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BUSINESS PLANNING IN A PROWACTIVE WAY

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ABSTRACT

Facing financing challenges, NGOs need alternative ways to be independent and self-sustainable. This project aims to provide a hybrid option for an NGO for Development called WACT complementing its social projects with commercial activities. In a form of a business plan, there are here outlined all the steps and decisions for this NGO to enter the training market in a competitive way assuring it to get high levels of revenues that will later be allocated to the NGO's social projects. This project assures that adding a commercial role into the core activities of WACT enables the NGO to follow its values and social goals more effectively, with the revenues of 20,000 Euro created in a four-year period which can financially boost the entire activity of WACT.

Keywords: Non-profit organization, self-sustainable, training, social cause

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I. PURPOSE OF THE PROJECT

“What counts isn't the size of the dog in the fight, but the size of the fight in the dog.”

Dwight D. Eisenhower (1890-1969)

WACT (We Are Changing Together) is a Non-Governmental Organization for Development (NGOD) whose core activities focus on supporting communities in what concerns health, education and economics, either in Portugal and São Tomé and Príncipe. Being a non-profit organization, it is an ongoing challenge how to finance the proposed actions since most of the financing comes from public and private partnerships.

Aiming to turn WACT into a self-sustainable organization, it is mandatory to access the strategic capabilities of the NGO and find a way of getting financial returns through its own activities, apart from the funds already offered by other entities, such as Government funding and private philanthropy.

To this end, proWACTive was created in order to fulfill internal needs, as a generating funding method for the NGO itself. From now on, proWACTive aims to professionalize its idea, targeting its activities externally while WACT still focus on its social projects.

The co-existence of these two activities should be the best model as it enables the maximization of social support and tax benefits.

Social enterprises are authorized to engage in these economic activities for the purpose of raising money to apply in the non-for-profit activities. Thus, the NGOs principal purpose is not the commercial activity but rather the carrying out of the social projects

for which the organization was created, which can be improved with the extra investment money that the economic activities bring to the organization.

Facing this reality, it is really interesting to be part of this social project, especially when feeling a great connection with the social sector and its causes. This approach is a good opportunity to contribute to the development of a specific project that will eventually improve the lives of people in need. Besides, this is also a great chance to develop management and strategic competences in a field with high importance in society.

In order to achieve an excellence arrangement for this NGO management challenge, this project will therefore focus on the financial sustainability of the NGO itself through the development of a complete Business Plan for the commercial entity, proWACTIVE, whose revenues must be enough to fund part of WACT's social projects.

With this project, proWACTIVE will gain a completely refurbished framework and its services will be optimized while developing, organizing and operating a set of activities to be offered to enterprises, namely behavioral and social workshops to develop employees' individual competences, training services to improve the business activity, and partnerships with children summer camps to prepare the new generation to the changing world. These activities take advantage of internal know-how proWACTIVE has acquired while providing the workshops for volunteers of WACT and developing activities with children when giving educational support in on-going projects of WACT. Thus, restructuring proWACTIVE and opening it to the external market will maximize its potential while assuring financial sustainability to WACT as the revenues created by these services will be invested in WACT's projects while, at the same time, provide a set of services from which the society can benefit.

Starting with this challenge, a market analysis will be developed and a business opportunity found. ProWACTive will state its mission in the society and specific products will be developed to serve a target market. Afterwards, the appropriate business model will be set in order to create a successful business activity with defined objectives to achieve in the market.

II. LITERATURE REVIEW

Financial support and sustainability of NGOs and their activities has been one of the most recurrent challenges for nonprofit leaders around the world. (Davis L. , 2004) To better access this challenge, it is important to acknowledge the sources of financing in the third sector.

The common sources of NGO revenues fall within three categories: (1) government funding, which includes direct and indirect support such as State subsidies or exemptions from taxation, (2) private giving or philanthropy such as in-kind donations from individuals or businesses, and volunteering efforts, and (3) self-generated income which has become one of the dominant sources of NGO revenues. (Moore, 2005) According to a John Hopkins University's study in 2003, the funding categories' weights in Portugal are 40%, 12% and 48%, respectively.

