenue imperatives.

The key is to find areas where company's interests and good for society and environment intersect. For example, we can look at the companies with the reputation of having leading practices in management of sustainability in their respective business-to-customer industries. Nike, Procter & Gamble, The Home Depot and Nissan North America were explored, to find out how managers can effectively implement and manage social, environmental and financial performance simultaneously (Epstein, Rejc Buhovac & Yuthas, 2010). Other studies support findings that segments of consumers are responsive to social positioning of products (Auger, Devinney, Louviere & Burke, 2003) while some also confirmed that corporations following sustainability practices have more satisfied employees, owners and customers.

**LOTRIČ Metrology Ltd.** is a family-owned company with more than 160 employees. The company has a well-regulated system of social responsibility which develops on a yearly basis. Consistent efforts in several areas of corporate social responsibility (hereafter: CSR) include monitoring, evaluating and improving CSR performance and have been integrated into the company's quality management system. Company is actively involved in the local community and its positive attitude towards employees reflects in many awards, for example, the Slovenian award Zlata Nit for the best employer in 2017, in the small companies' category. For small to medium-sized enterprise (hereafter: SME), LOTRIČ Metrology shows an outstanding work in the field of CSR (Slovensko društvo za odnose z javnostmi, 2011). The challenge, however, is how to take company's current understanding of CSR to a strategic level, by transforming its business strategy into sustainability strategy.

My role in the company is very wide. I am partial owner of the business, project manager and a CEO of the daughter company PSM Measuring systems Ltd. Therefore, I have a wide understanding of how the company works, know the employees and their dynamic, the culture of the company and what are good approaches to implement changes in the company. In the process of strategy transformation, I was a coordinator, and at the same time responsible for all internal communication, co-creating the final document, gathering the right financial data and understanding the owner's expectations in order to deliver the expected result. We have already had the experience of preparing a business strategy in 2016, therefore I was able to bring this into play and improve, gaining even more information from daughter companies from abroad.



The key question is, how can SMEs transform their business strategies into sustainability business strategies? More specifically, what are the main steps to transform an existing strategy into sustainability strategy in small and medium-sized companies? And finally, is it all worth it?

The **purpose** of this thesis is to help company management team successfully transform its corporate strategy into sustainability strategy. In addition, the thesis aims to contribute by providing guidelines for small to medium-sized companies striving to take a step towards sustainability.

Thesis' **goals** include:

- Goal 1: Develop sustainability materiality matrix for LOTRIČ Metrology
- Goal 2: Transform LOTRIČ Metrology's Business Strategy to incorporate sustainability strategy.
- Goal 3: Develop guidelines for transforming strategies into sustainability strategies.
- Goal 4: Prepare indicators on how to measure social, environmental, and economic impacts.

The key **research question** is: what are the main steps to transform an existing strategy into sustainability strategy in small and medium-sized companies?

To answer the research question, the following **methods** are applied: the theoretical part of the thesis is based on the review of academic literature in the field of sustainability, corporate social responsibility, strategy transformation, etc. We will use academic web-databases (e.g. EBSCOhost, Sage) and foreign professional and academic journals (Harvard Business Review, Strategic Management Journal) for this purpose.

The case study analysis uses secondary data (company EFQM - European Foundation for Quality Management – Business Excellence; application, current strategy, and other archival data) and primary data (surveys and interviews). A questionnaire has been distributed among employees, business associates, and inhabitants of Selška valley to analyse stakeholders' perception of company's current sustainable activities and identify critical issues for the future (materiality matrix). Company's top management team has been tasked with providing estimates of critical issues' impacts and the timeframe within which a specific issue is expected to manifest itself or have an impact on the business. In addition, a comparative analysis will be conducted to identify selected best practices in the field of sustainability strategies. Based on empirical findings, propositions for sustainable transformation of company's corporate strategy will be developed.

The thesis **structure** is as follows: the first chapter (The concept and implementation of corporate sustainability) focuses on the theory of sustainability, models, key challenges, and further steps in sustainability such as measuring impacts and reporting the progress. The second chapter (LOTRIČ Metrology) presents key facts about the company and its current

business strategy. The third chapter (Transforming business strategy into sustainability strategy) addresses the process of strategic transformation and includes survey analysis and steps in transforming business strategies into sustainability strategies. The final chapter (Conclusion) sums up the main thesis findings and provides suggestions on the elaborated thesis outcomes.

# **1 THE CONCEPT AND IMPLEMENTATION OF CORPORATE SUSTAINABILITY**

## **1.1 Empirical findings on corporate sustainability**

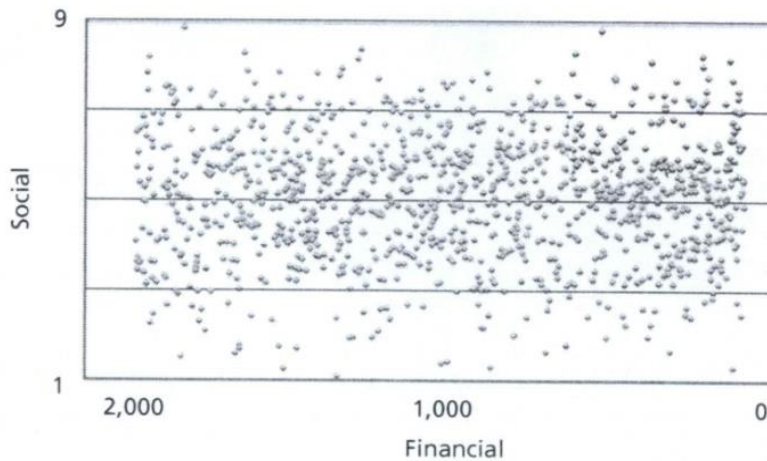
Sustainability can be defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Corporate sustainability, on the other hand, relates to the outcomes of all those corporate activities that contribute to sustainable development of the planet Earth. It includes social, environmental and economic performance. Between 1972 and 2002, there were 127 published studies, which empirically examined the relationship between companies’ socially responsible conduct and their financial performance.

“Corporate social performance has been treated as an independent variable, predicting financial performance, in 109 of the 127 studies. In these studies, almost half of the results (54) pointed to a positive relationship between corporate social performance and financial performance. Only seven studies found a negative relationship; 28 studies reported non-significant relationships, while 20 reported a mixed set of findings. Corporate social performance has been treated as a dependent variable, predicted by financial performance, in 22 of the 127 studies. In these studies, the majority of results (16 studies) pointed to a positive relationship between corporate financial performance and social performance. Four studies investigated the relationship in both directions, which explains why there are more results than studies” (Margolis & Walsh, 2003).

Sustainability is a complex system. On the side of organisational and political complexity, we are involved as individuals, cross-functional, through multiple organizations, society-wide and on a global level (UN Documents, no date). However, within firms, we can expect that actions towards sustainability will be simple, usually related to resource efficiency and waste generation. Normally, managers expect to quickly yield from large returns, however, they soon realize it is more difficult (Sterman, 2015, pp. 56–57). Still, fifty per cent of managers consider sustainability as “very” or “extremely” important, especially in the fields of reputation and overall corporate strategy. Implementing it, however, seems difficult, as only thirty per cent of those asked actively invest into sustainability (Bonini, Gerner & Jones, 2010; Silvestri & Gulati, 2014, pp. 81).

Many attempted to find correlation between sustainability and immediate financial returns. Hansen, Ibarra and Peyer (2013), as presented in Figure 1, support such a statement with a research conducted among 1,100 CEOs. Correlation between social and environmental performance on one side and financial performance on the other is close to zero. However, researchers also claim that such a conclusion could be the result of green washing (Stavins, 2011). Green washing is a term used when a company is misleading its customers, regarding actions or product/service environmental benefits.

*Figure 1: Relationship between social and long-term financial performance*



*Source: Hansen, Ibarra & Peyer (2013).*

Nevertheless, as Dyllick and Hockerts (2002) emphasised, corporate sustainability requires a long-term view. There is a positive shift in long-term firm value relative to firms that adopt eco-effective management. Companies themselves are investigating how to address environmental, social, governance issues<sup>1</sup>. Motives for implementing corporate sustainability are different. Some companies are pressured by government regulations and industry codes of conduct. Sustainability therefore presents a tool, which also reduces costs related to noncompliance, such as lost productivity due to additional inspections. Others are using sustainability to endear themselves to the community and maintain good customer relations, for example Coca-Cola, which had to prove that they are doing their very best to prevent any damage of water resource and health of residents in the process (Epstein & Rejc Buhovac, 2014). Many companies were jolted into action when they realized how the public can react to issues such as a bad reputation, child labour or working with hazardous materials.

---

<sup>1</sup> Environmental, social and governance issues term was first used in the United Nations Principles of Responsible Investment documents. The term is used in various context, from corporate responsibility, risk evaluation, to socially responsible investments. The concepts is based on “extra-financial material information about the challenges and performance of a company on these matters. It thus delivers additional relevant information, allowing more differentiated investment judgements by enabling investors to better assess risks and opportunities” (Bassen & Kovacs, 2008).

In academic debates and business environments, there is a lot of concepts and definitions, which describe a more ethical, humane and transparent way of conducting business. They have created concepts such as sustainable development<sup>2</sup>, corporate citizenship<sup>3</sup>, sustainable entrepreneurship, Triple Bottom Line<sup>4</sup>, business ethics<sup>5</sup> and corporate social responsibility<sup>6</sup>. (Van Marrewijk, 2003; Slaper & Hall, 2011). In the broader context, CSR strives to solve the global poverty gap, social exclusion and environmental degradation. The problem is that current definitions are often biased towards specific interests (Non-Governmental organizations etc.) and are “too broad in its scope to be relevant to organizations” (Van Marrewijk, 2003).

A new perspective towards CSR includes understanding the history of CSR and the philosophical component to it as well. Maslow (1968) defined the five basic needs of human individuals, suggesting that an individual will strive for the higher need as soon as the former had been fulfilled. His colleague Graves continued with stating that just as an individual, a company or a society will also undergo a natural sequence of orientations: survival, security, energy & power, order, success, community, synergy and holistic life systems (Van Marrewijk, 2003). If circumstances allow companies to change (at a certain stage, ranked logically and in chronological order), they will respond and reconsider their role in society, and redesign their mission, vision, reporting et cetera to this new environment.

A simple presentation of the relationship between corporate sustainability (hereafter: CS), corporate responsibility (hereafter: CR), and CSR can be found in Figure 2. CSR relates to phenomena such as transparency, stakeholder dialogue, stakeholder benefit/equity considerations primarily, and sustainability reporting, while CS seems to concentrate more on the impact of a company on its environment and vice-versa, focuses on value creation, environmental management, environmental friendly production systems, human capital management and so forth (Van Marrewijk, 2003).

---

<sup>2</sup> World Commission on Environment and Development's (1987): “Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs”

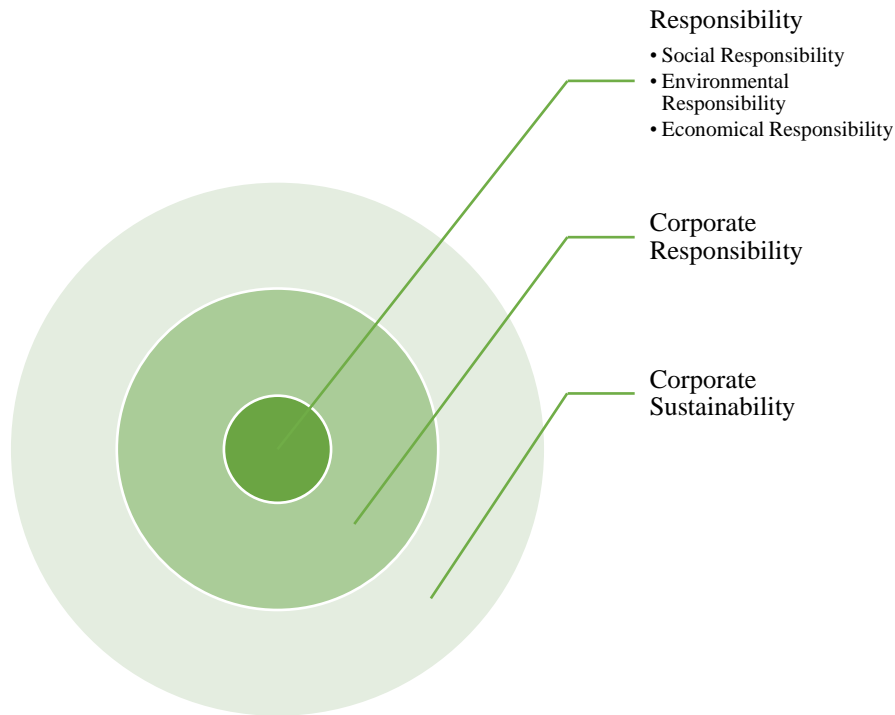
<sup>3</sup> Marsden and Andriof (2001) define corporate citizenship as »understanding and managing a company's wider influences on society for the benefit of the company and society as a whole«.

<sup>4</sup> Elkington (1994): »Triple Bottom Line« or »People, Planet, Profit«, describes a »situation where companies harmonize their efforts in order to be economically viable, environmentally sound and socially responsible«.

<sup>5</sup> Kilcullen and Ohles Kooistra (1999): business ethics is “the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state” (p. 158).

<sup>6</sup> EU-Communication July 2002: “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.”

Figure 2: General model of Corporate Responsibility and Corporate Sustainability



Source: Van Marrewijk (2003).

As Porter and Kramer (2006) stress, the only way activities will also result in higher productivity is to have to focus on two things. First, businesses should be aware of the importance of the society. Company and society are interdependent, and activities should support this. Second, each company has its own strategy, and sustainability should be adopted accordingly. Indeed, the amount of spending on sustainability varies and by the degree of spending companies can be classed into embracers and cautious adopters (MIT Sloan Management Review, 2011). Embracers are companies, which “place sustainability high on their agenda” with approaches such as building a brand and integrating sustainability in the core of the business. On the other side, cautious adapters are the ones, who are focused more on tangible approaches such as “energy cost savings, material efficiency, risk mitigation” (Lye & Muller, 2004). However, the first universal steps towards sustainability are shown in waste reduction and resourcing the efficiencies. In a qualitative study, performed by Bansal and Roth (2000), the reasons or motivations for choosing sustainability appeared to be competitiveness, legitimation and ecological responsibility.

## 1.2 Corporate sustainability in practice

Why would a company choose to build on sustainable strategies? Firstly, there are costs which may arise by not abiding by rules and regulations. Here we talk about avoidance of penalties, compensations, interruptions or even closure of production lines and even the damage of bad reputation. Besides costs we also have an impact on revenues. By working

on sustainability, we can achieve trust and loyalty of stakeholders. The reputation of the company strengthens, thus increasing sales potential. There are many instances of how companies were able to increase their visibility and competitive advantage after offering sustainable products/services or adopting a sustainable business model; therefore we can claim that a company can thus differentiate from the competition. The fourth reason is the moral attitude of the owners. More and more managers and owners are taking personal responsibility and wish to do good. We now already mentioned managers and owners, who are extremely important in the process of developing such strategies. In a strategic team, tasked with designing the proposal, it is crucial to involve leaders from different hierarchical levels, as well as experts, from different fields such as research and development, logistics, human resources and others. Only if we include enough analytically orientated people as well as a strategic team, will we get a holistic perspective on sustainability challenges of the company. In any company, we can and should involve experts, but also people with strong opinions and beliefs, who have support from their co-workers. They are an important part when strategies have to be successfully implemented. A critical mass of people supporting the new strategy will ensure that employees are not only aware of the strategy, but are prepared to make the changes and also to be involved in the decision-making process.

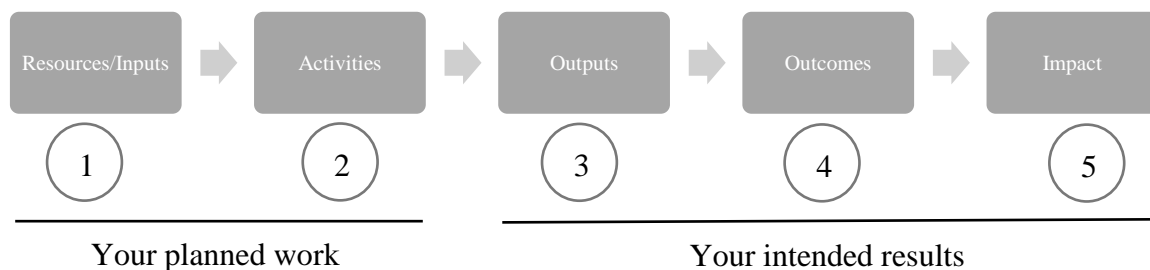
Corporate sustainability can be broken down into nine principles (Epstein & Rejc Buhovac, 2015). These enable a more precise definition, applicable to everyday management decisions, and can be quantified and monetized:

1. Ethics/ethical standards refer to all activities, assuring that all shareholders (employees, partners, distributors, suppliers) are treated fairly, with emphasis on human rights and diversity in the company. Ethical company is setting higher standards of behaviour, but also has in place effective monitoring, evaluating, and reporting systems (Epstein, 2004).
2. Governance principle focuses on leaders, CEOs' commitment to manage all resources conscientiously and effectively. Both, financial and human capital should be strengthened and increased, with consideration to all stakeholders. A clear mission should be widely understood and applicable to multiple stakeholders. Besides mission, strategy and other codes of conduct are communicated openly and clearly too all employees.
3. Transparency principle concerns revealing information to company stakeholders. Investors are promptly informed about products, services, and activities in order that stakeholders are able to make informed decisions.
4. Business relationships are seen as long-term relationship, with encouraged reciprocity. Companies value loyalty, quality and also social, ethical, and environmental performance.
5. Financial returns to investors and lenders are competitive, while still offering protection of company assets. Strategies should encourage growth and equality in regard to serving the interests of all stakeholders.

6. Community involvement and economic development represent proactive improvement of area in which the companies work. They keep doing so by being sensitive to the culture, context and needs of the community. Overall, they are creating a better place to live and work.
7. Value of products and services. Companies are obliged to specify their relation and obligations to their customers. They are expected to deliver highest levels of product and service values, committed to customer satisfaction and safety.
8. Employment practices are encouraged to promote personal and professional employee development, diversity and empowerment. Companies are ensuring family-friendly work environment, competitive wages, safety, employee satisfactions and respecting international and industry standards.
9. Protection of the environment is seen through commitment to the natural environment. Companies are minimizing energy use, consuming fewer natural resources, creating less waste and harmful emissions. It is expected that the company complies with all existing international, national and local regulations.

All these principles are important when creating a sustainable strategy. If we want to implement all nine aspects, we need to understand that no model will include all of them. If we live those principles and want to address them in the new strategy, the model will only lead us to the result. Program logic models were developed with a purpose to define systematic sequence of inputs, activities, direct and indirect results, as well as the effects of the activities, which also allows systematic monitoring or control. As represented in the Figure 3, “A logic model is a systematic and visual way to present and share your understanding of relationships” (W. K. Kellogg Foundation, 2004). The sustainability measures are developed during the process of the model, meaning we can monitor what we have put in the activity, how efficiently the activity was performed, and what are the measured impacts of the activity.

*Figure 3: The basic logic model*



*Source: W.K. Kellogg Foundation (2004).*

Over the years, CSR and CSR-related models often applied only two aspects: society and environment. Perhaps, this is partly why so many companies postponed the integration of sustainability into their process. It was when the new models showed and argued that

economic performance is also a key step to be followed. Here we have to distinguish between economic and financial performance. Economic performance relates to creating and maintaining jobs, supporting local entrepreneurs, fair trade etc. Financial performance, on the other hand, is reflected in revenue growth, cost management, and profit growth. The purpose of sustainability business strategies is connecting the two dots, sustainability (environmental, social and economic) performance and financial performance simultaneously.

Successful contemporary strategies integrate these implications. The Corporate Sustainability Model, designed by Epstein and Rejc Buhovac (2014) (see Figure 4<sup>7</sup>) captures the cause-and-effect relationships between sustainability performance and financial performance. The model includes the drivers of corporate sustainability performance—inputs and processes which affect sustainability performance, stakeholder reactions, and finally the financial performance:

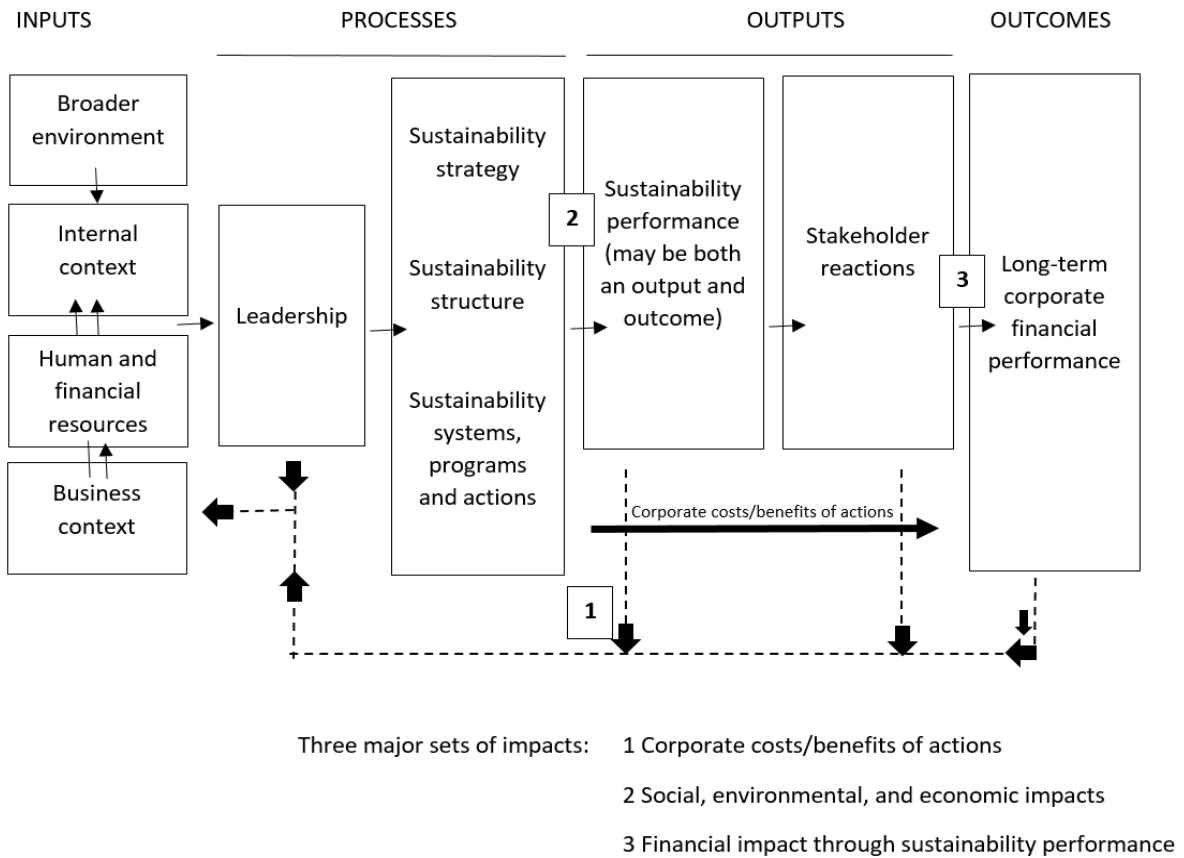
- The inputs of the model are broader external context (government regulations, environment, geographical location); internal context (mission, vision, strategy, structure, systems); business context (industry, customer, competition, products), human and financial resources. It all starts with understanding the existing initiatives of key employees and managers regarding actions which need to be taken to improve corporate sustainability.
- After understanding inputs and their effects on sustainability and financial performance, leadership can create sustainability strategies, reorganize and adopt management systems which will improve sustainability performance (outputs).
- Stakeholder reactions should impact corporate financial costs and benefits of actions; social, environmental and economic impacts and long-term financial impacts through sustainability performance.

---

<sup>7</sup> The Corporate Sustainability Model was first introduced in Epstein and Roy (2001) “Sustainability in Action” and revised in Epstein (2006) “Improving Organizations and Society”



Figure 4: The Corporate Sustainability Model



Source: Epstein & Rejc Buhovac (2014).

Looking to the Corporate Sustainability Model, we will show that leadership will always encourage the change. Once management adopts the model, we can change processes in the company, starting with redefining the strategy, aligning organizational structure with the new sustainability strategy and developing systems, which will encourage employees to act in a more sustainable way. If strategic team executes those strategic changes/activities as defined, we can expect sustainability performance to increase. Sustainability performance may relate to small changes such as better waste management and water treatment or bigger changes such as new sustainable products, services or business models. When we achieve the desired results, we have to communicate them to stakeholders using different channels. We communicate mostly social results, such as reputation, satisfaction of clients and employees, higher sales and of course working with community. As a result of those activities and the feedback we get from the community, the company can achieve lower costs, creates more in sales and this leads us to the positive financial aspect of the model (Epstein & Rejc Buhovac, 2014).

The model represents three major areas affected in the sustainable transformation of the company. First point connects the processes with financial results and points out that we can use the model to control corporate costs as well as the benefits of sustainable actions. The

second point relates the processes with sustainable results, showing that results coming from the field of social, environmental or economic part of the company can also be the company's goal (as opposed to aiming only for profit or increased revenue). The third point strives to show that sustainability performance brings us directly to positive financial outcomes. Of course, if this is ongoing process with feedback from different stakeholders, we achieve even more. This model serves as a basis of transformation. With the right input, for example with high engagement of the owners through communication or leading by example, we already achieve higher engagement of employees for sustainable transformation. The process begins with a decision by executives, the board of directors and the owners. They decide on whether the company should be sustainable, how they should do it, and most important, which and how many resources are available to make company sustainable.

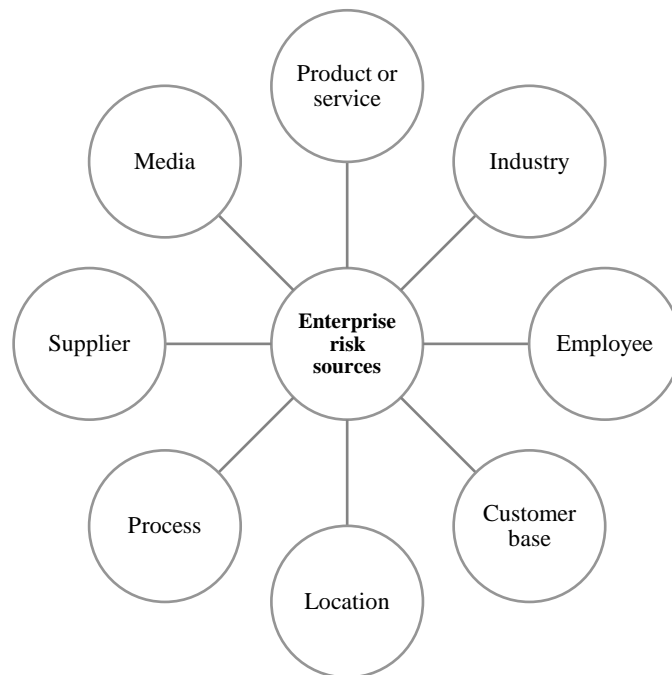
An important prerequisite for successful development sustainability business strategy lies in the commitment of the Board of Directors and CEOs (see Figure 4). Their leadership plays a key role, as current business goals and business strategy need to be adapted and aligned with corporate sustainability. Not only managers' motivation, but also their ability to recognize internal barriers and foster innovation will contribute to corporate sustainability and financial performance (Lampikoski, Westerlund, Rajala & Moller, 2014). They are also the ones who should lead by example and communicate values and boundary conditions (Epstein & Rejc Buhovac, 2015). They need to ensure that employees completely understand the concept of sustainability (Silvestri & Gulati, 2014). Companies' lack in downward harmonisation of the concept is shown in the survey conducted by Bonini, Gerner and Jones (2010), where only 30 per cent said that their organization invests into sustainability and implements sustainability into their everyday business practices, and only 16% said their companies actively shape relevant regulation.

Peloza, Loock, Cerruti and Muyot (2012) empirically proved that companies which integrate sustainability into their culture and business practices, gain at communicating about their performance on sustainability. Communication to key stakeholders (employees, customers) needs to be clear and consistent, ensuring that all employees are involved. Not only informing but also delegating tasks among employees, where we choose members based on their knowledge and experience with sustainability, will contribute to culture, where company is learning and is open towards innovation in sustainability (Silvestri & Gulati, 2014; Chatman & Cha, 2003).

Successful implementation of the Corporate Sustainability Model requires managing sustainability risks. These include social and political risk sources, which depend on a company's sector, industry characteristics, products, location, service or a product, and employees (see Figure 5). Often, companies feel the urge to develop and expand to different markets and become global. With awareness of cultural differences, companies try to act locally, but this presents challenges especially while trying to optimize processes and products throughout the company's network. When preparing new strategies, we try to make the corporate sustainable strategy applicable for all companies and cultures in the network.

Considering threats or geographical differences can also be of help when identifying opportunities for innovation. When risks and on the other side opportunities are identified and prioritized, it is up to the managers and key personnel to decide how the company or its product should react, change or perhaps change the market entirely. This can also serve as initial thinking about materiality matrix, which will be discussed later on. Risks (or opportunities to grow) can also be divided into two groups: risks to society that can create dissatisfaction and other risks that could negatively affect the company. By recognizing the importance of the risk, we can estimate the effect on profitability.

*Figure 5: Sources for social and political risks*



*Source: Epstein & Rejc Buhovac (2014).*

A growing number of companies such as Nike, P&G, The Home Depot and Nissan think about sustainability as an opportunity to address market needs and as a strategy for addressing risk (Epstein, Rejc Buhovac & Yuthas, 2015, pp. 35–45). Whenever considering corporate sustainability, they strive for positive financial performance, yet those actions also have a strong emphasis on social and environmental performance. The managers in these companies say that they are deciding in favour of financial performance whenever financial performance is in conflict with the social and environmental performance. However, at the same time, they are acting in a way that is good for sustainability (by avoiding actions that would be really bad for sustainability). In these companies, managers are pursuing both goals simultaneously (Epstein, Rejc Buhovac & Yuthas, 2015).

## 2 LOTRIČ METROLOGY

### 2.1 Company introduction and financial performance

LOTRIČ Metrology is a family-owned company with 160 employees. Even though the roots of one of the laboratories go back to 1923, the company was established in 1991 by Marko Lotrič and his wife, Mojca Lotrič. They mainly worked in the field of calibration of scales, weights and pipettes. With a firm vision, the company continued to progress. It promoted changes in the regulation of metrology, greatly contributed to the development of metrology in Slovenia and to the image it has today. Today, the LOTRIČ Metrology Group brings together over 160 metrology professionals employed by eleven companies in seven countries. Clients entrust responsibility of their measures to LOTRIČ. This frees up resources for them in order to focus on their core business and its dynamic development.

The vision of the company applies to both key customers and the general public in Slovenia and abroad. It is lived by all employees, whether in the work process or in contact with the client. Their vision is “When you think of measurement, you think of LOTRIČ Metrology”. To achieve the mission: “We are expanding the circle of trust. With accurate measurement and testing specialists we expand the culture of excellence” the company utilises their key competitive advantage – the trust of their clients.

Their core business is calibration, where 199 methods are accredited. They are therefore placed them in the very top of metrology businesses in Europe. They are also a strong contender in the field of testing and conformity assessment. Company is the leading provider of all-in-one metrology solutions, meaning that for most clients, they are able to meet 95% of all their metrology needs. Besides service, they also represent 29 providers of the highest quality measuring equipment. Soon you realize why they say that people are their biggest asset. Calibration is performed by professionals with state-of-the-art equipment either at the client's location or in accredited laboratories.

In 2019, the company performed 63,962 metrological reviews, which is 18% more metrological inspections than in 2017. The company experienced growth in terms of metrology checks performed, revenue growth (33.8%), as well as an increase in the number of employees from 52 to 66 (26% growth). Successful and safe growth is possible through monitoring and responding to rapid changes and trends the market brings. The company has been focused on selling services for 25 years. A breakthrough was achieved in 2015, when they have strategically focused on the development of their first product - EXACTUM® and first Development Strategy. This was the first time that a group set a target of 50/50% sales of products and services. In the past three years, the company achieved a 30% ratio of sales of goods and 70% of sales of services. All this is possible only through high investment in development, for which the company spends on average 10% of revenue annually (Lotrič, 2019).

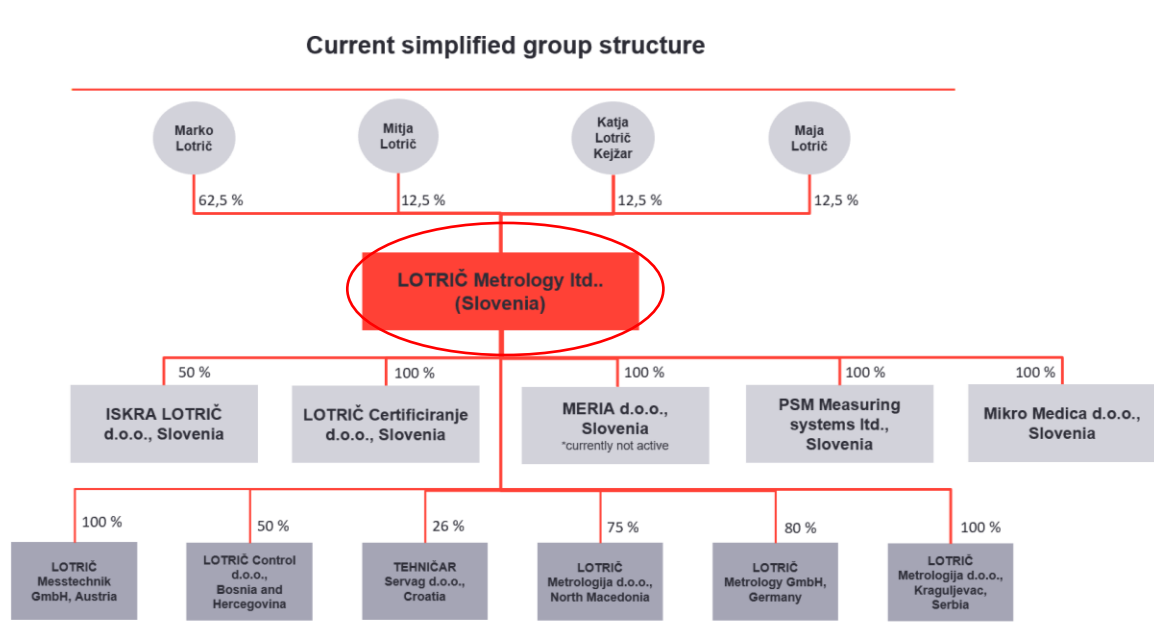
Customer segments are divided according to the needs for their services: mobility, pharmacy, metrology laboratories, medicine and industry. The graph below shows sales by individual segments. LOTRIČ Metrology has 10,983 active customers in its database, which are highly dispersed. Nevertheless, they reach 50% of sales through 25 key customers. On average over 1,036 measurements of clients are in the safe hands of LOTRIČ Metrology Team at any given time. Managing the risk of customer dependence is also one of the strategic tasks, as the largest customer affects 14% of annual turnover, despite the increased volume of cooperation in recent years.

The fields of the automotive and pharmaceutical industries are developing the most, as the Slovenian industry is transforming in these fields as well. Clients have strategically decided to enter foreign, even more demanding markets, new standards have been introduced and now all of them are facing increasingly stringent requirements and customer pressures on product quality. Long-term cooperation and following clients to foreign markets is the key to success for all employees. Thus, one of the key parameters that they monitor three times a month is the plan of the next check. The plan is achieved in 92.2% of cases, which means that the vast majority of measuring tools return for calibration to the company. LOTRIČ's metrology certificates are now internationally recognized as a guarantee of credibility in 47 countries. Export represents 15% of sales.

Companies trust us with all their measurements, therefore companies usually sign a long-term cooperation agreement to manage costs, time and worries. In Slovenia, their recognized competitors are companies which, however provide/sell only part of the offer. Those are Alba Ltd., Mikro + Polo Ltd., SIJ Ravne Systems Ltd. etc. Competition also comes from the public sector, namely SIQ in the area of technical inspection criteria. However, the group is outgrowing Slovenian borders, therefore it is also facing bigger competitors. Much bigger companies or corporations such as Hexagon, Trescal, Testo and others are active in the global market. This will influence the group's response and a change in the business model will be necessary in order to continue to be successful in all the markets where the group is present.

LOTRIČ Metrology is a family-run business company. In 2017, the family, with the help of experts, decided to start planning a succession to three children already employed by the company. Thus, the company takes a responsible long-term perspective in business. The table shows the present ownership structure and organization of companies within the group. In this master thesis, we set the strategy for the LOTRIČ Metrology, also circled in the figure below.

Figure 6: Group organizational structure



Source: LOTRIČ Metrology (2020).

The management team believes that traditional values have played an important role in ensuring dynamic and sustainable growth. Besides values (see Figure 5), acting according to the ISO 17025 and ISO 17020 and following best practices such as implementing the EFQM model, have definitely been steps towards excellence. However, as the managing director often emphasises, the essence are the people. Therefore, the company is actively engaged in activities and obtaining certificates such as the Family Friendly Enterprise Certificate.

Company also received numerous awards and recognitions in recent years, mainly in the field of innovation (Najinovacija Gorenjske), best employer (Zlata nit), and most recently in 2020, PRSPO - highest recognition for business excellence, given by the Republic of Slovenia.

In its 29-year history, the company's strategy has been adapted to market needs and capacities. When they reached the last milestone in 2015, a development strategy was developed together with key employees. The strategy of the company defines key directions, which significantly impact investment, efficient human resources management, globalization of the company and its presence in at least seven markets by 2020, and the direction of development and sales of their own products. Before the strategy, LOTRIČ Metrology was going through different life-cycle steps, and in 2006, their General Director decided to introduce the EFQM Business Excellence Model. It enforced and encouraged the Corporate sustainability Model in five different life-cycle stages, pictured in the Figure 7.

Figure 7: Strategic focus of LOTRIČ Metrology throughout the years

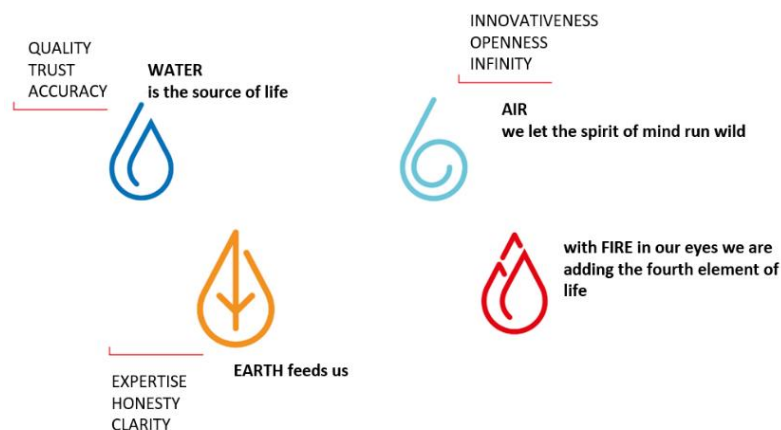
1991 - 1998	1999 - 2004	2005 - 2010	2011 - 2015	2016 - 2020
QUALITATIVE METROLOGY CHECK AND SERVICE	CONFIRMED TECHNICAL QUALIFICATION	LEADING METROLOGY LABORATORY	REFERENCE LABORATORY	DEVELOPMENT STRATEGY
Acquisition of technical knowledge Introduction of a quality management system	Becoming the accredited laboratory Building a modern premise	Scaling business Development and strengthening of marketing	Development of corporate ERP system named Qtree Starting to establish companies abroad Development of partnerships	Digitization Effective HR management Redefining processes Development of own products Establishment of turnkey laboratories Strengthening the brand through social responsibility Adoption of a family constitution Sales and marketing strategy

Source: Own work.

## 2.2 LOTRIČ Metrology sustainability performance

LOTRIČ Metrology is a family business that puts values at the forefront. The CEO together with his wife, the deputy director, from the very beginning of the establishment transfer the family atmosphere and values to all employees daily. Through their actions, decisions, thinking and personal experience, they positively influence and encourage leadership and all colleagues. Therefore, trust is the most appreciated value, both among employees and in relation to customers and all stakeholders. Sustainability is already today part of the company's everyday operations; it is strongly supported by the 4 corporate values (see Figure 8). They believe in the power of knowledge, networking and continuous improvement. The company defines its values within the company philosophy, which is encompassed in three building blocks, the elements of life: water, earth and air. With fire in their eyes, they add the fourth element.




Figure 8: LOTRIČ Metrology corporate values



Source: LOTRIČ Metrology (2017).

Several good practices of sustainability will be introduced in this master thesis. All of them influence different survey participants' perception of our company (employees, business partners, people living in the area). The activities are represented in the table 1.

*Table 1: Key sustainability activities performed in the company today*

EVENTS	PLAN OF HEALTH PROMOTION	GIFTS
<ul style="list-style-type: none"> <li>• Blood donation event, organized by LOTRIČ Metrology Ltd.</li> <li>• Yearly New Year's dinner</li> <li>• Autumn picnic for employees and families</li> <li>• Annual excursions abroad, visiting subsidiaries or institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Advice on healthy living, including advice on healthy eating, exercise, and healthy lifestyle (monthly email)</li> <li>• Pilates. The activity is performed once per week in the afternoon at the headquarters of the company.</li> <li>• Office yoga (10 minutes of guided relaxation exercise once every two weeks)</li> <li>• Warm healthy meal once per day.</li> <li>• Healthy snacks. Available every day (season fruits).</li> <li>• A picnic for employees and family members with sports activities. Once per year in spring for employees and family members with sports activities.</li> <li>• Picnic for employees with sports activities. Once per year ( in late summer) picnic for employees with sports activities (hiking, biking, badminton)</li> <li>• Providing a healthy workplace. Adequate office equipment, appropriate protective clothing and equipment for field work.</li> <li>• Checking the air quality. Constant air monitoring in offices and laboratories through our innovation EXACTUM.</li> <li>• In all offices, there are plants, providing better air in the premises. Our windows open to a view of nature, where employees can rest their eyes after focusing on their PCs.</li> <li>• Every morning before the workday, there are hot drinks available. Same goes for the ten-minute break at 12.30. In the morning we meet at 06:55 in the kitchen, where we inform one another about the current developments in the company.</li> <li>• Provide enough fluids (non-alcoholic drinks, coffee, tea).</li> <li>• Ionized water available.</li> <li>• SPACE AWARD. Encouraging and engaging employees to participate in improving the organization of work and the working environment as well as technical improvements.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual gifts for co-workers on Women's Day, All Martyrs day, Saint Nicholas day</li> </ul>

*Source: LOTRIČ Metrology, 2020.*

LOTRIČ Metrology cooperates with more than 16 institutes and universities, which resulted in the participation in drafting a number of industry policies (LOTRIČ Metrology, 2017). Furthermore, in 2011, LOTRIČ Metrology received the Slovenian award for corporate social responsibility. Even at that time, the company was recognized for the positive impact they have on employees and the environment. The company is already performing a number of activities, which improve the wellbeing of all stakeholders. However, to approach these activities more strategically, they decided to transform the current business strategy into a sustainable strategy. To understand the current situation, I have prepared Table 6, where all main activities, products and services which focus on sustainability are presented.

### **2.3 LOTRIČ Metrology corporate strategy 2017-2020**

One of the first steps towards corporate strategy was made in 2006. Changes can only be achieved by leading by example based on a clear vision, values and integrity. Three levels of leadership were introduced to make a significant change in decision-making, and, in accordance with the company's' philosophy, three teams were appointed:



- Team Modri (the Clever Ones), led by Sales and Marketing Manager,
- Team Precizni (the Exact Ones), led by Technical Manager,
- Team Prijetni (the Nice Ones), led by R&D Manager.

Up until today, they report directly to the managing director and are Board members, they link the work in teams, evaluate the actual performance of all team members and are also responsible for the sustainable development of the company. Each team is further divided into sub teams based on their field of work, where heads of areas are responsible for controlling measurement procedures, developing new methods, monitoring the results, achieving results and environmental protection.

In 2017, the management group of LOTRIČ Metrology, together with key employees – heads of departments and experts from various fields including sales, laboratory and IT area, developed a first formal corporate strategy for the period 2017–2020. The methodology by which we encouraged strategic thinking, was the Balanced Scorecard 3<sup>rd</sup> Generation. Our aim was to include all leaders and all other employees, whose opinion is widely supported amongst other co-workers regardless of their position within the company’s hierarchy. This was our first experience in building a strategy.

After identifying key strategic issues, a **Destination Statement** (see Table 2) was created reflecting on how LOTRIČ Metrology will look like on the target day (31. 12. 2020). The Destination Statement is divided into four aspects: (1) expectations of key stakeholders (owners of the company and customers); (2) external relationships; (3) internal business processes and core capabilities and (4) organizational structure, culture and resources, describing the organizational, human and technological development of the company (see Table 2 below).

*Table 2: LOTRIČ Metrology Destination statement 2020*

Code	EXPECTATIONS OF KEY STAKEHOLDERS
KD1	Share of profit in total revenues is 10 %
KD2	We have a 20 per cent higher hourly efficiency
KD3	Added value per employee in LOTRIČ Metrology Slovenia is €60,000
KD4	The total turnover of LOTRIČ Metrology Group is €15 mil, of LOTRIČ Metrology €9 mil
KD5	Cash flow is assured for one month in advance, we manage operating costs
KD6	After the establishment of a subsidiary, they run independently and are profitable
KD7	We have established our own subsidiaries in Germany and Italy, and our representatives are present in at least 20 countries
KD8	LOTRIČ Metrology group is the first choice for providing metrology solutions in at least 50 large international companies
KD9	The ratio between sales of products and services is 50 : 50
KD10	When you think of measurement, you think of LOTRIČ Metrology

*Tables continues*

Table 2: LOTRIČ Metrology Destination statement 2020 (cont.)

<b>Code</b>	<b>EXTERNAL RELATIONSHIPS</b>
ZR1	We have a clear policy of cooperation with proven suppliers for the entire LOTRIČ Metrology group, which is based on mutual cooperation
ZR2	EXACTUM and QTREE are actively involved in the investment plans of the major operating systems
ZR3	Development and operating partners identify LOTRIČ Metrology brand as a trustworthy reference
ZR4	We are participating with partners in the preparation of standards and regulations, which dictate the trends of metrology
ZR5	50 per cent of the development is covered by tender of other external sources. The aim of a project is a development of a service or a product
ZR6	Our brand and field of work (metrology) are advertised and expanded through the world renowned media and applications
ZR7	Various educational institutions are including us in their curriculum
ZR8	All subsidiaries have national accreditation. LOTRIČ Metrology group services are based on accredited and standardized procedures
<b>Code</b>	<b>INTERNAL BUSINESS PROCESSES AND CAPABILITIES</b>
NP1	EXACTUM is internationally recognized as the most intelligent automatic control system
NP2	Major investments are supported by market analysis or business plan
NP3	Administrators of processes have been set
NP4	QTREE has allowed us more efficient, reliable and qualitative processes
NP5	In accordance with 4.0 industry, 10 per cent of our processes are handled robotically
NP6	Sales people, support staff and people working in lab have established good communication, and exchange knowledge on technical and sales data
NP7	People working in laboratory and sales people are cutting-edge specialists, support staff has general knowledge within their departments
NP8	LOTRIČ Metrology and LOTRIČ Certification are one company
NP9	We strive to develop and sell new products based on our knowledge and know-how
NP10	Marketing mix is annually revised
<b>Code</b>	<b>ORGANIZATIONAL STRUCTURE, CULTURE AND RESOURCES</b>
OSKR1	We have established new departments: manufacturing, international department and centralized PR
OSKR2	Parent company has centralized development processes
OSKR3	EFQM model of business excellence has been introduced within the entire group and the group works accordingly
OSKR4	Appropriate planning work and project management, provide high efficiency and satisfaction of all employees
OSKR5	Heads of departments are actively involved in the management, their successors are defined

Tables continues

Table 2: LOTRIČ Metrology Destination statement 2020 (cont)

Code	ORGANIZATIONAL STRUCTURE, CULTURE AND RESOURCES
OSKR6	With a clear systems of bonuses and annual interviews, we have strengthened the high commitment of employees
OSKR7	At least 3 people actively speak the language of ADI countries, 80 per cent of employees speaks English. Tutors and adult learners systematically transfer knowledge to other employees
OSKR8	The cornerstone of the LOTRIČ Metrology group are family values which reflected in the positive relations within the company and between companies in the group
OSKR9	Family constitution governs the property relations

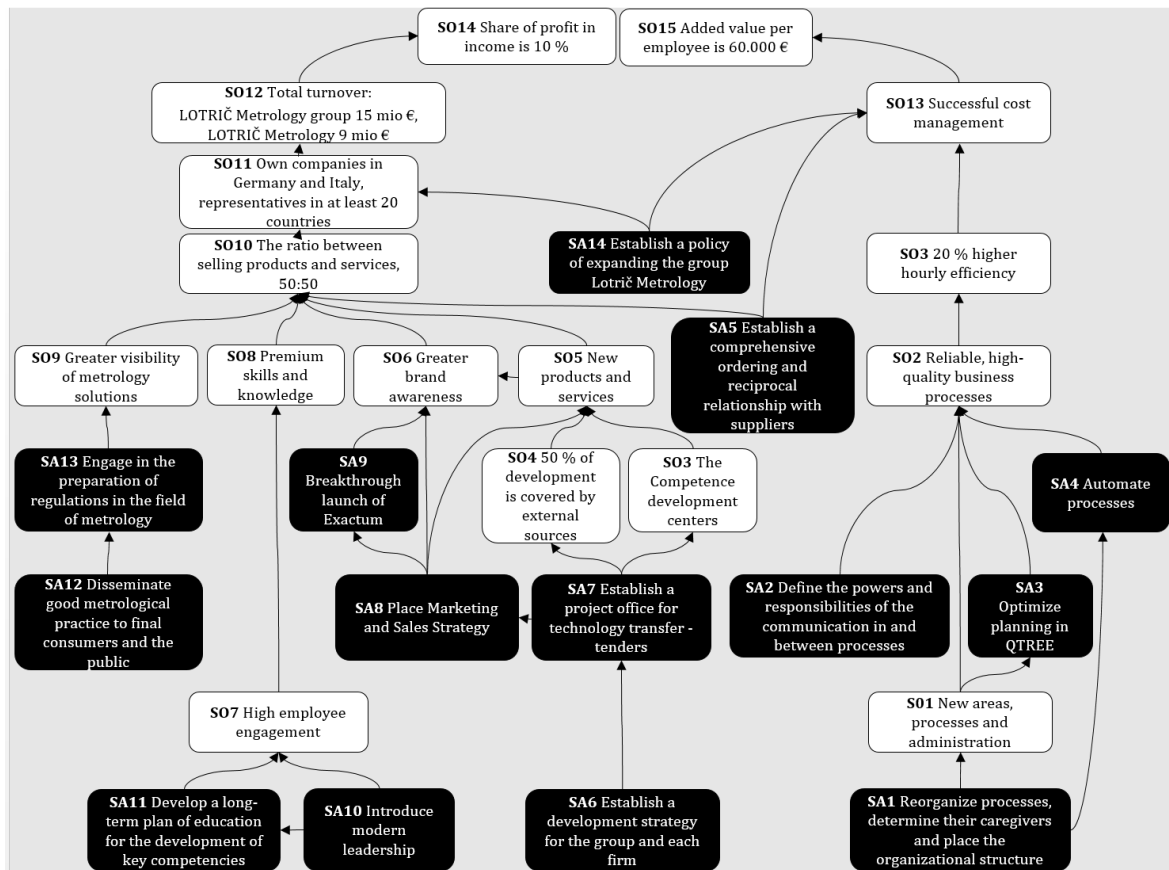
Source: LOTRIČ Metrology (2016).

Based on the Destination Statement, a strategy map was developed (see Figure 9 below). At the end of 2020, the group LOTRIČ Metrology, will achieve five key deliverables:

- 10% share of profit in revenue.
- Added value per employee in the amount of €60,000.
- The total turnover of LOTRIČ Metrology Group in the amount of €15 million and LOTRIČ Metrology in the amount of €9 million.
- With this growth, the group will be able to successfully manage the costs.
- For such a high total turnover it is essential to realize a higher ratio of sales of products and services, namely 50:50, while setting up daughter companies in Germany and Italy and engaging at least 20 worldwide representatives.

Strategy is somehow divided into two parts: growth in turnover, based on new products, even more comprehensive services and meanwhile efficient cost management, which gives opportunity to perform profitable operations. A graphic presentation is pictured below, called a strategy map, which is designed to explain cause and effect relationship between strategic activities (SA) and strategic outcomes (SO).

Figure 9: Strategy map of LOTRIČ Metrology Group 2017-2020



**Legend:** SA – strategic activity,  
SO – strategic outcomes

Source: LOTRIČ Metrology (2016).

Strategic activities were documented containing the appointed owner, team members, the sequence of tasks and risks that may prevent successful execution of strategic activities (see Table 3 for example).

Table 3: Strategic activity SA9 Breakthrough launch of EXACTUM

Strategic activity	SA9 Breakthrough of EXACTUM
Administrator	<b>Maja Lotrič</b>
Description of the successive steps	<ol style="list-style-type: none"> <li>Analyse competition, potential markets and customers</li> <li>Establish pricing and sales policy, including sustainable solutions offered by EXACTUM</li> <li>Develop a sales plan (from the incoming demand, production, installation to maintenance)</li> <li>Attend conferences</li> <li>Obtain references</li> <li>Expansion of a network of agents</li> </ol>
Risks	<ul style="list-style-type: none"> <li>- Uncontrolled expansion can cause bottleneck in the laboratory</li> <li>- High costs of expansion</li> <li>- Inadequate educated employees</li> <li>- Insufficient staff for maintenance</li> </ul>
Team	<i>Jure Thaler, Žiga Klančar, Tajo Oranič, Klemen Čufar, Urška Habjan, sales team</i>

Source: LOTRIČ Metrology (2016).

For a successful implementation of the strategy, a timeline of strategic activities was prepared, enabling the management team to coordinate owners and oversee their conduct. A sample of timeline is presented in Table 4.

Table 4: Timeline of strategic activity SA9 in the strategy of LOTRIČ Metrology group

Code	Strategic activity	2017												2018												2019											
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
SA9	Breakthrough of EXACTUM	●—————●												.....												.....											

Solid line represents the duration of the strategic activities, such project has a beginning and an end; black dashed line represent the duration of the strategic activities as a process that became part of business process

Source: LOTRIČ Metrology (2016).

When the management team confirmed the strategy, it was important to develop indicators for the control of strategic activities (see Table 5). Strategy provided a strong foundation for measures and for aligning the objectives of various units in an organisation. Indicators (e.g. measures) were developed to control SA – strategic activities and SO – strategic outcomes.

Table 5: Indicators for the control of strategic activities - example

Code	Strategic activity	Current results	2017	2018	2019
SA9	Breakthrough of EXACTUM	Gross margin of EXACTUMA sales The number of investment plans of the major operating systems, in which EXACTUM is incorporated and/or assembled Number of EXACTUM dealers			

Source: LOTRIČ Metrology (2016).

### 3 TRANSFORMING CORPORATE STRATEGY INTO SUSTAINABILITY STRATEGY

The biggest question is how to transform corporate strategy to include sustainability, not only on paper, but in real life throughout the company. Companies can choose between two strategies: they can play to win or play not to lose (Epstein & Rejc Buhovac, 2015) (see Table 6).

*Table 6: Play to win vs play not to lose strategies*

Play to Win	Play not to Lose
Strategy that relies on opportunities and breakthrough innovations – being bold	Strategy that relies on mitigating risk and incremental innovations
Moves from check book philanthropy to strategy for combined social and financial benefits	Ensures the company maintains license to operate
Transforms the organisation and creates market-changing ideas and products	Focuses on capitalising on company resources and capabilities to simultaneously improve social and financial performance
Uses and builds capabilities throughout organisations	Reduce risk while analysing opportunities to shift to Play to Win

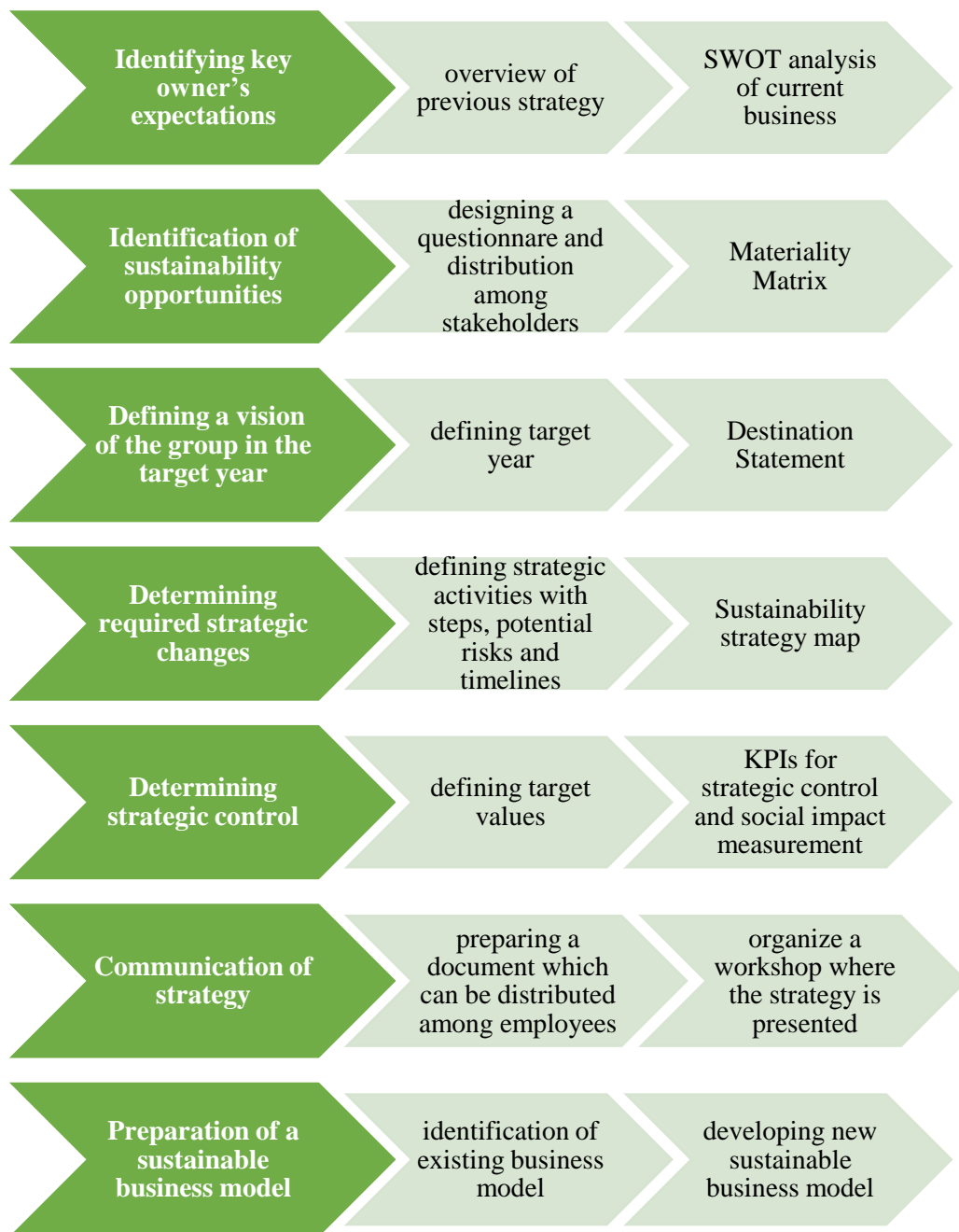
*Source: Epstein & Rejc Buhovac (2015).*

The real drivers of successful sustainability implementation are balancing financial and sustainable goals of the company, designing sustainable business model, leadership and organizational culture. First, managers need to understand the key interrelationships and key metrics of key stakeholders. Once this is understood and incorporated in company strategy it also becomes a tool to minimise possible future costs, concerns or legal claims addressing sustainability (Carroll, 1979). Management is key to a successful transformation. They will prevent most of conflicts in senior or middle managers with leading by example. They also influence innovativeness and creativity, which serve as building blocks of the company. Third, we cannot do much about sustainability if a company’s products or services are not supporting the strategy. Therefore, it is vital to try to identify new product features, new processes or user guidelines. Openness to innovation must permeate all of the company (from raw material, production, logistics, marketing) – from technological innovation to business model innovation. We can also define that as organizational culture, where we see how strong the cooperation between employees is, how open they are to change, or on the other side how much responsibility they can take.

In 2019, LOTRIČ Metrology was encouraged to apply for public tender **Promoting sustainable business strategic transformation in the development of new business models in Slovenian companies for easier integration into global supply chains**. After a successful application, we began the process with the same facilitator as in year 2016 and using the same method, which was important to ensure the understanding of the process and trust in the outcome. In 2019, however, we included more employees in the process and conducted more meetings and workshops. My role in the process was as coordinator between facilitator and the group which prepared the sustainability strategy. This means that I have

prepared all the application forms in the beginning, organized interviews, coordinated the work of the team, prepared all the calculations and finally presented the results in front of the LOTRIČ Metrology group, at its annual gathering. We have also determined the timeline to be from beginning of 2020 up to the end of year 2025. Below, you can find the description of the workshops. Besides that, we have also conducted several meetings, usually between the board and the facilitator, where we aligned certain topics such as key performance indicators, how to communicate strategy etc. In the Figure 10, I present the process of designing the strategy.

*Figure 10: The process of preparing sustainability business strategy*



Source: Own work.

### 3.1 Key owner's expectations relating to sustainability and financial performance

In order to start thinking of where the group wants to develop, it is urgent that owners define their expectations. In this case, the ownership belongs to the Lotrič family, where the majority of share is held by the CEO, Marko Lotrič. His key expectations can be summarized in four points:

- **Employees:** Employees are recognised as one of the key assets of the group. Therefore, it is crucial to continue to invest into knowledge and training of employees and at the same time have united values, which come into clear perspective when there are critical decisions to be taken.
- **Products and services:** In the field of products and services, we wish to follow trends in the industries such as pharmaceutical and food industry and develop new services with higher added value. The services are developed in one of the companies in the group, that is LOTRIČ Metrology and then distributed throughout the entire group through Qtree (ERP of the company). The owner's wish is also to strengthen the sales of own products.
- **Processes:** There is a clear lack of digitalization in the fields of planning, ordering and logistics and marketing. Therefore, there is a need to invest in those areas. Besides internal processes, also customer's processes of order, approval of certificate and storage of certificate can be digitalized.
- **Business development:** One of the activities in the future will be reorganising the group formal organisation into holding. This will enable the group to safely grow also in foreign markets. The idea is to establish a group of companies or even partner with complementary companies in the more saturated markets.

### 3.2 Strategic analyses

The starting point for analysing the competitive position of the company on the market was to discuss the key elements of competitiveness in the industry. Participants were divided in four groups based on their work: (1) Programmers, (2) support services – sales, administration, (3) laboratory engineers, laboratory managers and other professionals and (4) management team<sup>8</sup>. We aimed to see the views of various profiles of employees, talk about potential differences and achieve consensus on what are key challenges for LOTRIČ Metrology group. Each group was required to make one part of the SWOT analysis. After they have finished, they passed their understanding forward. This is also known as a World Café method, where we can have a structured conversation about one topic.

Overall, all of them agreed and identified 22 advantages, where we present the main ones:

- We are professional and honest in our work, which has long-lasting positive effects - customer loyalty, confidence in results.

---

<sup>8</sup> Under appendices you can find some photos.



- We have many accredited procedures; therefore we can be identified as one of the top laboratories in Europe.
- Customers appreciate our responsiveness and adaptability to customer requirements.
- We know the specifics of individual industries in relation to metrology requirements.
- LOTRIČ Metrology has high-tech laboratories.

There were 19 key disadvantages recognised, where we can summarize:

- We do not have a system of motivation for different generations.
- Staffing policy is not yet fully implemented and digitally supported.
- The risk management system is only partially established (at the process level).
- We do not systematically review / use all available data.

Key opportunities were identified in 15 points, where they can be summarized in:

- Multinationals are looking for development partners.
- Customers are increasingly focusing on their own products and outsourcing.
- The business world is increasingly adhering to the guidelines of sustainable development.
- Industry guidelines / standards are increasingly paying attention to quality control and safety.
- Our clients' industries have a trend of connecting and acting together.

There were 15 recognised threats to which we can pay more attention; they are grouped in the following points:

- The arrival of multinationals is highly probable.
- Metrology legislation is changing too slowly in non-regulated areas, and in the regulated areas we are witnessing an extension of the period and the suspension of reviews.
- Lack of technical staff in the labour market - market needs and the school system do not match.
- Large parties (multinationals) are very mobile geographically.
- There is too much hostility and animosity between businesses in the local area.

### 3.2 LOTRIČ Metrology materiality matrix

The concept of materiality recognizes that information is important and is at the centre of sustainability strategies and its reporting. Information can be seen and understood from different perspectives. “Materiality is the threshold at which aspects become sufficiently important that they should be reported. Beyond this threshold, not all material aspects are of equal importance and the emphasis within a report should reflect, the relative priority of their material Aspects” (GRI, 2015). GRI developed a four-step process in defining materiality (see Figure...), which begins with the **identification** of the aspects, relevant topics and their boundaries which are further on used in reporting. Companies must balance the expectations

of key stakeholders, meet company's own standards or codes of conduct, local and international standards, and at the same time minimize corporate costs. Therefore, in the step of identification, managers should assess internal and external factors, to decide whether a sustainability strategy will be based on local or global standards (Epstein & Rejc Buhovac, 2014).

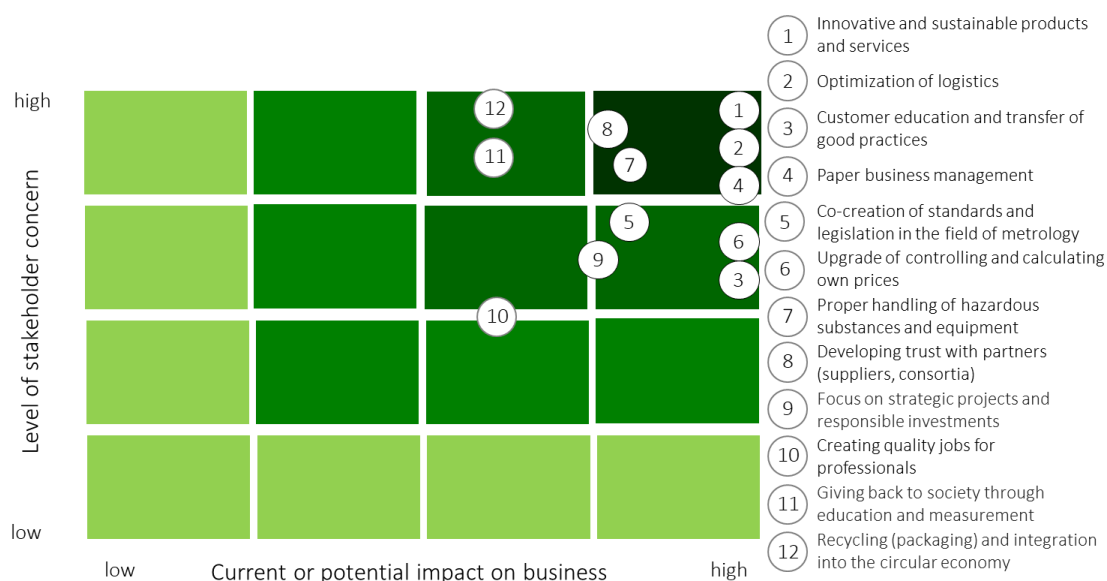
Due to the fact that the survey was conducted in 2017, we had to revise the results in order to set the right materiality matrix. The revision was performed on one of the workshops, and the results are shown in Figure 12.

To develop LOTRIČ Metrology materiality matrix, we had to identify key stakeholders. The agreement was that these include employees, business partners and people living in the local area. We have developed a survey questionnaire and launched it online. Survey took place over a period from 24. 11. 2016 to 24. 02. 2017. The survey was carried out through the website lka.si, and was distributed through different social networks, emails and there were a few interviews in person, especially for older interviewers. I gathered 112 complete answers, from which 55 are LOTRIČ Metrology employees, 21 from business partners and 36 from people living in Selška valley.

Survey analysis shows that key stakeholders expect (factor is important and relevant at the same time) good financial results and high value of products and services. An important fact in developing a sustainable strategy is also, that environmental protection and human resource management were pointed out as the second most important factor that company LOTRIČ Metrology should focus on. This input must be taken into consideration by the management team in the step of **prioritization** (see Appendix 3, Figure 16). Opinions of stakeholders present "stakeholder concern", which is expressed graphically on the vertical axis. On the horizontal axis the "impacts on LOTRIČ Metrology" Are presented, as seen by the management team. Sustainability strategy will therefore be a set of views and opinions.

Because the survey was conducted in 2017, we wanted to get a more up to date overview. More than 30 employees overviewed findings of the survey and agreed on most of the content. In order to get the right picture, each participant of the workshop listed at least three activities in each category (environmental, social and economic aspect of the business). By clustering those activities, we have come to 12 activities, which have current or potential impact on business. In the next step, we did an overlap between survey conducted in 2017, where we see the level of stakeholder's concern. The materiality matrix (see Figure 11) addresses only those activities with high level of stakeholder's concern and with high impact on business (Zadek & Merme, 2003).

Figure 11: LOTRIČ Metrology materiality matrix



Source: Own work.

As presented in Figure 12, it is crucial for LOTRIČ Metrology group to address activities in the upper right corner, which is based also on the vision, mission and values, as well as respect for the opinion of firms' key stakeholders: employees, business associates and community. By 2025, they agree to address the following 12 points:

- **Development of innovative sustainable products and services (1)** will be in place. Products and services will enhance and assure safety and quality of environment, people's lives, processes and final products which are used by company's stakeholders. Business effects are related to the brand and the income of the company.
- **Optimization of logistics (2):** more sophisticated logistics; by optimizing transportation the company will have a smaller environmental footprint, business effects will be cost-effective (savings on fewer staff duplications at locations, lower fuel costs) while also affecting branding and reputation;
- **Customer education and transfer of good practices (3):** Strengthening stakeholder skills is key to mastering their processes. With knowledge and experience, we will educate and share and our good practices through our services and products. This will affect our visibility, reputation, brand value and thus our revenue growth;
- **Paper business management (4):** We generate over 70,000 certificates annually, mostly in paper form today. In the future, digital tools will enable clients to access electronic certificates, while promoting e-invoicing, electronic document retention (introduction of ISO 27001) and electronic signature of delivery notes. This will, in the long run, result in better risk management, cost – cutting and reputation;
- **Co-creation of standards and legislation in the field of metrology (5)** is crucial in order to respond quickly to changes. Since we are innovators in metrology today, our involvement in these processes is also important in order for new professional

orientations to truly benefit the market. This will strengthen our reputation and help us manage our business risks;

- **Upgrading the controlling and calculations of own prices (6):** upgrade our existing balances to tools that help management make daily decisions. The calculation of own prices according to a single model and for all services or products in the portfolio is essential;
- **Proper handling of hazardous substances and equipment (7)** includes not only systemic measures but also raising awareness of all stakeholders (employees, customers, members of the interest community) encountering substances (viruses, gases, thinners, etc.) in their work and dangerous equipment (pressurized equipment, etc.). This will better manage operational risks and strengthen our reputation;
- **Developing trust with partners - suppliers, consortia (8)** developing new products or services will be based on transparent business operations and their involvement in important decisions. This will in the long run contribute to faster, more efficient development;
- **Focus on strategic projects and responsible investments (9)** is essential in the continued but controlled growth of a business. We are facing more major investments and new projects. We will focus on projects that add value to all stakeholders and are supported by a clear financial structure;
- **Creating high-quality jobs for professionals (10):** Developing and educating professionals is a process where we want to empower colleagues in their careers. In doing so, we create quality, secure and reliable jobs that enable them to grow;
- **Giving back to society through education and measurement (11):** we will systematically continue our integration into educational institutions from kindergartens to colleges - expanding our knowledge, skills, experience and strengthening our mission. This has a significant impact on our reputation and brand;
- **Recycling (packaging) and integration into the circular economy (12)** is key to mastering samples. We currently use plastic materials (bags, boxes) to send to customers. In the future, we will include more sustainable materials, thus promoting easy recycling or integration into the circular economy. It will have an impact on carbon footprint and reputation.

As we continue to develop the strategy, we have considered all 12 sustainability challenges of the materiality matrix. Proper management of harmful substances and equipment will also be integrated into all operational processes related to ensuring healthy working conditions and communicated as part of the promotion of health at work.

### 3.3 LOTRIČ Metrology Destination Statement 2025

The new Destination Statement was created with the target day 31. 12. 2025 (see Table 7). The same four aspects apply, but the : (1) expectations of key stakeholders (owners of the company and customers), in terms of financial performance (profit, turnover, value added,

market position, etc.); (2) strategic partnerships; (3) internal business processes and core competencies of the employees and (4) organizational structure, culture and resources, describing the organizational, human and technological development of the company. Besides destination statements there are also statements on the right-hand side of Table, which show sustainability challenge from the materiality matrix.

*Table 7: LOTRIČ Metrology Destination Statement 2025*

<b>Code</b>	<b>EXPECTATIONS OF KEY STAKEHOLDERS</b>
KD1	EBITDA is €2,3 mil.
KD2	Revenue in sales is €12 mil.
KD3	Value added per employee is €64,000.
KD4	Cash flow ensures regular operations and investment maintenance.
KD5	RVC ratio of sales of services and products: services 60 per cent, own products 25per cent, agencies 15%.
KD6	Exports represent 40% of operating revenues.
KD7	50% of the development is funded by major R&D projects.
KD8	We focus on developing high-tech products that are suitable for batch production.
KD9	We offer our clients new innovative niche products in metrology.
KD11	We are developing new high value-added services that are innovative and sustainable.
KD12	We use sister companies and larger partners (OEMs) to sell our products.
KD13	The MeOL electronic application enables customers to optimize monitoring of measuring equipment records, order and review and certify certificates.
KD14	All policies and strategies are shaped in the long term to strengthen our own brand.
KD15	We are known in Europe as a highly professional company that disseminates good metrology practices.
<b>Code</b>	<b>STRATEGIC PARTNERSHIPS</b>
ZR1	We have established a system of cooperation with verified suppliers and audited subcontractors, with whom we cooperate in the field of development.
ZR2	We are the supplier and user of the most technologically advanced equipment.
ZR3	We are an approved testing laboratory by automotive manufacturers.
ZR4	A Centre of Excellence for Sustainable Value Chains in Logistics has been established.
ZR5	Customers and Regulators (MIRS, SA) use our information infrastructure (QTree and MeOL).
ZR6	As a leading partner, we participate in several metrology projects in the domestic and international environment, in which we include established research institutions.
ZR7	We work on the creation of catalogues of knowledge and subjects at different levels of education.
ZR8	At the international level, we co-create standards, guidelines and laws in the field of metrology.
ZR9	Outsourcing of less profitable or complementary processes.
ZR10	We have a partnership with financial institutions.

*Tables continues*

Table 7: LOTRIČ Metrology Destination Statement 2025 (cont.)

<b>Code</b>	<b>STRATEGIC PARTNERSHIPS</b>
ZR11	The media regularly reports positive news about us.
<b>Code</b>	<b>BUSINESS PROCESSES AND CORE COMPETENCIES OF THE EMPLOYEES</b>
NPS1	We systematically analyse customer needs.
NPS2	An independent, own production (assembly) of serial products has been set up and has its own vendor.
NPS3	In all areas we achieve at least the CMC required by the market.
NPS4	QTree can be connected through other platforms / mobile applications; access to all technical documents (instructions, standards, etc.) is via QTree.
NPS5	Information-supported business processes enable efficient operation of support services.
NPS6	We have optimized planning from contract to execution, which includes forecasting periods of increased workload, availability of equipment and staff.
NPS7	With the help of new locations in Slovenia and increased market presence, we have optimized our logistics routes (EUR / km) by 20%.
NPS8	Scale calibration is partially robotic and runs automatically with the most advanced technologies.
NPS9	Its proprietary software with technical modules allows you to perform procedures in 95% without using other programs (Excel, Word, Office).
NPS10	Business and internal procedures are mostly paperless. We prioritize electronic certification for all clients.
NPS11	At least 50% of the products below 200 EUR that we offer online are sold online.
NPS12	5% of the value of product sales is completed online.
NPS13	An environmental management system (ISO 14001) is in place, which includes the proper management of harmful substances and equipment.
<b>Code</b>	<b>ORGANIZATIONAL STRUCTURE, CULTURE AND RESOURCES</b>
OSKR1	LOTRIČ Metrology is a subsidiary of LM Holding, which owns all the companies in the group and regulates the relationships between them.
OSKR2	A metrology park has been set up where we show our customers the equipment we manufacture and represent.
OSKR3	Through regional centres we are expanding our presence in Slovenia.
OSKR4	We are the recipient of the 7 Stars Award at the European EFQM.
OSKR5	An effective remuneration system is built into the salary system, with an average salary which is 20% higher than the average salary in Slovenia.
OSKR6	We are all highly professional in our fields; We regularly acquire new knowledge in training courses and systematically transfer it to our colleagues.
OSKR7	We have a system for effective problem solving and implementation of solutions.
OSKR8	Mutual communication is respectful and responsible — personal and through agreed communication channels.
OSKR9	Employees are clear about their work responsibilities and those of their colleagues.

Tables continues

Table 7: LOTRIČ Metrology Destination Statement 2025 (cont.)

Code	ORGANIZATIONAL STRUCTURE, CULTURE AND RESOURCES
OSKR10	Each manager and director is professionally and leadership-trained, has his or her deputy and directly below him are up to approx. 8 associates.
OSKR11	An independent human resources department efficiently carries out all human resources activities.
OSKR12	Assessment, rewarding, promotion and education are done through the human resources program.
OSKR13	Flexible working hours allow for better utilization of equipment and adaptation to clients, while also striking a better work-life balance.
OSKR14	We successfully manage costs according to a unified model of calculating our own prices for services and products and adjust prices to market conditions.
OSKR15	Financial indicators are available to decision makers daily.
OSKR16	The QTree product price list is updated regularly.
OSKR17	Budget by area is determined and implemented in accordance with the company strategy.
OSKR18	The development department is staffed and has a project manager.

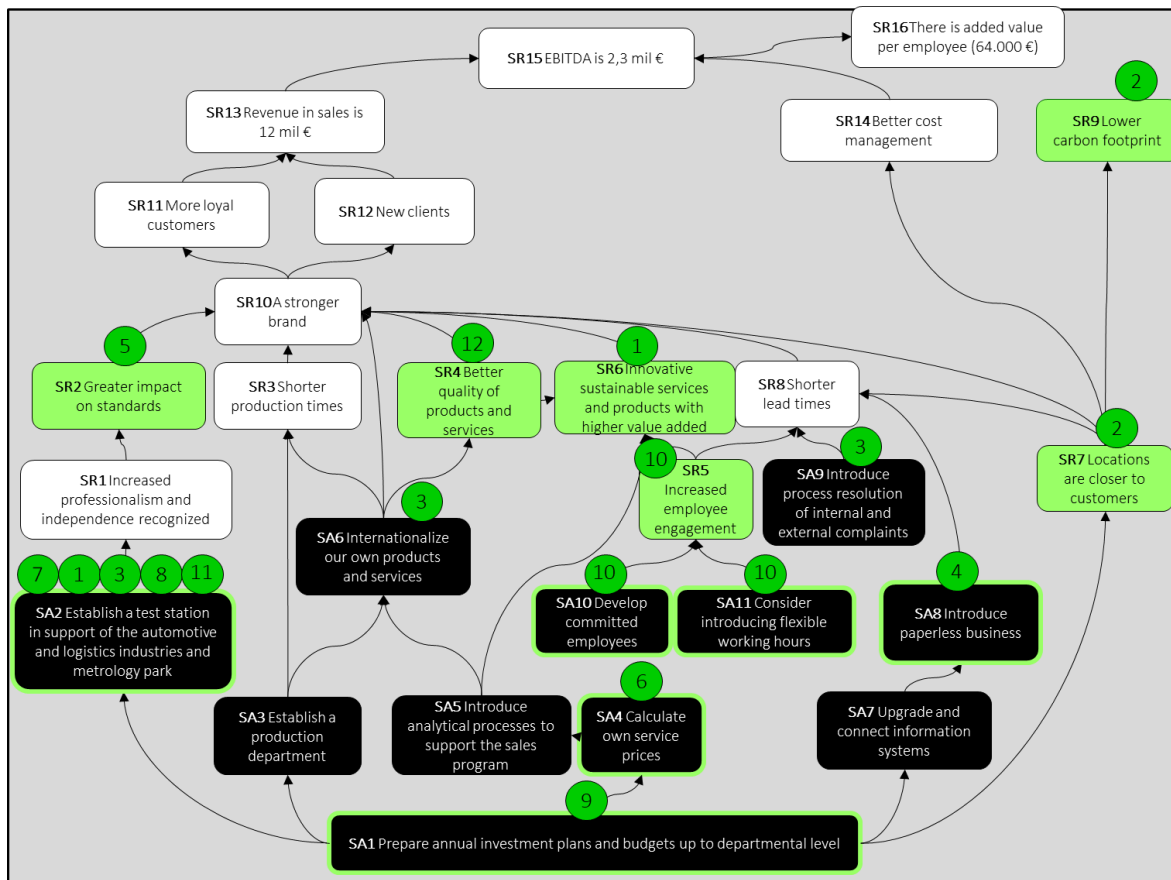
Source: LOTRIČ Metrology (2020).

Destination statement was the key input for developing sustainability business strategy.

### 3.4 LOTRIČ Metrology sustainability business strategy 2020-2025

In order to realize the vision for the strategic success of LOTRIČ Metrology 2025, we have developed 11 strategic activities and anticipated the expected strategic results for them. We present the strategy in the form of a strategic diagram for the period 2020–2025 (see Figure 12), which, with causally related links, represents the logical unfolding of strategic activities (SA) and strategic results (SR). The group will thus compete with the following key elements of competition (differentiation) in the period 2020-2025: greater impact on metrology standards (SR2), shorter delivery times (SR3), higher quality of products and services (SR4), innovative sustainable services and high value added products (SR6), closer customer locations (SR7), and shorter lead times (SR8). Through these key elements, the company will strengthen its brand (SR10), which will in turn increase the loyalty of existing customers (SR11) and attract new customers (SR12), thus - with the effective implementation of operational activities - it will reach a target turnover of € 12 million (SR13). Together with better cost management (SR14) it will be possible to achieve an EBITDA of € 2,3 million (SR 15) and a desired added value of € 64,000 per employee (SR16).

Figure 12: LOTRIČ Metrology sustainability business strategy 2020-2025



**Legend:** SA – strategic activity,  
 SR – strategic result  
 Green Encircled SA - Strategic Activities addressing sustainable challenges in the materiality matrix  
 Green-coloured SR - Strategic Results that address the sustainable challenges in the materiality matrix

Source: LOTRIČ Metrology (2020).

We will achieve these goals through the successful continuation of well-defined operational processes and 11 strategic activities, which can be divided into several sections:

- The first strand begins with the activity to prepare annual investment plans and budgets up to department level (SA1). It involves setting up budgets for investment projects, departments, educating key decision makers on the budgeting process, and monitoring implementation with reports. The other two activities relate to several development-relevant investments: setting up a test station in support of the automotive and logistics industries and a metrology park (SA2) and establishing a production department (SA3). Both will go through several successive phases (determine the purpose and scope of projects, identify the resources needed, calculate economic viability, provide funding for financing (SA2), while gaining the necessary knowledge in the field of production management, developing the production process and ensuring quality and standards in production). Both activities will require operating licenses. The next in this set is to



internationalize our own products and services (SA6). Together, they are expected to have an impact on the recognized greater professionalism and independence of the company (SR1), thus gaining a greater impact on metrology standards (SR2), shorter delivery times (SR3) and higher quality of products and services (SR4).

- The second set of strategic activities targets innovative sustainable services and high value-added products (SR6). We will achieve this through more activities. The first is to calculate our own cost of services (SA4), which will go through a pilot model until the model is established on all services. The second is to introduce analytical processes in support of the sales program (SA5) and it involves analysing markets (customers and competitors), creating a target portfolio, generating market demand and strengthening the LOTRIČ Metrology brand. Successful innovation of sustainable services and products will also be influenced by strategic activities to develop committed employees (SA10) and to explore the introduction of flexible working hours (SA11). Within SA10, we will introduce, inter alia, a comprehensive and digitized HRM system, new employees within the company and open weeks between departments. Within SA11, we will analyse examples of good and bad practices of flexible working hours, examine legislation, create scenarios for work and process effects, and conduct a pilot case in one or more departments. If the pilot case confirms the appropriateness of introducing flexible working hours, we will be able to implement it throughout the company. The expected result is greater employee engagement (SR5).
- The third set of strategic activities is related to upgrading the digitization of business. It begins with the upgrade and integration of information systems (SA7) and continues with the introduction of paperless business (SA8). SA7 involves analysing the strengths and weaknesses of existing applications and their connectivity, identifying new functionalities and application connectivity, preparing a business plan and executing it. In the area of paperless business, we will list documents by stages of the business process, introduce appropriate standards of data protection, update software for managing missing documents in e-format, upgrade MeOL with user requirements and market changes. We expect shorter lead times (SR7). It will also be affected by SA9, introducing a process resolution of internal and external complaints. This involves setting up a responsible person and administrators by area, complaint resolution processes / protocols and eliminating systemic causes, creating a database of successfully resolved complaints (with a pilot case), and an online customer application.

SA1, to prepare investment plans and budgets up to the departmental level annually, also supports cost management (SR14), as it also provides for the analysis and plan of setting up new locations. These will be closer to the customers (SR12), thus affecting logistics costs and shorter lead times (SR8), therefore also reducing the carbon footprint of their processes (SR13).

### 3.5 Timeline of strategic activities

Strategic activities are described separately. Each description contains the name of administrator, this is the person responsible for this activity, his team members, and the sequence of tasks and risks that may prevent successful execution of strategic activities. The administrator is responsible for motivating his team members and successful coordination of their tasks. It also cooperates with other administrators of strategic activities when and if they are interrelated. The team members are experts in various fields, whose competencies and motivation enable successful realization of the activities. Each strategy activity is described in a sequence of steps. In the Table 8, one can see how we prepared a description of the steps, for all strategic activities.

Table 8: Strategic activity SA1

<b>SA1 PREPARE ANNUAL INVESTMENT PLANS AND BUDGETS INCLUDING DEPARTMENTAL LEVELS</b>		
Head of team: <b>Katja Lotrič Kejžar</b>		
<i>Description of steps</i>	<i>Team</i>	<i>Risks</i>
1. Analyse the existing situation (employees, equipment, buildings, vehicles, inventory)	Head of departments, directors of teams	Subjective analysis
2. Renew investment planning (with instructions)	Špela Demšar, Ana Bešter, Katja Lotrič Kejžar, Nataša Sodja	People capacity and knowledge
3. Prepare and decide on investment projects and / or subcontracting	Board	It is hard to decide who to give it to
4. Educate key decision makers on the budgeting process	Katja Lotrič Kejžar, external experts	It is difficult to get competent help
5. Establish a budget for investment projects and by departments	Katja Lotrič Kejžar, Ana Pogačnik	Insufficient funds, cash flow mismatch
6. Implement budget and reporting	Board, Katja Lotrič Kejžar	Delayed schedule

Source: LOTRIČ Metrology (2020).

For the successful implementation of the strategy, we also prepared a timeline of strategic actions, which will help to coordinate administrators and oversee their conduct (see Table 9).

Table 9: Timeline of strategic activity SA1 in LOTRIČ Metrology sustainability business strategy 2020-2025

Steps	2020				2021				2022			
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
1. Analyse the existing situation (employees, equipment, buildings, vehicles, inventory)	◆	◆										
2. Renew investment planning (with instructions)	◆		◆									
3. Prepare and decide on investment projects and / or subcontracting	◆		◆	◆			◆	◆			◆	◆
4. Educate key decision makers on the budgeting process	◆				◆							
5. Establish a budget for investment projects and by departments			◆	◆			◆	◆			◆	◆
6. Implement budget and reporting					◆	-----	-----	-----	-----	-----	-----	-----▶

Solid line represents the duration of the strategic activities, such a project has a beginning and an end; black dashed line represents the duration of the strategic activities as a process that became part of business process

Source: LOTRIČ Metrology (2020).

### 3.6 Sustainability KPIs for strategic control

It is crucial that the management team and employees are not overwhelmed with strategic activities. Therefore, a Table 10 has been prepared, where the activities an individual is part of, also in different roles (administrator or team member) can be seen. When the management team confirmed the strategy, it was important to develop indicators for the control of strategic activities. Strategy provided a strong foundation for measures and for aligning the objectives of various units in an organisation. Indicators (e.g. measures) were developed to control SA – strategic activities and SR – strategic results.

Table 10: Indicators for the control of SA1

Strategic activity	Measures	Frequency of measuring	2019	2020	2021	2022
SA1 Prepare annual investment plans and budgets up to departmental level	SA1-K1: number of successfully performed activities in SA1	Monthly	0	1, 2, 3, 4, 5	3, 5 (6)	3, 5 (6)
	SA1-K2: Number/share of departments that prepared their budget on time	Annually	0	17/17	17/17	17/17
	SA1-K3: Number/share of departments that realized their budget according to plan	Quarterly	0	17/17	17/17	17/17
	SA1-K4: % of projects that have an investment plan with a financial structure	Monthly	40%	50%	60%	70%

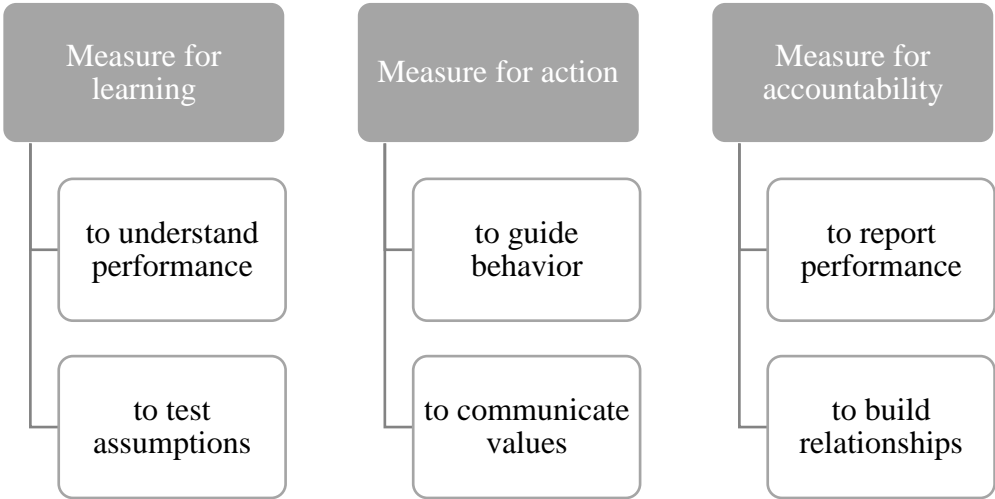
Source: LOTRIČ Metrology (2020).

A special challenge is how to measure social, environmental and economic impact. Often, organizations only report on inputs (monetary), activities and outputs, but these are not enough. Measuring sustainability impacts seems harder and more difficult, often those measures are perceived as costly, misleading and difficult. However, it can be done. Epstein conducted a research on social impact of IPADE business school in 2017, measuring if IPADE develops leaders who possess critical skills, global vision, social responsibility and how their graduates transform organizations and society later in life (VIR TU). In this report we can find the answer to the question, whether the desired social impact is being achieved, are we making difference in society and how we can change or even improve the contribution to society. To do that, we need to clearly define a mission and what do we perceive as success. After we define this, we empirically test whether the desired impact is achieved.

For example, in LOTRIČ Metrology, a lot of activities are driven towards educating in kindergartens, primary and secondary schools and universities. Within the company vision and mission, it is clearly stated that we strive for expanding the circle of trust amongst all stakeholders. We can define success as changing the general public’s perception of measuring and measures. Though they might not recall the company, the company has changed perception and behaviour of the person in this matter.

As shown in Figure 13, an organization can measure for various reasons: measurement for learning, action and accountability. Basically, you build approaches of measures to the purpose of measuring. We all aim to report performance of social impacts, however, we start measuring only to understand current performance.

Figure 13: Purposes of measurement



Source: Epstein & Yuthas (2014).

We often start measuring, but we do that without a long-term perspective. That is why, when deciding on what measuring system to put in place, it is important that the organisation:

gather measures which affect actions, do not measure too many things and make them comparable to the relevant industry. Once we start monitoring and evaluating impacts, there are three possible approaches:

- Developmental evaluation: is used when a company is innovating new products, business models or services. Gathering data in early stages helps companies to change approaches as soon as strengths and weaknesses are identified.
- Formative evaluation: aims to monitor and improve established programs. This is pushing companies to test for progress and improve accordingly.
- Summative evaluation: is a final evaluation where we determine if a product/business model/service has achieved its goal.

We can conduct such evaluations using many sources. In the figure below, there is a clear presentation of different sources, requirements for evaluations and for what they are best used for. **Investigation** is designed to observe people in natural setting, aiming to understand their behaviour **in-depth**. On the other side, **analytical** method is used to understand big data and patterns in it. For that we need numerical data. It is used when companies are gathering data from a large number of stakeholders. **Experiments** are used when a company has a reason to believe that a certain product/service/business model plays a role in changing participants behaviour or perception (Epstein & Yuthas, 2014).

### 3.7 LOTRIČ Metrology sustainability differentiation

Thinking about where LOTRIČ Metrology group could progress in a sustainable way, we decided to establish The Centre of Excellence for sustainable logistics as part of supply chain management. It is a completely new business model for both LOTRIČ Metrology and Slovenia as a whole. There has been no such comprehensive service in Slovenia so far. Carrying out a comprehensive verification of the technical suitability of vehicles or parts fitted to vehicles that transport mainly sensitive goods has a significant impact on the quality and safety of goods carried. LOTRIČ Metrology is expanding its range of services with a new centre, mainly related to the field of cold chain supply, while at the same time the centre will provide support to manufacturers and suppliers in the automotive industry. This is a new investment project that will require extensive and comprehensive promotion. The Sustainable Logistics Centre, through stakeholder coordination, will enable measurements to be taken that will contribute to the protection of human and animal health, procedures before administrative and judicial authorities, the provision of general technical safety and the protection of the environment. We have decided to divide the process into three main activities.

From the LOTRIČ Metrology Materiality Matrix, Sustainable Logistics centre addresses as many as 5 sustainability challenges that are very important to the group, while having a major potential impact on the company's business performance or cost management. These challenges are:

- **Innovative sustainable products and services (1):** services will promote the safety and quality of the environment, processes and products used by our stakeholders. Business effects are related to the LOTRIČ Metrology brand and impact on revenue;
- **Educating customers and transferring good practices (3):** enhancing customer knowledge is key to mastering their processes. We will educate stakeholders and share our good practices with services. This will affect our visibility, reputation, brand value and thus our revenue growth;
- **Proper management of harmful substances and equipment (7):** centre includes not only systemic measures but also raising awareness of all stakeholders (employees, customers, members of the community of interest) who encounter substances (viruses, gases, thinners, etc.) in their work.) and dangerous equipment (pressurized equipment, etc.). This will better manage operational risks and strengthen our reputation;
- **Developing trust with partners - suppliers, consortia (8):** In developing new services in the centre, we will build on transparent business operations and involving partners in important decisions. This will in the long run contribute to faster, more efficient development;
- **Giving back to society through education and measurement (11):** we will also include the centre in our program for educational institutions from kindergartens to colleges - to spread knowledge, skills, experience and strengthen our mission. This has a significant impact on our reputation and brand; "

The Centre for Sustainable Logistics has a positive impact on all three sustainable aspects (environment, society, economy) - it provides support in ensuring the safety and quality of transported temperature-sensitive goods (social aspect) and the safety of transportation performed by vehicles powered by alternative fuels (environmental aspect). Centre takes care of the procedures necessary to ensure the technical suitability of vehicles carrying temperature sensitive goods and to ensure the technical suitability of vehicles using alternative propellants. However, the safety and quality of components tested in the automotive industry are also key in value chains, with increasing emphasis on sustainability. Because the Centre provides greater security and quality, we can also add the increased competitiveness of all stakeholders in the entire value chain (economic aspect) to the benefits it brings. In the Table 11, we can see the positive aspects in the field of environment, society and economy, achieved through the Centre for Sustainable Logistics.

Table 11: Positive aspects of the Centre for Sustainable Logistics



ENVIRONMENT	SOCIETY	ECONOMY
Reducing emissions by promoting usage of alternative fuels	Users or consumers can access goods that are distributed through technically appropriate vehicles that provide suitable storage conditions (cold chain)	There are fewer complaints among all stakeholders involved in logistics value chains
Impact on reducing damaged goods due to defect in cold chain (medicine, food)	Users of temperature-sensitive goods (medicines, foodstuffs) have the possibility to carry such goods in crates/bags that have been checked under controlled conditions	Fewer business failures due to rapid responsiveness and ensuring competitiveness
Less waste and by consequence, lower environmental loads	The first such centre to allow all measurements within one centre to be performed. Until now, Slovenia and the wider region of the Balkans did not have such a centre providing measurements that affect the protection of human and animal health, fair procedures before administrative and judicial procedures, and the provision of general technical security.	Maintaining and expanding our own activities - involvement in major joint projects within the consortium / project partners, possibility of cooperation with the largest automotive manufacturers (OM)
	Managing the risks resulting from a broken cold chain, throughout the distribution path from the manufacturer to the end user.	Transfer of good practices between project partners and users of the centre
	Vehicle users using alternative propellants and technical services (technical inspection, vehicle type-approval organizations) within one centre may obtain the documentation necessary to demonstrate the technical suitability of the installed components in the vehicles. Documentation (Certificate of Compliance) is obtained from measurements made at the centre.	Less production downtime due to inadequate components, which were inspected within the centre

Source: LOTRIČ Metrology (2020)

Besides developing a new business model, there are also measures in place. In the Table 12, we can see how the company will track key performance indicators.

Table 12: Key performance indicators for Centre for Sustainable Logistics

TIME SLOT	OBJECTIVES
First year (up to end of 2020)	<ul style="list-style-type: none"> <li>New procedures are developed,</li> <li>Procedures are digitalised and supported in the company's ERP,</li> <li>The agreements on cooperation with implementing partners in the project have been concluded,</li> <li>Promotion was concluded</li> <li>First part of equipment required was supplied and integrated</li> <li>Validation of the test chamber was performed.</li> </ul>
Year 2021	<ul style="list-style-type: none"> <li>Advanced measuring systems have been developed to carry out vehicle suitability checks;</li> <li>Metrological procedures for calibration and testing have been developed,</li> <li>Wireless sensors have been developed to monitor environmental conditions and communication with the information platform has been established,</li> <li>Key content for knowledge dissemination has been developed and identified,</li> <li>All criteria and equipment required for the smooth operation of the centre are supplied and in use.</li> </ul>
Year 2023	<ul style="list-style-type: none"> <li>An information platform has been developed that enables the automatic transmission of measurement data and the production of reports and analyses,</li> <li>User interfaces have been developed that are personalized according to different user requirements,</li> <li>We offer regular counselling and training and other services related to ensuring safety and quality in the field of mobility. The centre's services enable the stakeholders in the logistics value chain to enter the market more evenly, resulting in greater competitiveness.</li> </ul>

Source: LOTRIČ Metrology (2020).

## **4 GUIDELINES FOR DEVELOPING SUSTAINABILITY BUSINESS STRATEGIES FOR SMEs**

A lot of companies are wondering how to prepare sustainability business strategies. The biggest impact is involvement of the highest board (which has to be present throughout the process). Beside the board, it is crucial to involve as many employees as possible. In the case of LOTRIČ Metrology, we have included all of the heads of departments and in some cases also informal leaders, who can develop a strong attitude towards the strategy (positive or negative). This process takes a lot of effort, time and energy; therefore, it is important to have a professional advisor in the room. It is a big cost for a company to have more than 30 people out of office, but in order to make a sustainable strategy we all believe in, it is necessary.

### **4.1 The key steps**

During our path of strategy transformation, there were certainly steps we followed. Following these steps and recommendations should enable you more smooth process of strategic transformation. In the process of preparation of the steps, I derived from practical experience, while I also followed guidelines from the handbook (Rejc Buhovac, Hren, Fink, & Savič, 2018).

#### **1. Choose members of the strategic team**

As already mentioned, choosing the right team will be crucial in the process. Not only the hierarchical approach, but also understanding to include experts from different fields will bring the right results. In order to understand how the business really works, it is important to include every team. Though this step seems easy, it is can the the most challenging one. People possess different skills, have different thinking processes, and also have different levels of interest in participating, regardless of the position they have in the company. For example, the head of purchasing department is a very strategic position. However, he or she may not be interested in participating in such projects, however, it is vital that they are included in the project of strategic transformation, otherwise there is a chance that they will not adopt the strategy. Therefore, my task was to include also people, who this person respects and thus making sure that this person sees the importance of participating. In general, when we include a lot of people, we make sure that the level of trust and enthusiasm in the company increases. Because we cannot include all of the employees, it is important to prepare regular reporting on what the workshops looked like (for example send an e-mail with pictures and short description).

The larger the group, the harder it is to reach an agreement on certain topics. When there is a topic on which we cannot agree, certain people will stop cooperating. Therefore, it is important to identify the informal leaders, who can influence work dynamics. Depending on the size of the company, it can be challenging to ensure open conversation. Nevertheless,



open and honest conversation between employees and owners will bring trust and commitment to the process.

## **2. Choose the right method**

As important it is to choose the right team, it is important to choose the right method. First of all, you need to have the same understanding of what you desire to achieve in the process. Make sure to agree on what number of workshops you plan or need to organize, how many participants the method supports and what is the anticipated outcome. One of the concerns is, if all participants in the workshop will be able to participate, and that the time devoted to the strategy will be well justified.

## **3. The process takes its time**

When forming a large group, we already understand, that it will take a lot of organizational skills, in order to ensure that everyone can participate. Based on experience, you can organize maximum two workshops in a month. Participants will still have a clear understanding of where we stand in the process and will also bring new ideas to the table. Also, giving participants some more time, you will eliminate the feeling of being overwhelmed. In the mean time, you can have a meeting with the board, making sure they follow the process and confirm the parts of sustainability strategy.

## **4. Identification of sustainable business opportunities**

Sometimes, when working in an SME's with very well-defined products or services, it is hard to look outside the box. Moreover, sustainable business opportunities sometimes look a bit abstract and out of a reach. When we bring in an outside expert, they can identify what existing activities can lead to a sustainable business opportunity. When people see that basically a lot of activities already are sustainable, it is easier to start discussing other ideas. Not only with co-workers, but also with buyers, suppliers, business partners and representatives of the community we work in. They have perhaps different expectations and different issues they are confronted with daily. Based on the importance of these issues they can be interviewed, or perhaps a focus group can be formed (if the issue is more complex) to help us determine, what are the key sustainable challenges of the company. Based on the outcomes, we can prepare the materiality matrix. On one side, we determine the importance of the shareholders, and on the other side the impact on business.

Key challenge is absolutely the identification of sustainable business opportunities and understanding where is the value added. Many sustainable opportunities are hidden behind risks. Sometimes, we work best when we see a potential risk to our business. Then, it is important to react to threats in a creative and proactive way (we play to win and not play not to lose). When bringing other stakeholders to the discussion, the most challenging part is including all representatives, and taking time to do a survey. Sometimes also because we are

not sure about the outcome. Being brave and asking questions makes sure we include all the key stakeholders.

## **5. Analysis of current business strategy (and business model)**

In an SME, the most commonly used model for analysing the business is the SWOT analysis. The analysis is often brief and provided by an inside group. There is nothing wrong with doing a SWOT analysis – it is however, possible to improve on it. Four groups can be formed, where each works on one topic, and then using the World café method ensure, that each point of the SWOT analysis is checked also by all other groups, and there is a consensus. If there is an opportunity, the analysis can be done by an expert. But even when hiring an expert, the group has to make sure that she or he defined the right topics.

When doing an analysis, we often find ourselves finding many strengths, but not so many weaknesses. It is hard and makes us feel vulnerable to truly investigate our problems and put them on the table in front of ourselves and employees. By doing so, we may already find new solutions or new business models. Before finding a solution, we also must think about identifying correlations in the company, which may affect these weaknesses. It is a complex point, but needs our attention, as it will serve as the basis for developing materiality matrix and our new business strategy. Another thing which a lot of participants found difficult was distinguishing between weaknesses which are in the company, and that we can influence and on the other side threats, on which we do not have any influence. Therefore, a moderator has to be careful to guide the groups correctly and understand what the real issues are. When creating a SWOT analysis, each group gets its own paper, on which they write only one out of four points. The sentences have to be very clear, not too long and complex, in order to ensure that the group coming after them will understand their point of view and avoid any misunderstanding.

## **6. Determine vision of the company**

A clear vision of sustainable (social, environmental and economic) and business success for the target year is more difficult to achieve. The Vision needs to be clear and understood in the same way by all who happen to read it, especially the ones who did not cooperate in the process. We start by defining a target year. It can be three years, five years, but from our experiences, not longer than five. Our biggest issue was visualising that year and what changes can be done in five-years' time. My advice would be that first strategies should be more short-term orientated, as we can still see what we can change within the determined time frame. Once the company has experience with preparing the strategy, they will have a more realistic outlook, and can therefore be more confident in setting the targets.

Vision is a series of statements which determine what the company will look like in the target year. If all employees are to believe and work in this direction, we must make sure to achieve consensus. The second challenge would be incorporating all aspects of sustainability. Usually, we have a clear idea for business success and struggle more with the

sustainable aspects of the strategy. It is easy to understand why; it is harder to set the target measures. Sometimes, we do not know how to track (set the KPI's) the social aspect of the transformation. For example, in the case of Lotrič, a lot of strategic activities address the social aspect of sustainability and it was hard to measure how successful we really are. One of the social activities is educating kindergarten children about measuring. How can we define success? It is not the number of children, but how they changed their behaviour because of this workshop. We want to change their attitude towards measures.

## **7. Develop sustainability business strategy**

So far, we have prepared a SWOT analysis, a vision and a materiality matrix, which leads us to strategy. Sustainable business strategy is a path from today's state to achieving the vision in target year. In order to be focused and make sure that the strategy can be executed, we set priorities and then find links between strategic activities and strategic outcomes, which lead to realization of the vision.

Companies are in different positions every day. We often want to achieve everything or change what we have marked as weakness in the SWOT analysis. But the reality is, that not everything will be solved through the strategy. And every single company also has its weaknesses. Therefore, choosing the right priorities is a challenging task, because we also have different people in various positions in the group. When one finds a weakness, they will want to solve it. And that is the right thing to do. However, not every activity is listed as priority. If we can solve it without classifying it as a strategic priority that means, that is not as challenging as we thought. Also, one must remember that a strategy map is usually a set of causally consequential links. We also have to include stakeholder perspective.

## **8. Determine the key performance indicators and its targets**

As important as it is to write the strategy, it is equally important to follow the outcomes of the activities we make. This requires careful monitoring, which can be done through the system of key performance indicators. For each indicator, we set target values for the entire strategy period. Some will be followed on monthly, quarterly or yearly basis. This can require quite a lot of alignment throughout the teams, even negotiating. It is interesting that the negotiation part happens, when people in the group see themselves in a position, where they will be unable to bring the result in the given time. In our case, it was never the question of control, but always about person responsible and his team's ability to deliver. It is crucial to set the targets so that they motivate people and not the other way around. Where it is possible, we use ERP systems to make the control easier (especially if we decided to follow results on a monthly basis). On the other hand, control has to be based on trust, where we honestly and regularly talk about progress.

Sometimes modifications in the ERP system have to be done, in order to monitor the process of the activity. Because modifications come with a cost, an SME can find itself in a tricky situation, where it is hard to commit to such investments. Usually, small companies are also

not familiar with reporting and following certain results. It is recommended that we do not have too many targets to follow, and the targets which we do should be easy to reach and relevant for the entire company.

## **9. Prepare a project plan and actions, which support the strategy**

A sustainable business strategy must be supported by various employees. An appropriate organizational structure is needed. A lot of small companies do not have complex organizational structure. As a company grows, more people are becoming responsible for different tasks. We need to consider whether we need to change our organizational structure and employee rewards system, so we can maintain employee commitment to sustainable performance. Above all, it is necessary to define a project manager, who will coordinate work on various strategic activities (content, deadlines, resources).

This task can be complex, especially if we do not have appropriate organizational structure to support all the activities. Also, finding motivation is not easy, as we are bringing more work to certain people. We have to understand what drives them to work in the field of implementation of a sustainable business strategy. One employee will take over the entire project, and will become responsible for the execution of the strategy as a whole. Usually, in an SME, we add this task to one of the team members; someone we trust and who already possesses strong management skills and usually has more demanding tasks. By adding one more project, it is important to relieve this member from other tasks, as it can become more demanding and outgrows the person.

## **10. Identify the new business model**

There are various business model types; we used CANVAS business model. We did so in order to make the elements of sustainable business even more visible. A new business model can include new key partners, more sustainable resources, sustainable activities for customer value creation, different customer relationships, renewed customer value, more sustainable sales channels, or more.

Usually we can see where the business model will change, but we also need to write down and emphasize its sustainable elements. Sometimes, we find it difficult to change the business model. In case of Lotrič, it is bringing new customer experience and value added to existing services.

## **11. Implement changes and control the outcomes**

We already talked about determining key performance indicators and a time frame in which we will control how successful we are in implementing strategic activities and achieving strategic results. As important as it is to check inside activities, it is important to also check, at least annually, how business circumstances have changed. We can do so by attending different business events, where we follow changes in the wider environment, in industries

or even different expectations of key stakeholders. Some changes can affect our processes and business models.

Monitoring progress consistently is important, even if day-to-day challenges interfere with regular monitoring. We must follow our results and business circumstances outside the company, in order to revise the strategy when needed.

## **12. Communicate sustainability and financial performance**

In an SME, we usually do not prepare annual reports as big corporations do. It is enough to check results which we set in the strategy and outline the biggest changes in the past year and prepare some sort of a document or a power point presentation. When we establish regular and open communication of results in the field of sustainable and business performance, we reach higher trust and enthusiasm of all employees. We can also communicate some part of results to the wider community, to various stakeholders. This can be done through different social media, publishing it on the website or even preparing regular meetings for certain shareholders (suppliers, business partners for example). When a company grows, periodic sustainability reports can be standalone annual documents or a part of the annual report. We can approach sustainability reporting through well-established reporting guidelines (e.g. GRI), but we are also looking for innovative content and forms of communication. At Lotrič, we communicate sustainability results and strategy outcomes through the project Business excellence, and it works best for us. It is important that also an SME identifies its contribution to universal agenda, the 2030 Agenda for Sustainable Development which was signed in September 2015 by the United Nations. It aims to ensure greater future for billions of people around the world. The agenda has 17 concrete goals of sustainable development. Achieving the goals is a challenge for all countries, including Slovenia. At Lotrič, we identified goals eight, nine, twelve and seventeen as the strategic and most relevant for our future business development.

It can be difficult to prepare credible content for a sustainability report, because we can start by aiming too high. We want to issue a stand-alone document. Sometimes it is not working, because it is simply not how we do things in the company. If we are used to oral communication about sustainable and business performance, we should continue and maybe enrich this by preparing a video conference that can be seen on the website. We can also invite co-workers from different departments within the company, who are facing sustainable challenges and collaborating on solving and reporting together. Nevertheless, we should have regular communication.

### **4.2 Improving SME processes, products, and projects for increased sustainability**

Sustainability strategies can be used as source of innovation (Nidumolu, Prahalad & Rangaswami, 2009). It is generally recognised that innovation is key to growth and success. If a SME does not apply changes, development or innovation, they will be left behind by the

competition. The innovators can adopt a different mind-set and they rather focus on increasing the efficiency of the system as a whole (Haanaes, Michael, Jurgens, & Rangan, 2013). A majority is allocating substantial resources for research and development of new services, products and even processes. More and more they begin to understand that value-creating potential lays also within sustainability. Looking towards the 2030 Agenda for Sustainable Development, we find challenges of society in the future, in the field of nature, society and economy. The 2030 agenda was adopted by all United Nations Member States in 2015, aiming to cause actions by all countries – developed and developing – to work in global partnership. It was recognized that different strategies must work with a common blueprint for peace and prosperity. For example, each company can allocate resources for different partnerships, decent work and economic growth, as well as responsible consumption and production. Even if you are a small or medium sized company, you should aim to grow and develop, as both buyers (Hočevár, 2017) and companies are striving to work with sustainable and innovative companies (CERES, 2012). New terms are showing up, which strongly link social and environmental responsibility with innovation and growth, such as: corporate social innovation, bottom of the pyramid, frugal innovation. Balancing different priorities of stakeholders with global concerns makes innovation even more challenging. Basically, companies are innovating for minimizing risks of harmful practices in order to maximize benefits for stakeholders. When we talk about a stockholder or shareholder, we are talking about a person or institution, which legally owns shares in a public or private company. This leads to variety of opinions, interests, and different perspectives and time horizons within the group. “Stakeholders are those groups without whose support the organization would cease to exist “(Freeman, 1984). Some would argue that stakeholder and shareholder have different or even conflicting opinions. When shareholders have a goal to optimize shareholder returns, the stakeholders try to balance the financial interest as well as the interest of employees, customers, community and environment. These priorities are not mutually exclusive. They are both about value creation in the long run. If we have more “short-term” focused stakeholders, it will be difficult to calculate and compare returns, as they want to benefit from corporate social responsibility. Even small and medium enterprises have stakeholders, usually they represent family (eighty percent of Slovenian companies is family owned), family of their employees and the community (area) where they work. Perhaps what I have learned during this strategic transformation, that in Slovenian SME’s, stakeholders’ value more creating value in the long term, as they see it as safer and more sustainable. They do not demand instant results, but rather to see a stable and safe company (Pandit & Rubenfield, 2016). However, companies or rather, their investments into sustainability are often evaluated on three things, which are based on stakeholder approach:

- Strategies and policies: show commitment to the issue through development and spreading awareness into corporate policy statements
- Management systems: show implementation of those policies into processes
- Performance data: shows the outcomes.

It is critical that an organization decides on working with stakeholders in the process of implementing sustainability strategies. As showed in the figure below, key stakeholders are usually visible and are impacting corporate decisions (customers, suppliers, employees, regulators and community). However, we also have more fringe stakeholders, who are disconnected from the company due to current disinterest, are weak or even remote. That is why companies must be aware of the evolution of stakeholders through time:

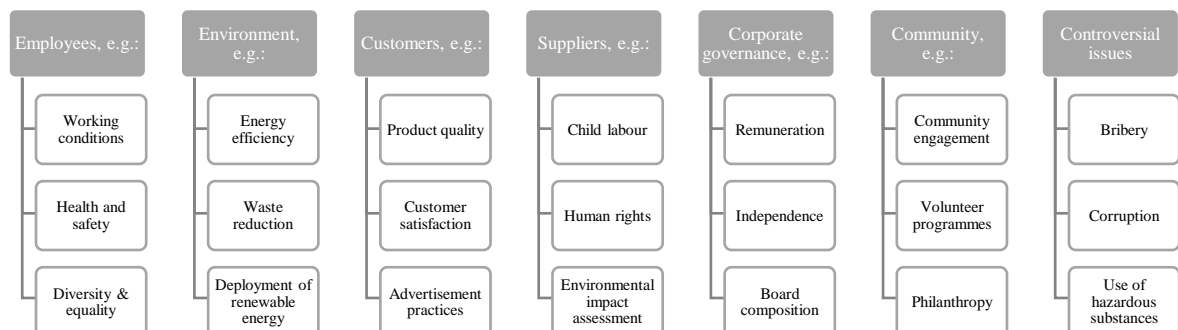
- Awareness: is a step where stakeholders know that a company exist. Typically, there is no mutual interest in communication, so that they could begin to appreciate the company
- Knowledge: now the stakeholders are beginning to understand the company’s mission, vision, values and core business. Now the company already has their interest and can share information which could impact decision making (for example suppliers want to know what the company needs)
- Admiration: in this step, the stakeholders are committed to the company. They are both trying to achieve trust
- Action: now the company and stakeholders are collaborating.

Of course, there are different ways to engage with stakeholders in the process. You could choose focus groups, surveys or meetings. Each has its pros and cons, so we usually choose different approaches for different purposes.

When talking with customers, employees and the general public, it is possible to use a focus group. A group of eight to ten participants, is asked for feedback on ideas, experiences or open questions about issues. Moderator leads the conversation and tries to limit prejudiced reactions and gives equal opportunity to every attendee.

Opinion polls are useful when measuring or monitoring reactions. They are assessing opinions on the company’s performance, impact and can approve management decisions. They are useful when trying to identify short term results.

*Figure 14: Overview of the relative screens*



Source: Rahbek Gjerdrum Pedersen (2015).

## CONCLUSION

Companies are dealing with dilemmas. On one side, there is pressure to reduce costs at every step, but on the other to increase social, environmental and economic impacts. As with any strategy while designing a sustainable strategy we must think about the long-term development of the company, based on business opportunities and threats awaiting in the future, the advantages and disadvantages of the current position and checking the possibilities of new development ideas. Where we have a very long-term oriented vision, mission and values of the company, we move towards goals we aim to achieve in four to five years' time.

The concept of sustainability is focused on environmental, social and economic responsibility of the company, which can be directly linked to better financial results. Introducing sustainable strategies in an SME can be challenging, therefore we strive for owner's and leadership support and strong commitment in order to realise this. Beside owners, management board and employees, we always think also about the key stakeholders, who have a strong influence on business. By identifying their interest, it is much easier to develop the materiality matrix.

Employees also need to have a strong culture of willingness to change the processes, products or services so as to be sustainable. Of course, culture is the basis of change, but we also have to think about motivating employees who work in this field and also show results in it. Motivation can be in the form of additional education, encouraging projects etc. Because the business environment is changing and aiming to become more sustainable, to have a strategy, with clear activities and goals is also giving the company a competitive edge. In this way, we can gain more loyal customers or business partners. A direct result is brand value, which is heavily influenced by media, or even by word of mouth. Sometimes we can also experience pressure of the public directly on the organization, demanding to change their process or product in order to become more sustainable. The biggest difference when working in a family owned SME is that there is no direct pressure to achieve immediate financial results (Antončič, Antončič & Jurčič, 2015). Sustainability is a long-term process; therefore, it is much more essential to ensure that activities are performed at the expected level and only then judging their success. Of course, being sustainable does not mean only following regulations and trends in the industry. It is bringing a point of differentiation to the industry where a company works to become a trend setter in sustainability.

Reporting about sustainable results can be a very demanding task, but at the same time it is important to collect and analyse data on sustainability. Different stakeholders have different priorities, however, when a company does report, they can already estimate the relevance of strategic activity, possible errors, and within a certain period they are able to track and improve their performance. Of course, the company needs first to ensure compliance with laws and regulations that are applicable in the sector. It is important to act immediately when we see potential noncompliance, as it may result in a negative aspect (could be directly linked



with financial result, or reputation for example). We distinguish between internal and external audits. More often, we will see only internal audits in an SME, where different teams will provide enough data about sustainability progress. There are different standards for sustainability reporting (KPMG International Cooperative, 2011; 2013). One of the leading approaches to standardized reporting is GRI. It was established with the mission to align different industries, different types of business, governments and NGOs in the field of sustainability reporting. However, it can be overwhelming for an SME to establish reporting on a level of GRI. It is much more crucial to first successfully implement sustainability, improving it and getting the feedback from different stakeholders. At LOTRIČ Metrology, sustainability reporting is performed on a yearly level, where an issue of Business excellence report (in Slovene Poslovna odličnost) is prepared. We found that the EFQM model is a well-established process and all the relevant data on social, environmental and financial data is displayed in the report.

The Corporate Sustainability Model by Epstein & Rejc Buhovac gave us a clear path of strategic activities, also called drivers of success and shows expected payoffs of investments in sustainability. The model also serves as a tool to improve decision-making process, and it includes sustainability aspects, as well as operational and business aspects. The model is easy to read and understand even when read for the first time, which is essential when we report about it. It shows cause-and-effect relationships between activities and expected results. Stakeholders (employees, customers, people living in the area, regulators) can have positive or negative reactions to such activities, therefore it is crucial to include them in the process of preparing sustainability strategies.

Sustainability can improve the company's performance on many levels (Koehler & Hespenheide, 2013). The first thing the majority looks for is **financial** result, such as reduced costs, increased revenues, more stable and secure jobs. We also look for **customer** related results, such as satisfaction, new products, better reputation and innovation. Third result is often found in the **operational** point of view, where we strive to minimize waste and improve productivity. Finally, **organizational** change can result in bigger satisfaction of employees, cultural change and improved relationships with different stakeholders.

In LOTRIČ Metrology, we found, that there are certain activities that we should not overwhelm ourselves with too many strategic activities and limit the number of those to maximum 9 – 12. In this way, in four to five-year period time, we will be able to grow in the right direction and with which we will be able satisfy our own and the key stakeholders expectations.

## REFERENCE LIST

1. Antončič, B., Antončič, J. A. & Jurčič, D. (2015). *Značilnosti družinskega podjetništva v Sloveniji 2015*. Ljubljana: EY Slovenija in katedra za podjetništvo Ekonomske fakultete v Ljubljani.
2. Auger, P., Devinney, T. M., Louviere, J. J. & Burke, P. (2003). What will consumers pay for social product features? *Journal of Business Ethics*, 42(3), 281–304.
3. Bansal, P. & Roth, K. (2000, August). Why Companies Go Green: A Model of Ecological Responsiveness. *Academy of Management Journal*, 43(4), 717–736.
4. Bassen, A. & Kovacs, A. M. (2008). Environmental, social and governance key performance indicators from a capital market perspective. *Zeitschrift für Wirtschafts- und Unternehmensethik*, 9(2), 182–192.
5. Bonini, S., Gorner, S. & Jones, A. (2010). *Mckinsey Global Survey Results: How Companies Manage Sustainability*. New York: McKinsey and Company.
6. Burnett, R. D., Skousen, C. J. & Wright, C. J. (2011). Eco-Effective Management: An Empirical Link between Firm Value and Corporate Sustainability. American Accounting Association. *Accounting and the Public Interest*, 11(1), 1–15.
7. Carroll, A. B. (1979, October). A Three-Dimensional Conceptual Model of Corporate Performance. *Academy of management review*, 4(4), 497–505.
8. CERES. (2012, 25. April). *The Road to 2020: Corporate Progress on the Ceres Roadmap for Sustainability*. Retrieved on 11. November 2016 from <https://www.ceres.org/roadmap-assessment/21st-century-roadmap-assessment-report>
9. Chatman, J. A. & Cha, S. E. (2003). Leading by Leveraging Culture. *California management review*, 45(4), 20–34.
10. Deloitte. (2015). *How CSR has influenced Central European societies and economies. Lessons learnt and future trends*. Retrieved on 11. November 2016 from [https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/central-europe/CE\\_CSR\\_Managers\\_Report.pdf](https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/central-europe/CE_CSR_Managers_Report.pdf)
11. Ditillo, A. & Lisi, I. E. (2016). Exploring Sustainability Control Systems' Integration: The Relevance of Sustainability Orientation. *Journal of Management Accounting Research*, 8(2), 125–148.
12. Dyllick, T. & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business strategy and the environment*, 11(2), 130–141.
13. Elkington, J. (1994). *Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development*. *California Management Review*, 36(2), 90–100.
14. Epstein, M. J. & Rejc Buhovac, A. & Yuthas, K. (2010). Why Nike kicks butt in sustainability. *Organizational dynamics*, 39(4), 353.
15. Epstein, M. J. & Rejc Buhovac, A. & Yuthas, K. (2015). Long Range Planning. *Science Direct*, 48(1), 1–62.
16. Epstein, M. J. & Rejc Buhovac, A. (2010). Solving the sustainability implementation challenge. *Organizational Dynamics*, 39(4), 306–315.

17. Epstein, M. J. & Rejc Buhovac, A. (2014). *Making sustainability work: best practices in managing and measuring corporate social, environmental and economic impacts* (2<sup>nd</sup> ed.). Sheffield: Greenleaf; San Francisco: Berrett-Koehler.
18. Epstein, M. J. & Rejc Buhovac, A. (2015). How Sustainability Leaders are Implementing Sustainability. *The European Financial Review*, 48–52.
19. Epstein, M. J. (2004). *The identification, measurement, and reporting of corporate social impacts: past, present, and future*. Bingley: Emerald Group Publishing Limited.
20. Epstein, M. J. & Yuthas, K. (2014). *Measuring and Improving Social Impacts: A Guide for Nonprofits, Companies, and Impact Investors*. Oakland: Berrett-Koehler Publishers.
21. Freeman, R. (1984). *Strategic Management: A Stakeholder Perspective*. Englewood Cliffs, NJ: Prentice-Hall.
22. Global Reporting Initiative – GRI. (2015). *Defining Materiality: What Matters to Reporters and Investors: Do investors and reporters agree on what's material in the Technology Hardware & Equipment and Banks & Diverse Financials sectors?* Retrieved on 30. April 2017 from <https://www.globalreporting.org/resourcelibrary/Defining-Materiality-What-Matters-to-Reporters-and-Investors.pdf>
23. Global Reporting Initiative – GRI. (2016a, March). *The Next Era of Corporate Disclosure: Digital, Responsible, Interactive*. Retrieved on 10. November 2016 from <https://www.globalreporting.org/resourcelibrary/The-Next-Era-of-Corporate-Disclosure.pdf>
24. Global Reporting Initiative – GRI. (2016b). *It provides guidelines to firms on transparency and sustainability report. On the website, you can find glossary*. Retrieved on 11. November 2016 from <http://database.globalreporting.org>
25. Haanaes, K., Michael, D., Jurgens, J. & Rangan, S. (2013). Making sustainability profitable. *Harvard business review*, 91(3), 110–115.
26. Hansen, M. T. & Ibarra, H. & Peyer, U. (2013). The Best-Performing CEOs in the World. *Harvard Business Review*, 91(1), 81–95.
27. Heal, G. (2008). *When principles pay: corporate social responsibility and the bottom line*. New York: Columbia University Press.
28. Hočevár, B. (2017, 4. July). Kupci zahtevajo spoštovanje okolja. *Finance*. Retrieved on 11. November 2017 from <https://oe.finance.si/8857708/Kupci-zahtevajo-spostovanje-okolja>
29. Kashmanian, R. M., Wells, R. P. & Keenan, C. (2011). *Corporate Environmental Sustainability Strategy: Key Elements*. Austin: Greenleaf Publishing.
30. Kilcullen & Ohles Kooistra, J. (1999). *At least do no harm: sources on the changing role of business ethics and corporate social responsibility*. Bingley: MCB UP Ltd.
31. Koehler, D. A. & Hespenheide, E. (2013). Finding the Value in Environmental, Social, and Governance Performance. *Deloitte Review*, 12, 99–111.
32. KPMG International Cooperative. (2011). *KPMG International Survey of Corporate Responsibility Reporting 2011*. Amstelveen: KPMG International Cooperative.
33. KPMG International Cooperative. (2013). *KPMG International Survey of Corporate Responsibility Reporting 2013*. Amstelveen: KPMG International Cooperative.

34. Lampikoski, T., Westerlund, M., Rajala, R. & Moller, K. (2014). Green Innovation Games: Value-Creation Strategies for Corporate Sustainability. *California Management Review*, 57(1), 88–116.
35. LOTRIČ Metrology. (2016, November). *LOTRIČ Metrology development strategy 2017–2020*. Selca: LOTRIČ Metrology.
36. LOTRIČ Metrology. (2017). *About us*. Retrieved on 4. November 2017 from <http://www.lotric.si/si/podjetje/o-nas>
37. LOTRIČ Metrology. (2019). *Vloga za priznanje Republike Slovenije za poslovno odličnost za leto 2019*. Selca: LOTRIČ Metrology.
38. LOTRIČ Metrology. (2020). *LOTRIČ Metrology Sustainability strategy 2020 – 2025*. Selca: LOTRIČ Metrology
39. Lye, G. & Muller, F. (2004). *The Changing Landscape of Liability: A Director's Guide to Trends in Corporate Environmental, Social and Economic Liability*. London: Sustain Ability.
40. Margolis, J. D., Walsh, J. P. (2003). *Misery Loves Companies: Rethinking Social Initiatives by Business*. Ithaca, NY: Johnson Graduate School, Cornell University.
41. Maslow, A. H. (1968). *Toward a psychology of being*. New York: D. Van Nostrand Company.
42. MIT Sloan Management Review. (2011). *Sustainability: The 'Embracers' Seize Advantage*. Retrieved on 23. April 2017 from <https://sloanreview.mit.edu/projects/sustainability-the-embracers-seize-advantage/>
43. Nidumolu, R., Prahalad, C. K. & Rangaswami, M. R. (2009). Why Sustainability is Now the Key Driver of Innovation. *Harvard business review*, 87(9), 56–64.
44. Pandit, G. M., & Rubenfield, A. J. (2016). The Current State of Sustainability Reporting by Smaller S&P 500 Companies. What do Businesses Choose to Disclose? *The CPA Journal*, 86(6), 52–57.
45. Peloza, J., Loock, M., Cerruti, J. & Muyot, M. (2012) Sustainability: How Stakeholder Perceptions Differ from Corporate Reality. *California Management Review*, 55(1), 74–97.
46. Peycheva, D., Pötzschke, J., Hall, T. D. & Rattinger, H. (2014). Attitudes towards environmental issues: Empirical evidence in Europe and the United States. *Transworld Paper*, 3, 56.
47. Porter, M. E. & Kramer, M. R. (2006). Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, 12, 78–92.
48. Rahbek Gjerdrum Pedersen, E. (2015). *Corporate Social Responsibility*. Denmark: Sage publications Ltd.
49. Rejc Buhovac, A., Hren, A., Fink, T. & Savič, N. (2018): *Trajnostne poslovne strategije in trajnostni poslovni modeli v slovenski praksi*. Ljubljana: Spirit Slovenija, javna agencija.
50. Silvestri, L. & Gulati, R. (2014). *From Periphery to Core: A Process Model for Embracing Sustainability*. In R. Henderson, R. Gulati & M. Tushman (eds), *Leading*

- Sustainable Change: An Organizational Perspective* (pp. 81–110). Oxford: Oxford University Press.
51. Slaper, T. F. & Hall, T. J. (2011). The Triple Bottom Line: What Is It and How Does It Work? *Indiana business review*, 86(1), 4–8.
  52. Slovensko društvo za odnose z javnostmi. (2011). *Horus 2011 – prejemniki*. Retrieved on 27. May 2017 from <http://www.piar.si/media/horus.2011.pdf>
  53. Stavins, R. (2011). The Problem of the Commons: Still Unsettled after 100 Years. *American Economic Review*, 101(1), 81–108.
  54. Sterman, J. (2015). *Stumbling towards Sustainability: Why organizational learning and radical innovation are necessary to build a more sustainable world—but not sufficient*. Retrieved on 23. April 2017 from [https://www.researchgate.net/profile/John\\_Sterman/publication/273776074\\_Stumbling\\_towards\\_Sustainability\\_Why\\_organizational\\_learning\\_and\\_radical\\_innovation\\_are\\_necessary\\_to\\_build\\_a\\_more\\_sustainable\\_world-but\\_not\\_sufficient/links/550d42860cf2ac2905a63666.pdf](https://www.researchgate.net/profile/John_Sterman/publication/273776074_Stumbling_towards_Sustainability_Why_organizational_learning_and_radical_innovation_are_necessary_to_build_a_more_sustainable_world-but_not_sufficient/links/550d42860cf2ac2905a63666.pdf)
  55. UN Documents. (no date). *Our Common Future: Report of the World Commission on Environment and Development, Chapter 2: Towards Sustainable Development*. Retrieved on 9. November 2016 from <http://www.un-documents.net/ocf-02.htm#I>
  56. Van Marrewijk, M. (2003). Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion. *Journal of business ethics*, 44(2–3), 95–105.
  57. W. K. Kellogg Foundation. (2004). *Logic Model Development Guide*. Battle Creek: W.K. Kellogg Foundation.
  58. Wood, D. J., Logsdon, J. M., Lewellyn, P. G. & Davenport, K. S. (2006). *Global Business Citizenship: A Transformative Framework for Ethics and Sustainable Capitalism*. New York: M.E. Sharpe.
  59. World Commission on Environment and Development. (1987). *Brundtland Commission Report Our Common Future*. Retrieved on 15. July 2018 from <http://www.un-documents.net/our-common-future.pdf>
  60. Zadek, S. & Merme, M. (2003). *Redefining Materiality: Making Reporting More Relevant*. Retrieved on 23. April 2017 from <http://unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpan044367.pdf>



## **APPENDICES**





## **Appendix 1: Slovenian summary of the master's thesis.**

Tako podjetja kot družba na splošno se soočajo z vse večjimi tveganji, ki izhajajo iz vse več virov in z vse večjimi vplivi: podnebne spremembe, potencialno nevarni proizvodi, prekinjena in nevarna oskrba, pomanjkanje kakovostne izobrazbe, slabi delovni pogoji in otroško delo, prezgodnja smrt in bolezni, svetovna revščina ter odnosi med potrošniki in skupnostjo. To se še povečuje s hitrim razvojem komunikacij in s tem, ko podjetja dosegajo globalno raven, uporabljajo nove tehnologije, finančne instrumente in delujejo z globalnimi omrežji (Epstein & Rejc Buhovac, 2015; Ditillo & Lisi, 2016; Peycheva, Pötzschke, Hall & Rattinger, 2014). Strokovnjaki napovedujejo, da bodo ključni izzivi v naslednjih desetih letih izhajali iz globalnih vprašanj, izzivov za razvoj družbe, okolja, učinkovitosti in izzivov upravljanja ter ekonomskih modelov družbe (GRI, 2016b). Vprašanja v zvezi s trajnostnim razvojem tako pritiskajo na vodilne v številnih panogah, da premislijo o svojem poslovanju.

Od 90. let prejšnjega stoletja vse večje zanimanje za okoljsko trajnost, ki so ga sprožile številne ekološke krize in strožji okoljski predpisi, podjetja sili, da trajnostno naravnano poslovanje vidijo kot strateško vprašanje (Lampikoski, Westerlund, Rajala & Moller, 2014), ki vključuje skrb za okolje, družbo in ekonomijo (Epstein & Rejc Buhovac, 2014). Managerji se tako danes ne pogovarjajo več o tem, ali se osredotočiti na trajnost, temveč kako vključiti družbene, okoljske in gospodarske vplive v vsakodnevne odločitve, da bi dosegli boljše poslovne rezultate (Epstein, Rejc Buhovac & Yuthas, 2014).

Magistrsko delo se osredotoča na praktični proces integracije trajnostnih vsebin v poslovne strategije malih in srednje velikih podjetij. Ponazoritev procesa predstavim na primeru podjetja LOTRIČ Meroslovje d. o. o., ki je družinsko podjetje z več kot 160 zaposlenimi. Podjetje ima dobro urejen sistem družbene odgovornosti, ki se razvija na letni ravni. Dosledna prizadevanja na več področjih družbene odgovornosti vključujejo spremljanje, ocenjevanje in izboljšanje uspešnosti družbene odgovornosti podjetja ter so vključena v sistem kakovosti podjetja. Podjetje je aktivno vključeno v lokalno skupnost, njegov pozitiven odnos do zaposlenih pa se odraža v številnih nagradah, na primer slovensko nagrado Zlata Nit za najboljšega delodajalca leta 2017 v kategoriji majhnih podjetij. Za mala in srednje velika podjetja LOTRIČ Meroslovje d. o. o. kaže izjemno delo na področju trajnostne strateške naravnosti. Kljub temu pa ostaja izziv, kako s trenutnim razumevanjem družbene odgovornosti podjetja na strateški ravni spremeniti svojo poslovno strategijo v strategijo trajnosti.

V magistrskem delu se osredotočam na glavne korake za preoblikovanje v malih in srednje velikih podjetjih do 500 zaposlenih. Poleg tega želim prispevati z ustvarjanjem smernic za mala in srednje velika podjetja, ki si prizadevajo narediti korak k trajnosti.

Pri analizi študije primera sem uporabila podatke iz vloge za poslovno odličnost iz leta 2019 ter poslovne strategije iz leta 2019. Prav tako sem za namen ustvarjanja trajnostne strategije za obdobje med leti 2020 in 2025 pripravila vprašalnik, ki je bil razdeljen med sodelavke in

sodelavce, prebivalce Selške doline in poslovnimi partnerji, z namenom pridobivanja mnenj, kako ključni deležniki dojemajo trenutne trajnostne aktivnosti in opredelitvijo bistvenih aktivnosti za prihodnost. Na podlagi tega, smo skupaj z zbrano ekipo več kot 30 sodelavcev in sodelavk pripravili matriko bistvenosti. Na eni strani se je tako ocenilo trajnostne usmeritve, njihova pomembnost za deležnike in seveda vpliv na poslovanje podjetja.

Proces preoblikovanja smo izvajali v obdobju med novembrom 2019 in februarjem 2020. V skupini, ki je štela več kot 30 sodelavcev, je bila moja vloga koordinirati delo med zunanjim svetovalcem in ekipo, ki je pripravljala vsebinski del strategije. V vlogi koordinatorja je pomembno dobro poznavanje sodelujočih, njihovih vlog v podjetju, saj smo vključili tako vse vodje oddelkov in timov, kot tudi neformalne vodje, torej tiste, ki s svojim mnenjem in strokovnostjo močno vplivajo na razplet uresničevanja strategije. Zelo pomembno je bilo tudi komuniciranje med ostale sodelavce, ki niso sodelovali v procesu, saj je redno obveščanje o napredku in končna predstavitev ključna za razumevanja poti, ki smo jo načrtali.

V sklopu procesa smo organizirali štiri delavnice, kjer smo pripravili naslednje vsebine.

- Analitične ugotovitve o strateškem položaju podjetja LOTRIČ Meroslovje d. o. o. v letu 2019, v obliki prednosti, slabosti, priložnosti in nevarnosti.
- Matriko bistvenosti podjetja (ang. Materiality matrix), ki prikazuje trajnostne izzive, ki so deležnikom podjetja zelo pomembni, hkrati pa imajo velik potencialen vpliv na poslovno uspešnost podjetja. Bistvene trajnostne izzive smo identificirali z anketiranjem zaposlenih, prebivalcev Selške doline in poslovnih partnerjev, ter presojo vodstva o njihovem vplivu na rast prihodkov oziroma obvladovanja stroškov. V nadaljevanju procesa razvijanja strategije smo upoštevali vseh 12 trajnostnih izzivov matrike bistvenosti.
- Videnje strateškega uspeha podjetja na dan 31.12.2025, katerega smo zapisali s štirih vidikov in z upoštevanjem matrike bistvenosti.
- Strateški diagram z 11 strateškimi aktivnostmi in predvidenimi strateškimi rezultati. Ob pripravljenem strateškem diagramu, smo pripravili tudi popis aktivnosti, dodelili smo skrbnika, opredelili nevarnosti in določili termin izvedbe za posamezen korak. S tem smo omogočili tudi lažjo pripravo strateških kazalcev uspešnosti.

S pripravo dodatnih praktičnih priporočil, verjamem da sem malim in srednje velikim podjetjem omogočila lažje razumevanje procesa, ki zahteva veliko usklajevanja, razumevanja vseh ključnih deležnikov, motivacije sodelujočih in nenazadnje predstavitev končnega rezultata vsem zaposlenim. Pri tem moramo izpostaviti, da je spremljanje rezultatov in uresničevanje strategije ključno, in zahteva ogromno pozornost vodstva. Trajnostna strategija je živ dokument, ki ga na podlagi dejstev in sprememb v poslovanju zlahka spremenimo. Tako poskrbimo, da je dokument, ki navdihuje in upravlja ključne spremembe v podjetju.

## Appendix 2: Survey distributed among stakeholders

The survey took place over a period from 24. 11. 2016 to 24. 02. 2017. The survey was carried out through the website lka.si, and was distributed through different social networks, emails and there were a few interviews in person, especially for older interviewees. Full name of the survey was “Sustainable approach of the company LOTRIČ Metrology”. Estimated time of interview was about 8 minutes, for 14 questions. I gathered 112 complete answers, from which 55 are from LOTRIČ Metrology employees, 21 from business partners and 36 from people living in Selška valley.

Survey transcript:

Dear Sir, my name is Maja Lotrič, and I am a postgraduate student of IMB program, Faculty of Economics, University of Ljubljana. I am preparing a study, which aims to integrate the opinions of employees, business partners and people living in the Selška valley, on integrating sustainable approach of the company LOTRIČ Metrology Sustainability is defined as the company’s contribution to the environmental protection, development of socially necessary areas and local economy. I will appreciate your honesty in answering, as it will enable me to understand the facts. The questionnaire is completely anonymous and will take about 10 minutes of your time. I sincerely thank you for your participation. To begin, click the button “Next”.

### Q1 – Ethics.

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
Management team respects and enforces high ethical standards of behaviour.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees adhere to high ethical standards of behaviour.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company adheres to the law, and does not tolerate corruption or deviant behaviour.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management team is a role model to employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q2 – The management of the company.**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
The company management ensures that handling with all the resources is responsible and effective.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Owners of the company are committed to the interests of employees and partners.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Managing team communicate openly and clearly about vision, strategy, policy and business practices.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management team of the company is committed to long term development, and acts in best interest of various stakeholders.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q3 – Business transparency**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the

company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
Company timely prepares periodic financial and other statutory reports on their activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q4 – Business relationships**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
Information on the regular functioning of company, products, services and activities are publicly available and transparent.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company encourages long-term cooperation with suppliers, distributors and others.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company provides an equal relationship with suppliers, distributors and others.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q5 – Financial income.**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the

company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
The company management is responsible for an appropriate return on equity (profit).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company's strategy encourages long-term financial growth of the business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q6 - Involvement in the local community.**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
The company organizes social events in its surroundings.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company encourages local communities in the field of culture, sports and other social or environmental activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company employs and gives scholarships to people from Selška Valley.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q7 - Value of products and services.**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
The company respects the needs, aspirations and rights of consumers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company strives to offer products and services with the highest value to the customer at a given price.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services / products company LOTRIČ Metrology are of superior quality.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q8 - The policy of human resource management at work.**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
Company encourages personal development of employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company promotes professional development of employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
Company respects the diversity of employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company provides an inclusive work environment - Employee opinion is welcomed and respected.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company is family-friendly.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q9 - Environmental protection.**

Answer questions with ratings from 1 to 6, wherein the score 1 means that such practices are not present in the company, score 6 however identifies that this practice is strongly enforced in the company. If you feel that this is question you cannot answer, fill in the “I don’t know”. For each factor, please also rate how important is it.

	Presence of the practice in the company							The importance of the factor						
	1	2	3	4	5	6	Don't know	1	2	3	4	5	6	Don't know
The company is responsible for the protection and restoration of environment (e.g. With waste recycling) in accordance with standards.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company encourages the development of sustainable products (need less energy...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**XAGE – Your age group**

- up to 25 years
- from 26 up to 35 years
- from 36 up to 45 years
- from 46 up to 55 years



- from 56 up to 65 years
- 66 years and above

**Q10 – Chose the correct answer (Warning: only one answer possible).**

- I am employed in the company LOTRIČ Metrology
- I am a business partner of LOTRIČ Metrology
- I live in Selška valley

**IF (1) Q10 = [3] (I live in Selška valley)**

**Q11 – I live in Selška valley**

- Up to 1 year.
- Up to 5 years.
- Up to 10 years.
- Up to 15 years.
- 16 years and more.

**IF (2) Q10 = [2] (I am a business partner of LOTRIČ Metrology.)**

**Q12 – I work professionally with LOTRIČ Metrology.**

- Up to 1 year.
- Up to 5 years.
- Up to 10 years.
- Up to 15 years.
- 16 years and more.

**IF (3) Q10 = [1] (I am employed in the company LOTRIČ Metrology. )**

**Q13 - I am employed in the company LOTRIČ Metrology**

- Up to 1 year.
- Up to 5 years.
- Up to 10 years.
- Up to 15 years.
- 16 years and more.

### Appendix 3: Survey analysis

Survey was analysed with the help of SPSS program. Below, there is a full analysis report. Where marked with orange field, P-values are lower than 0.05, which means that this result is statistically significant.

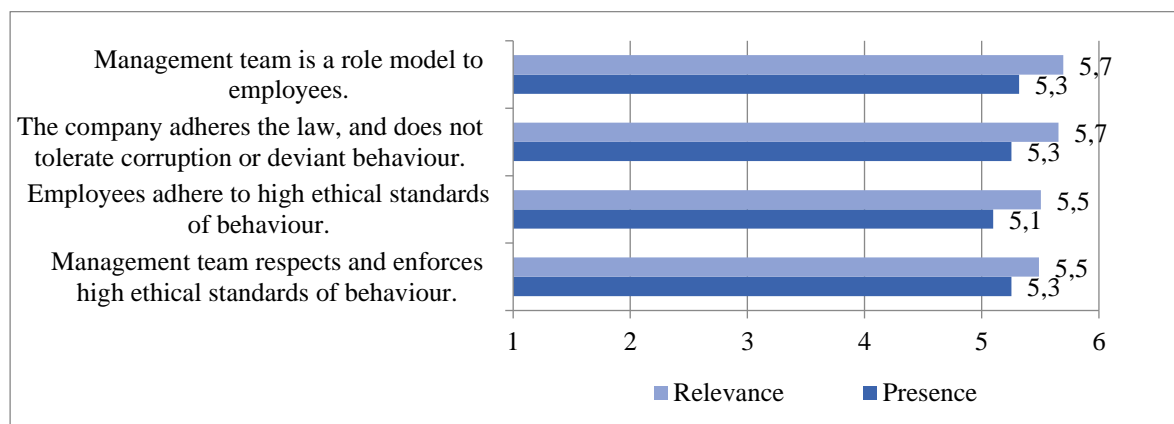
#### a.) Ethics

Table 1: A set of questions on ethics

		Management team respects and enforces high ethical standards of behaviour.	Employees adhere to high ethical standards of behaviour.	The company adheres to the law, and does not tolerate corruption or deviant behaviour.	Management team is a role model to employees.
<b>Presence of the practice in the company</b>					
N	Valid	119	113	118	119
	Missing	9	15	10	9
Average		5,25	5,10	5,25	5,32
Median		5,00	5,00	6,00	6,00
Modus		6	5	6	6
Std. Deviation		,836	,823	1,095	,974
<b>The importance/relevance of the factor</b>					
N	Valid	123	123	125	125
	Missing	5	5	3	3
Average			5,50	5,66	5,70
Median		6,00	6,00	6,00	6,00
Modus		6	6	6	6
Std. Deviation		,843	,783	,763	,764

Source: Own work.

Figure 1: Relevance and presence of business ethics



Source: Own work.

Table 2: Paired differences test on business ethics

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	Management team respects and enforces high ethical standards of behaviour.	-,261	,859	,080	-,420	-,102	-3,256	114	,001
Pair 2	Employees adhere to high ethical standards of behaviour.	-,464	,915	,087	-,637	-,291	-5,312	109	,000
Pair 3	The company adheres to the law, and does not tolerate corruption or deviant behaviour.	-,457	1,042	,097	-,648	-,265	-4,724	115	,000
Pair 4	Management team is a role model to employees.	-,427	,931	,086	-,598	-,257	-4,963	116	,000

Source: Own work (Third table: first statement represents the presence, the second relevance<sup>9</sup>).

<sup>9</sup>Paired t-test detects whether the two variables on average, differ significantly. We examined statistically significant difference in the averages of the selected variables. We calculated the average of one and other variables. We see that the difference in the averages appear; however, are these differences statistically significant? The statistical significance of differences was tested by the parametric paired t-test.

If the p-value (Significance - statistical significance) is greater than 0.05, it cannot be said that there is a statistically significant difference between the two variables.

If it is less than 0.05 then statistically significant differences exist at the level of 0.05.

t is the value of the single test, df, are the degrees of freedom. These parameters are used to calculate the p-value. These two parameters of the task do not need to be interpreted because they do not have interpretive value, but are still reported.

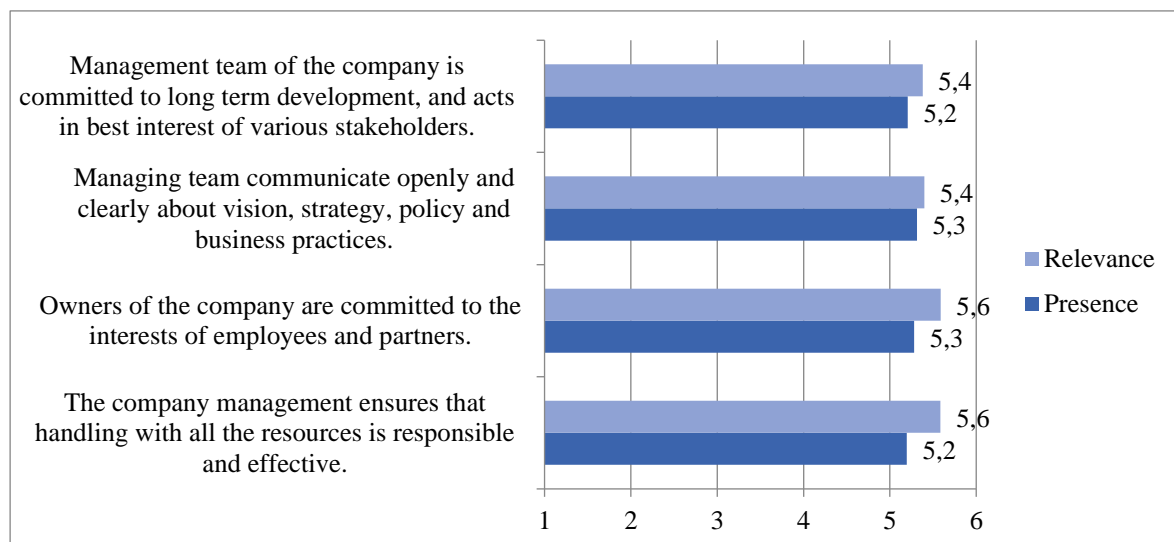
b.) The management of the company

Table 3: A set of questions on the management of the company

		The company management ensures that handling with all the resources is responsible and effective.	Owners of the company are committed to the interests of employees and partners.	Managing team communicate openly and clearly about vision, strategy, policy and business practices.	Management team of the company is committed to long term development, and acts in best interest of various stakeholders.
<b>PRISOTNOST PRAKSE V PODJETJU</b>					
N	Valid	117	121	112	116
	Missing	11	7	16	12
Average		5,20	5,28	5,31	5,21
Median		5,00	6,00	5,50	5,00
Modus		6	6	6	6
Std. Deviation		,993	1,002	,870	1,026
<b>POMEMBNOST</b>					
N	Valid	123	124	123	124
	Missing	5	4	5	4
Average		5,59	5,59	5,40	5,38
Median		6,00	6,00	6,00	6,00
Modus		6	6	6	6
Std. Deviation		,735	,755	,921	,870

Source: Own work.

Figure 2: Relevance and presence of the management team



Source: Own work.

Table 4: Paired differences test on topic management team

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	The company management ensures that handling with all the resources is responsible and effective.	-,404	,919	,086	-,574	-,233	-4,688	113	,000
Pair 2	Owners of the company are committed to the interests of employees and partners.	-,297	,981	,090	-,475	-,118	-3,284	117	,001
Pair 3	Managing team communicate openly and clearly about vision, strategy, policy and business practices.	-,083	1,038	,099	-,280	,114	-,831	108	,408
Pair 4	Management team of the company is committed to long term development, and acts in best interest of various stakeholders.	-,212	1,004	,094	-,400	-,025	-2,249	112	,026

Source: Own work.

c.) Business transparency

Table 5: A set of questions on business transparency

		Company timely prepares periodic financial and other statutory reports on their activities.
<b>PRISOTNOST PRAKSE V PODJETJU</b>		
N	Valid	80
	Missing	48
Average		5,66
Median		6,00
Modus		6
Std. Deviation		,594
<b>POMEMBNOST</b>		
N	Valid	112
	Missing	16
Average		5,50
Median		6,00
Modus		6
Std. Deviation		,771

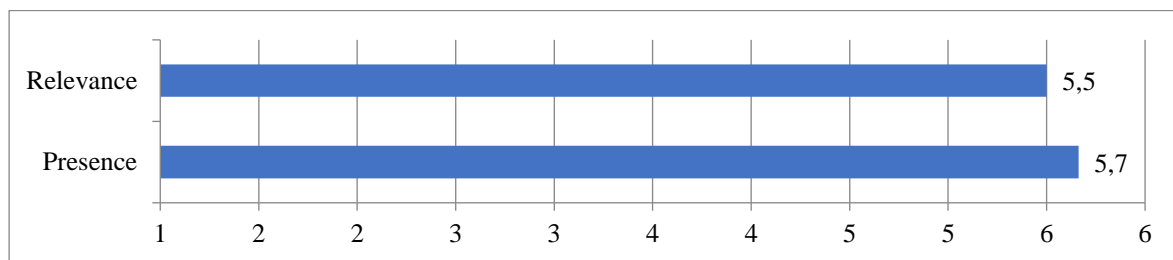
Source: Own work.

Table 6: Paired differences test on business transparency

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	Company timely prepares periodic financial and other statutory reports on their activities.	,038	,746	,085	-,130	,207	,455	77	,650

Source: Own work.

Figure 3: Relevance and presence of business transparency



Source: Own work.

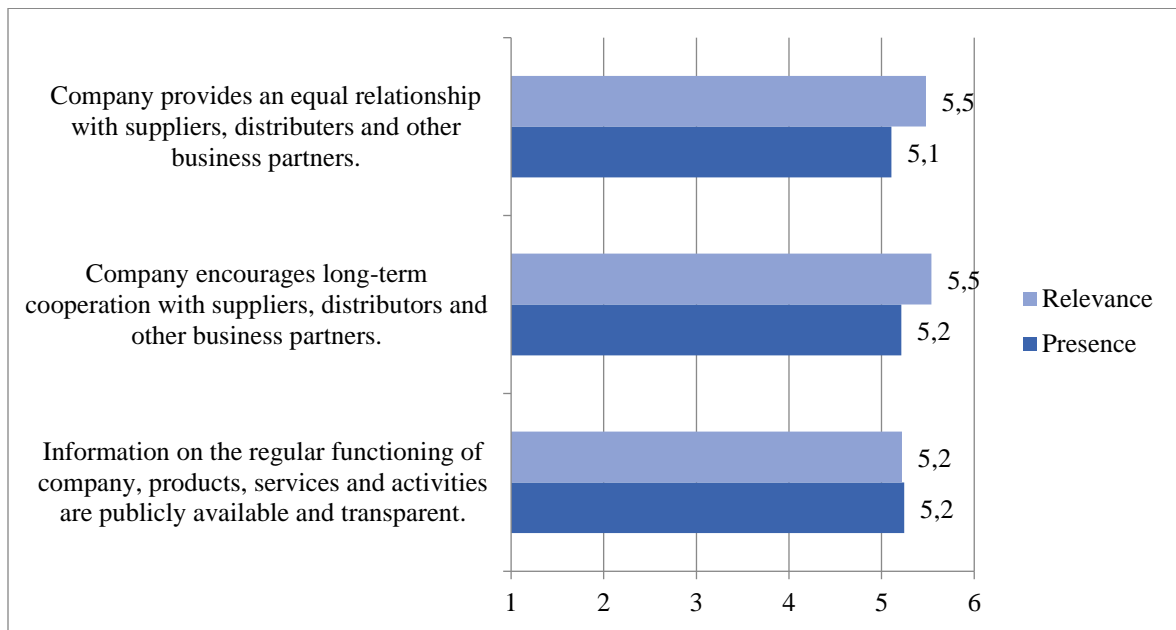
d.) Business relationships

Table 7: A set of questions on business relationships

		Information on the regular functioning of company, products, services and activities is publicly available and transparent.	Company encourages long-term cooperation with suppliers, distributors and other business partners.	Company provides an equal relationship with suppliers, distributors and other business partners.
<b>Presence</b>				
N	Valid	110	108	94
	Missing	18	20	34
Average		5,25	5,21	5,11
Median		5,00	5,00	5,00
Modus		6	6	6
Std. Deviation		,950	,986	1,052
<b>Relevance</b>				
N	Valid	118	117	117
	Missing	10	11	11
Average		5,22	5,54	5,48
Median		5,00	6,00	6,00
Modus		6	6	6
Std. Deviation		,878	,826	,805

Source: Own work.

Figure 4: Relevance and presence of business relationships



Source: Own work.

Table 8: Paired differences test of topic business relationships

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	Information on the regular functioning of company, products, services and activities are publicly available and transparent.	-,056	1,071	,104	-,261	,149	-,541	106	,589
Pair 2	Company encourages long-term cooperation with suppliers, distributors and others.	-,333	,947	,094	-,519	-,147	-3,553	101	,001
Pair 3	Company provides an equal relationship with suppliers, distributors and others.	-,413	1,039	,108	-,628	-,198	-3,812	91	,000

Source: Own work.

e.) Financial results

Table 9: A set of questions on financial results

		The company management is responsible for an appropriate return on equity (profit).	The company's strategy encourages long-term financial growth of the business.
<b>Presence</b>			
N	Valid	95	111
	Missing	33	17
<b>Average</b>		5,39	5,51
Median		6,00	6,00
Modus		6	6
Std. Deviation		,803	,808
<b>Relevance</b>			
N	Valid	111	118
	Missing	17	10
<b>Average</b>		5,67	5,74
Median		6,00	6,00
Modus		6	6
Std. Deviation		,651	,672

Source: Own work.

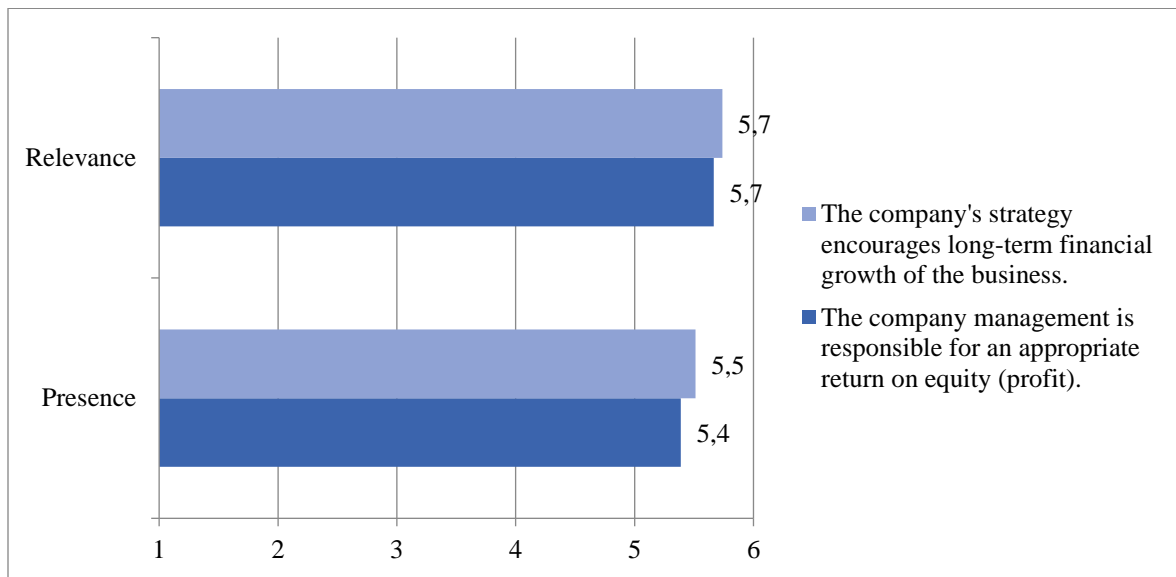
Table 10: Paired differences test of topic financial results

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	The company management is responsible for an appropriate return on equity (profit).	-,330	,678	,070	-,469	-,191	-4,715	93	,000
Pair 2	The company's strategy encourages long-term financial growth of the business.	-,239	,756	,072	-,382	-,095	-3,292	108	,001

Source: Own work.



Figure 5: Relevance and presence of financial results



Source: Own work.

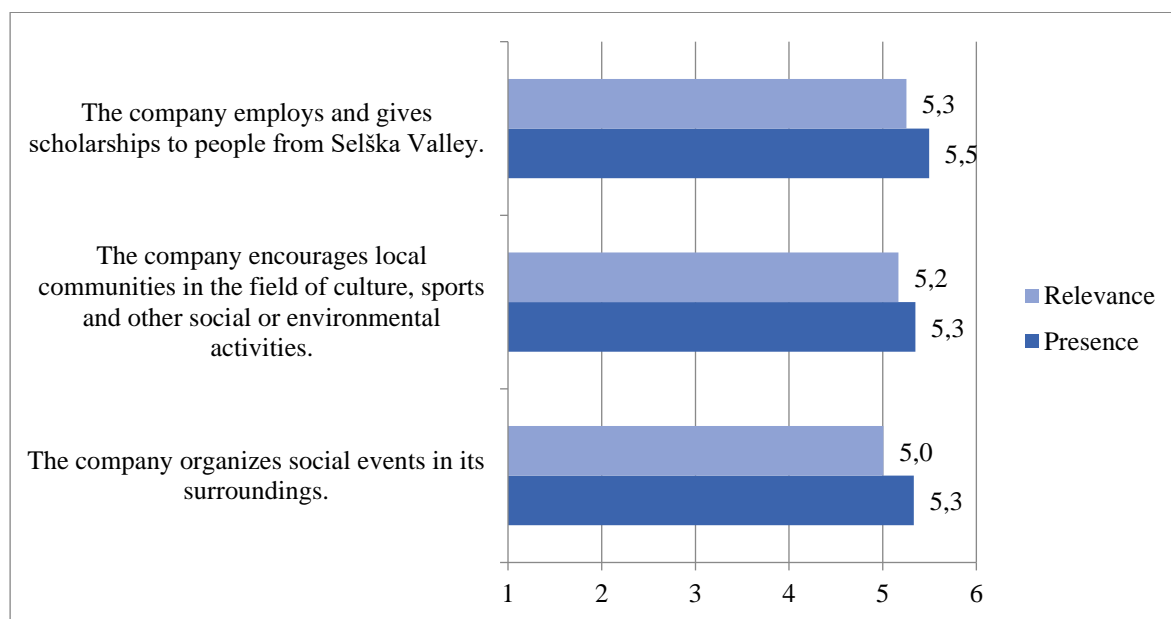
f.) Involvement in the local community

Table 11: A set of questions on involvement in the local community

		The company organizes social events in its surroundings.	The company encourages local communities in the field of culture, sports and other social or environmental activities.	The company employs and gives scholarships to people from Selška Valley.
<b>Presence</b>				
N	Valid	111	109	105
	Missing	17	19	23
Average		5,33	5,35	5,50
Median		6,00	6,00	6,00
Modus		6	6	6
Std. Deviation		1,224	1,142	1,136
<b>Relevance</b>				
N	Valid	121	118	115
	Missing	7	10	13
Average		5,01	5,17	5,25
Median		5,00	6,00	6,00
Modus		6	6	6
Std. Deviation		1,187	1,104	1,184

Source: Own work.

Figure 6: Relevance and presence of involvement in the local community



Source: Own work.

Table 12: Paired differences test on topic involvement in the local community

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	The company organizes social events in its surroundings	,236	1,263	,120	-,002	,475	1,963	109	,052
Pair 2	The company encourages local communities in the field of culture, sports and other social or environmental activities.	,121	1,179	,114	-,105	,348	1,066	106	,289
Pair 3	The company employs and gives scholarships to people from Selška Valley.	,165	,876	,086	-,006	,336	1,913	102	,059

Source: Own work.

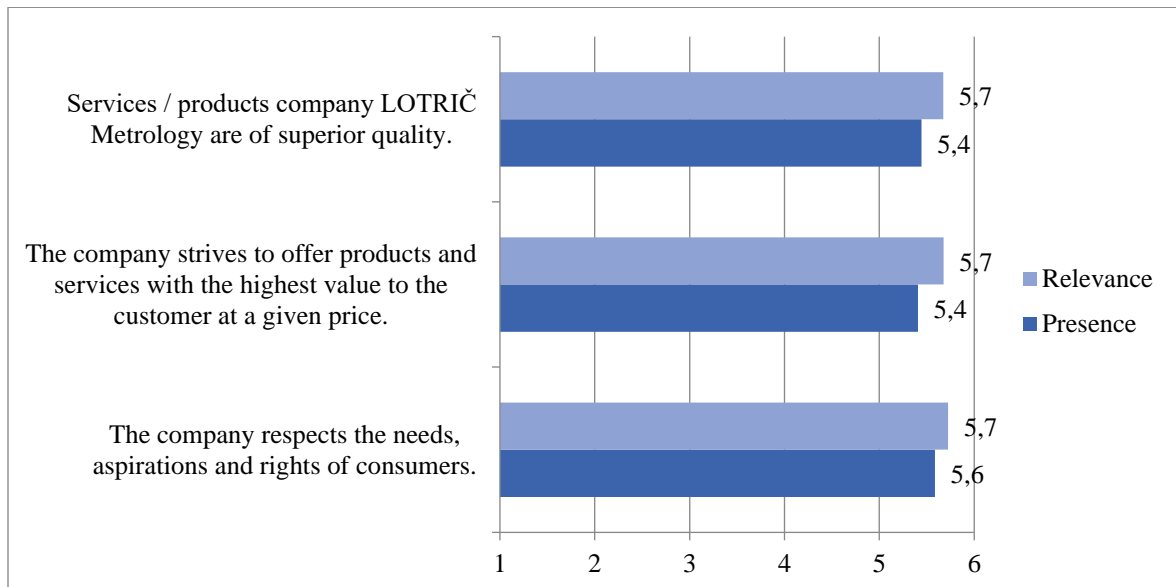
g.) Value of products and services

Table 13: A set of questions on value of products and services

		The company respects the needs, aspirations and rights of consumers.	The company strives to offer products and services with the highest value to the customer at a given price.	Services / products company LOTRIČ Metrology are of superior quality.
<b>Presence</b>				
N	Valid	101	106	108
	Missing	27	22	20
<b>Average</b>		5,58	5,41	5,44
Median		6,00	6,00	6,00
Modus		6	6	6
Std. Deviation		,778	,870	,801
<b>Relevance</b>				
N	Valid	109	108	110
	Missing	19	20	18
<b>Average</b>		5,72	5,68	5,67
Median		6,00	6,00	6,00
Modus		6	6	6
Std. deviation		,651	,667	,651

Source: Own work.

Figure 7: Relevance and presence of value of products and services



Source: Own work.

Table 14: Paired differences test on topic value of products and services

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	The company respects the needs, aspirations and rights of consumers.	-,173	,626	,063	-,299	-,048	-2,742	97	,007
Pair 2	The company strives to offer products and services with the highest value to the customer at a given price.	-,272	,717	,071	-,412	-,132	-3,850	102	,000
Pair 3	Services / products company LOTRIČ Metrology are of superior quality.	-,255	,769	,075	-,403	-,107	-3,409	105	,001

Source: Own work.

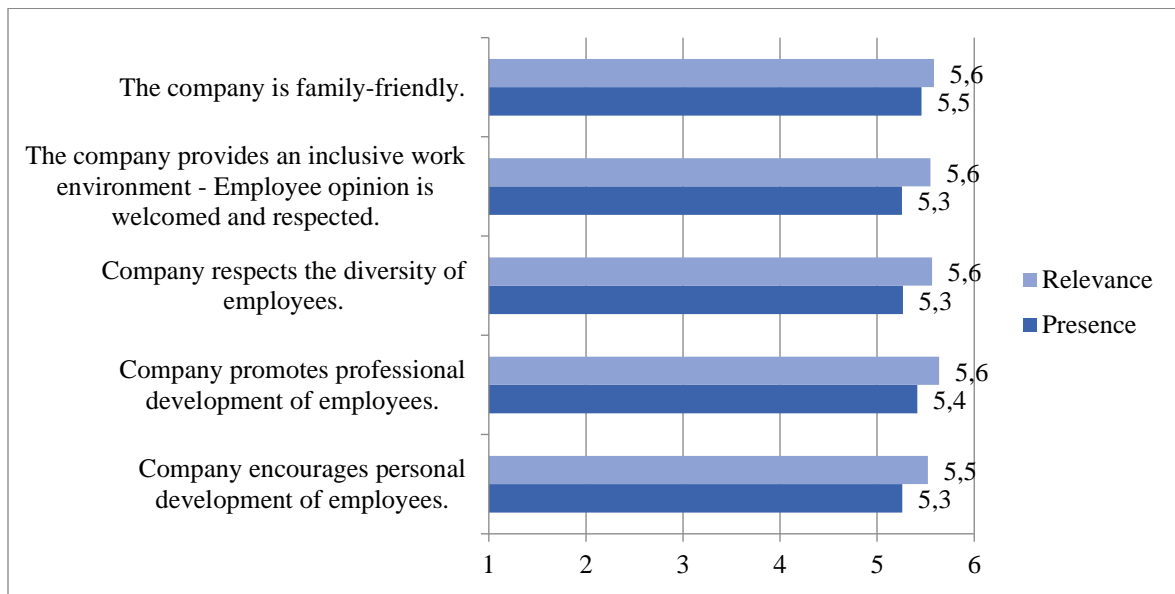
h.) The policy of human resource management at work

Table 15: A set of question on the policy of human resource management at work

		Company encourages personal development of employees.	Company promotes professional development of employees.	Company respects the diversity of employees.	The company provides an inclusive work environment - Employee opinion is welcomed and respected.	The company is family-friendly.
<b>Presence</b>						
N	Valid	100	104	94	94	103
	Missing	28	24	34	34	25
Average		5,26	5,41	5,27	5,26	5,46
Median		5,00	6,00	6,00	5,00	6,00
Modus		6	6	6	6	6
Std. Deviation		,917	,855	,930	,915	,937
<b>Relevance</b>						
N	Valid	109	111	108	109	111
	Missing	19	17	20	19	17
Average		5,52	5,64	5,56	5,55	5,59
Median		6,00	6,00	6,00	6,00	6,00
Modus		6	6	6	6	6
Std. Deviation		,789	,760	,777	,739	,814

Source: Own work.

Figure 8: Relevance and presence of the policy of human resource management at work



Source: Own work.

Table 16: Paired differences test on topic of the policy of human resource management at work

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	Company encourages personal development of employees.	-,347	,909	,092	-,529	-,165	-3,777	97	,000
Pair 2	Company promotes professional development of employees.	-,301	,906	,089	-,478	-,124	-3,373	102	,001
Pair 3	Company respects the diversity of employees.	-,366	,870	,090	-,545	-,187	-4,054	92	,000
Pair 4	The company provides an inclusive work environment - Employee opinion is welcomed and respected.	-,376	,846	,088	-,551	-,202	-4,291	92	,000
Pair 5	The company is family-friendly.	-,208	,816	,081	-,369	-,047	-2,560	100	,012

Source: Own work.

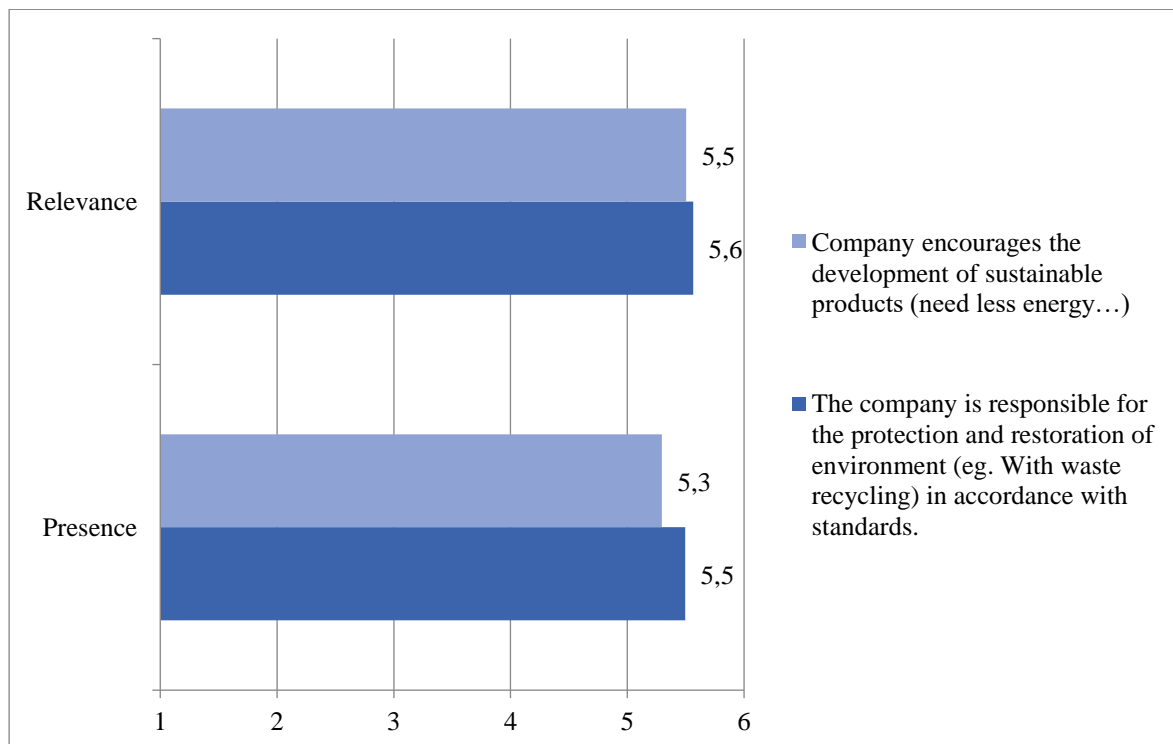
i.) Environmental protection

Table 17: A set of questions on environmental protection

		The company is responsible for the protection and restoration of environment (e.g. With waste recycling) in accordance with standards.	Company encourages the development of sustainable products (need less energy...)
<b>Presence</b>			
N	Valid	93	91
	Missing	35	37
<b>Average</b>		5,49	5,30
Median		6,00	6,00
Modus		6	6
Std. Deviation		,904	,888
<b>Relevance</b>			
N	Valid	110	109
	Manjkajoči	18	19
<b>Average</b>		5,56	5,50
Median		6,00	6,00
Modus		6	6
Std. Deviation		,736	,835

Source: Own work.

Figure 9: Relevance and importance of environmental protection



Source: Own work.

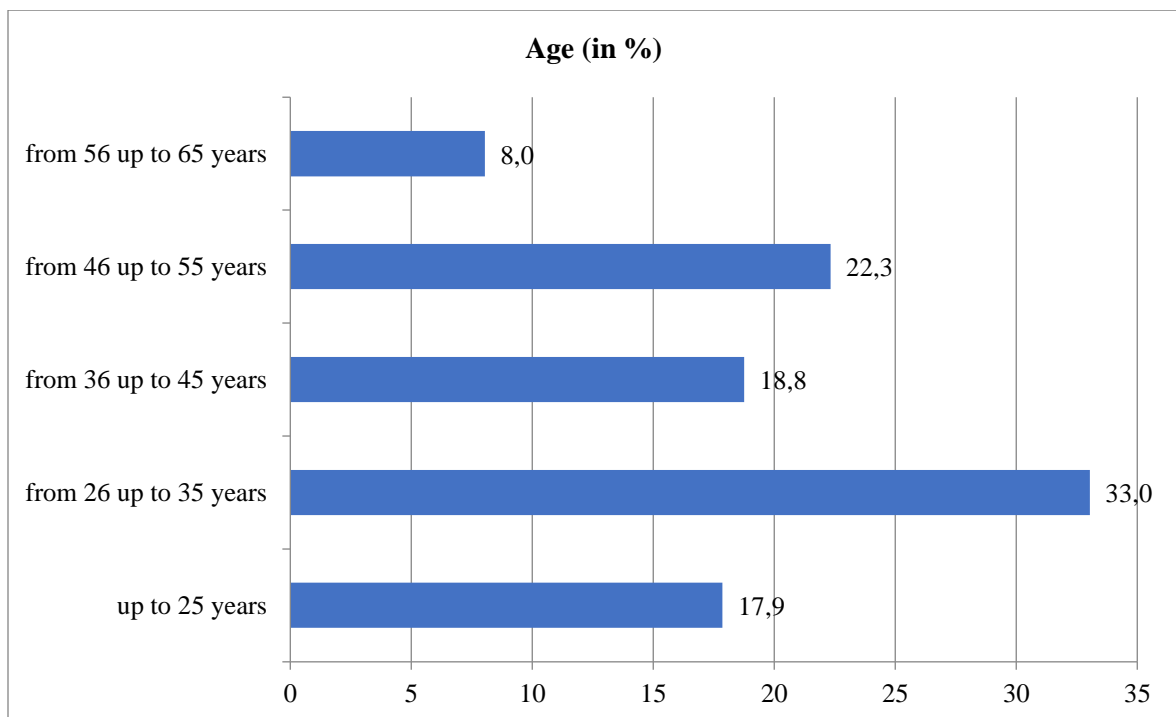
Table 18: Paired differences test on topic of environmental protection

		Paired differences test					t	df	p-value (2-sided)
		Average	Std. Deviation	Standard error	95% Confidence interval				
					Low	High			
Pair 1	The company is responsible for the protection and restoration of environment (e.g. With waste recycling) in accordance with standards.	-,087	,945	,099	-,283	,109	-,882	91	,380
Pair 2	Company encourages the development of sustainable products (need less energy...)	-,337	,878	,093	-,522	-,152	-3,621	88	,000

Source: Own work.

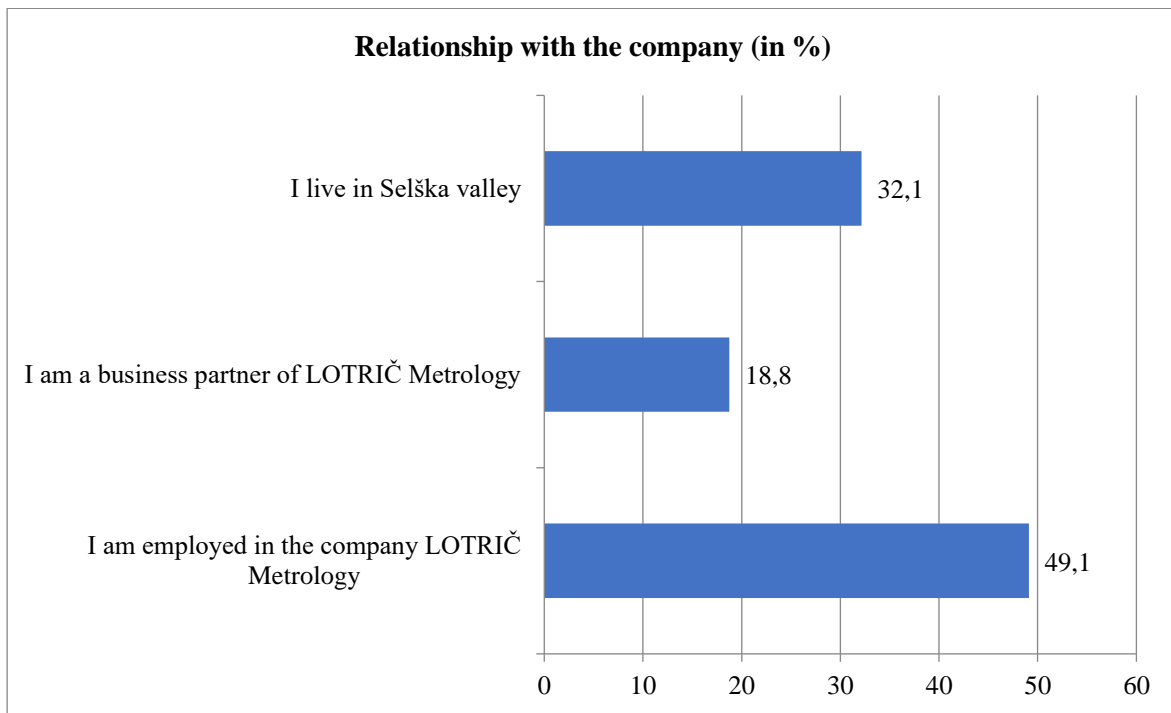
j.) Demographics

Figure 10: Age of correspondents



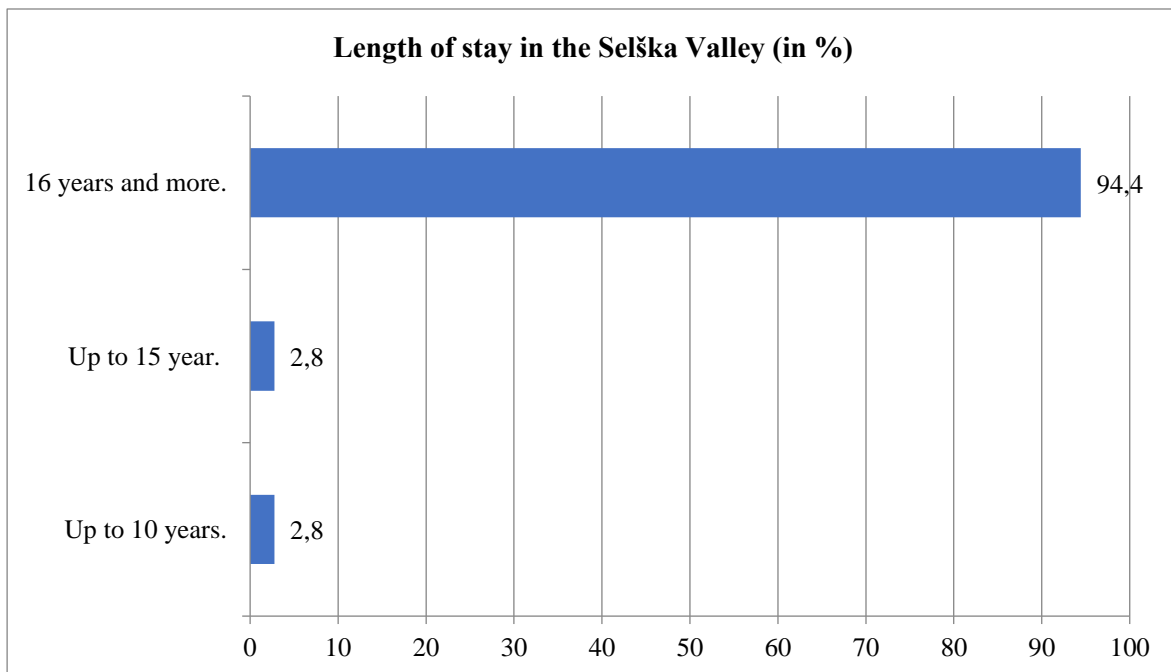
Source: Own work.

Figure 11: Relationship with the company



Source: Own work.

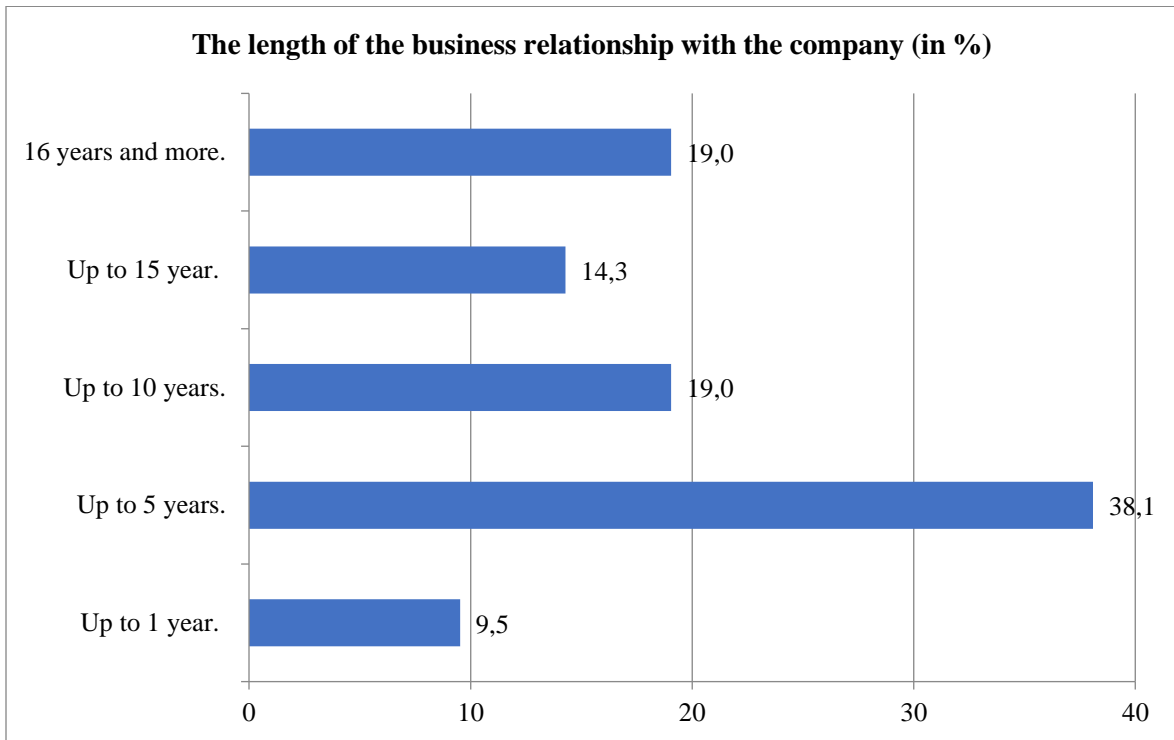
Figure 12: Length of stay in Selška valley



Source: Own work.

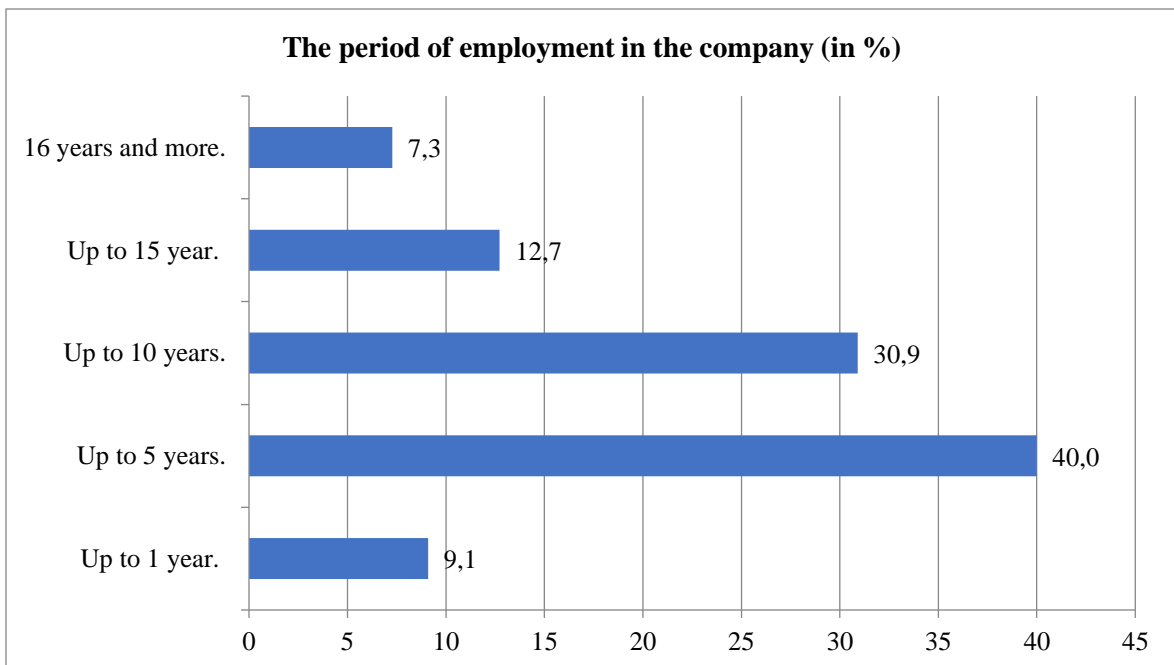


Figure 13: The length of the business relationship with the company



Source: Own work.

Figure 14: The period of employment in the company



Source: Own work.

k.) Tests

*Table 19: Comparison of demographics (Q10) and involvement in the local community, based on importance*

		N	Average	Standard deviation	Standard error	95% Confidence interval	
						Low	High
The company organizes social events in its surroundings.	I am employed in the company LOTRIČ Metrology	53	5,66	,854	,117	5,43	5,90
	I am a business partner of LOTRIČ Metrology	13	5,31	,751	,208	4,85	5,76
	I live in Selška valley	36	5,50	,878	,146	5,20	5,80
	Total	102	5,56	,851	,084	5,39	5,73
The company encourages local communities in the field of culture, sports and other social or environmental activities.	I am employed in the company LOTRIČ Metrology	51	5,55	,702	,098	5,35	5,75
	I am a business partner of LOTRIČ Metrology	15	5,53	,640	,165	5,18	5,89
	I live in Selška valley	35	5,57	,739	,125	5,32	5,83
	Total	101	5,55	,700	,070	5,42	5,69
The company employs and gives scholarships to people from Selška Valley.	I am employed in the company LOTRIČ Metrology	51	5,53	1,027	,144	5,24	5,82
	I am a business partner of LOTRIČ Metrology	14	5,64	,633	,169	5,28	6,01
	I live in Selška valley	35	5,86	,355	,060	5,74	5,98
	Total	100	5,66	,807	,081	5,50	5,82

*Source: Own work.*

The first two variables are homogeneous and we can calculate ANOVA and a probability test. The third variable is not homogeneous and we can calculate only the Brown-Forsythe test, which is interpreted the same way as ANOVA.

*Table 20: Levene's test on importance*

	Levene's test	df1	df2	p-value
The company organizes social events in its surroundings.	,643	2	99	,528
The company encourages local communities in the field of culture, sports and other social or environmental activities.	,117	2	98	,889
The company employs and gives scholarships to people from Selška Valley.	5,907	2	97	,004

*Source: Own work.*

Table 21: Anova's test on importance

	SS	df	SSA	F	p-value
The company organizes social events in its surroundings.	1,491	2	,746	1,030	,361
The company encourages local communities in the field of culture, sports and other social or environmental activities.	,018	2	,009	,018	,982

Source: Own work.

As we see, the p-value is greater than 0.05. We cannot claim that the differences in the averages of the groups, regarding the status of the company, are statistically significant.

Table 22: Brown-Forsythe test

	Statistics	df1	df2	p-value
The company employs and gives scholarships to people from Selška Valley.	2,368	2	60,601	,102

Source: Own work.

Table 23: Comparison of demographics (Q10) and involvement in the local community, by relevance

		N	Average	Std. Deviation	Error	95% Confidence interval	
						Low	High
The company organizes social events in its surroundings.	I am employed in the company LOTRIČ Metrology	55	4,96	1,217	,164	4,63	5,29
	I am a business partner of LOTRIČ Metrology	21	4,95	,973	,212	4,51	5,40
	I live in Selška valley	35	5,31	1,105	,187	4,93	5,69
	Total	111	5,07	1,142	,108	4,86	5,29
The company encourages local communities in the field of culture, sports and other social or environmental activities.	I am employed in the company LOTRIČ Metrology	53	5,06	1,027	,141	4,77	5,34
	I am a business partner of LOTRIČ Metrology	21	5,24	,944	,206	4,81	5,67
	I live in Selška valley	35	5,57	,778	,131	5,30	5,84
	Total	109	5,26	,956	,092	5,08	5,44
The company employs and gives scholarships to people from Selška Valley.	I am employed in the company LOTRIČ Metrology	53	5,11	1,171	,161	4,79	5,44
	I am a business partner of LOTRIČ Metrology	20	5,10	1,165	,261	4,55	5,65
	I live in Selška valley	35	5,86	,355	,060	5,74	5,98
	Total	108	5,35	1,035	,100	5,15	5,55

Source: Own work.

Table 24: Levene's test on relevance

	Levene's test	df1	df2	p-value
The company organizes social events in its surroundings.	,408	2	108	,666
The company encourages local communities in the field of culture, sports and other social or environmental activities.	3,498	2	106	,034
The company employs and gives scholarships to people from Selška Valley.	12,568	2	105	,000

Source: Own work.

The first variable is homogeneous, and we can calculate ANOVA and a probability test. The second and third variables are not homogeneous, and we can calculate only the Brown-Forsythe test, which is interpreted the same way as ANOVA.

Table 25: Anova test on relevance

	SS	df	SSA	F	p-value
The company organizes social events in its surroundings.	3,001	2	1,500	1,154	,319

Source: Own work.

Table 26: Brown-Forsythe test (relevance)

	Statistics	df1	df2	p-value
The company encourages local communities in the field of culture, sports and other social or environmental activities.	3,348	2	76,646	,040
The company employs and gives scholarships to people from Selška Valley.	6,996	2	48,260	,002

Source: Own work.

As we see the p-value is less than 0.05. We can say that in the groups 'status in the company' differences are in the averages, based on the importance of those arguments. Averages of groups are different, so I have checked the post-hoc test, which shows the differences in the groups. The Post-hoc test (in this case LSD) tell us in more detail which groups are mutually statistically (significantly) different. Comparing each group to each other, according to a specific question or variables, P-value is interpreted the same way as in the ANOVA. It also tells us the difference between the average of one and other groups.

Table 27: Multiple comparisons

Dependent variable			Mean (I-J)	Standard error	P-value	95% Confidence interval		
						Low	High	
The company encourages local communities in the field of culture, sports and other social or environmental activities.	I am employed in the company LOTRIČ Metrology	I am a business partner of LOTRIČ Metrology	-,181	,242	,455	-,66	,30	
		I live in Selška valley	-,515*	,204	,013	-,92	-,11	
	I am a business partner of LOTRIČ Metrology	I am employed in the company LOTRIČ Metrology	,181	,242	,455	-,30	,66	
		I live in Selška valley	-,333	,259	,201	-,85	,18	
	I live in Selška valley	I am employed in the company LOTRIČ Metrology	,515*	,204	,013	,11	,92	
		I am a business partner of LOTRIČ Metrology	,333	,259	,201	-,18	,85	
	The company employs and gives scholarships to people from Selška Valley.	I am employed in the company LOTRIČ Metrology	I am a business partner of LOTRIČ Metrology	,013	,258	,959	-,50	,52
			I live in Selška valley	-,744*	,214	,001	-1,17	-,32
I am a business partner of LOTRIČ Metrology		I am employed in the company LOTRIČ Metrology	-,013	,258	,959	-,52	,50	
		I live in Selška valley	-,757*	,275	,007	-1,30	-,21	
I live in Selška valley		I am employed in the company LOTRIČ Metrology	,744*	,214	,001	,32	1,17	
		I am a business partner of LOTRIČ Metrology	,757*	,275	,007	,21	1,30	

\*. The difference in the averages are statistically significant at the level of 0.05.

Source: Own work.

1.) Does the presence of involvement in the local community connect with other assemblies?

We see that for all variables, except for the transparency of operations, the p-value is less than 0.05 and we can talk about statistically significant associations. The power connection is at the highest at financial returns and corporate governance. **The higher the involvement in the local environment, the higher financial returns, better management of companies and business relationships.**

Table 28: Correlation test

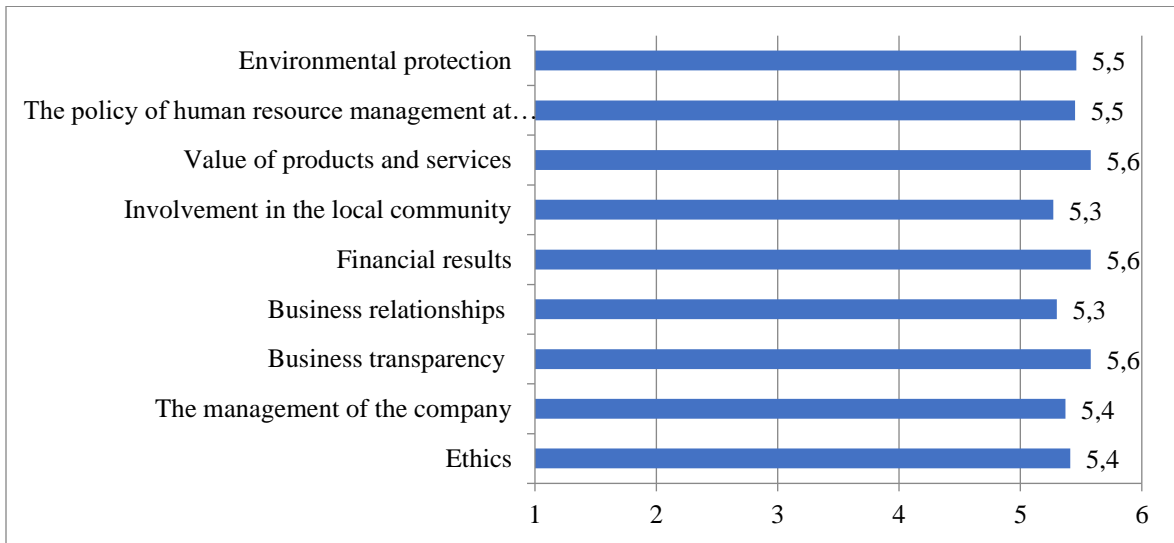
			Integration into the local community
Spearman's rho	Ethics	Spearman's rank correlation coefficient	,373**
		P-value (2 sided)	,000
		N	86
	The management of the company	Spearman's rank correlation coefficient	,522**
		P-value (2 sided)	,000
		N	85
	c.) Business transparency	Spearman's rank correlation coefficient	,066
		P-value (2 sided)	,595
		N	67
	Business relationships	Spearman's rank correlation coefficient	,439**
		P-value (2 sided)	,000
		N	77
	Financial results	Spearman's rank correlation coefficient	,566**
		P-value (2 sided)	,000
		N	81
	Value of products and services	Spearman's rank correlation coefficient	,325**
		P-value (2 sided)	,002
		N	85
	The policy of human resource management at work	Spearman's rank correlation coefficient	,462**
		P-value (2 sided)	,000
		N	77
Environmental protection	Spearman's rank correlation coefficient	,365**	
	P-value (2 sided)	,001	
	N	77	

\*\* . The difference in the averages are statistically significant at the level of 0.01.

\* . The difference in the averages are statistically significant at the level of 0.05.

Source: Own work.

Figure 15: Total average of presence and importance of factors



Source: Own work.