The most sustainable financing strategy consists of diversifying the most the sources of revenues in order to minimize dependency on any single source of funding, either internal or external. Actually, "a balance between externally and internally generated resources is necessary in order for an organization to meet its operating and administrative expenses while maintaining the freedom to determine its programmatic priorities and projects, irrespective of donor preferences.", said (Davis L. , 2004).

In line with the diversification of NGO financing sources, self-financing activities can contribute to the efficiency and effectiveness of NGOs, mainly by reducing the need for donated funds (Dees J. G., 1998). Besides, these activities increase income, contributing to a stability of the economic situation of the organization (Davis & Etchart, 1999), and NGOs can learn from using business skills and, therefore, improve their organizational capability in planning, management and efficiency (Glaser, 2004). Finally, the organization also benefits from the opportunity to develop its image and visibility in the market.

Facing this situation, many NGOs have been considering the entrepreneurial principles of the private sector, creating a “new organizational hybrid: non-profit in purpose and for-profit in approach” (Davis L. , 2004), in which self-financing activities, both mission-related and non-related, are used by NGOs to generate some of their own resources to further their mission. (Atkinson, 2002)

As an example of success, SparkPeople Service, a non-profit that does in-person programs for low-income students in the areas of fitness, nutrition and leadership with a focus on fighting childhood obesity. At the same time, it has a for-profit business that focuses on online nutrition and fitness programs for consumers. It brings advantages to the non-profit sector as there has been developed a lot of R&D on the for-profit side which is licensed to the non-profit for free as "bonus" resources.

Portugal also has several good examples, namely the case of Mó de Vida, which is an NGO for Development that seeks to contribute to the creation of a critical consciousness to the current development model. The NGO develops Fair Trade awareness projects in the community and, at the same time, it practices Fair Trade in fairs to raise funds for the NGO itself.

Concerning training services, McNamara (McNamara, n.d.) states the existence of several general benefits from employees' training, namely job satisfaction, morale and motivation increase, efficiency improvement resulting in financial gain, increased capacity to adopt new technologies and methods, increased innovation in strategies and products, and employee turnover reduction. Bartram and Gibson go further and state that "without the right training, employees can be the organization's biggest liability. Trained effectively, however, they can become your biggest asset" (Bartram & Gibson, 2000).

III. MARKET OPPORTUNITY

A way to overcome this financing challenge for proWACTive and to assure high quality standards, is to focus on providing a set of training services based on the high expertise proWACTive already has in these specific offers.

Training is an effective tool for Human Resource Management that is essential for achieving the objectives of any company. It is a set of activities aimed to the acquisition of knowledge, skills, attitudes and behaviors required to exercise the specific functions of a job in any branch of an economic activity (DGERT), which leads to an improvement in productivity and better adaptability to change. Investments in training have an impact, both in the development of personal competences as in the level of the company performance. According to Eurostat, in Portugal, in 2008, just 44% of all enterprises provide continuing vocational training against the EU average of 60%., and the employer is the main provider of training activities (40,7%) followed by non-formal education & training institutions (20,9%). Non-profit associations weight for 5,5% in this category, while trade unions and individuals weight the least (1,4%).

Thus, there is an opportunity to increase the vocational training as, comparing to the EU, there is room for the market to grow, and external training entities amount for a considerable weight in which the companies trust to provide training so proWACTive is well positioned to provide it.

The percentage of enterprises providing training in Portugal is higher in large enterprises (78%), around 47% of medium-sized provide it and just 17% of small enterprises conduct this activity.

Participation rate (45%) is higher than the percentage of enterprises providing courses (11%), meaning that the latter is particularly low, but where enterprises do organize courses nearly half of the employees attend them. Participation rate is considerably equal in enterprises with different size: 44%, 41% and 47% for small, medium and large enterprises, respectively. Considering gender, the percentage of female employees (47%) taking training is similar to male employees (45%).

This guarantees that almost half of all employees in a company will participate in the training activities and also assures that most enterprises call on external entities to provide this service.

Besides, according to the Labor Code, professional training is considered a real individual right enforceable against the employer and whose failure generates responsibility. The employee shall acquire the right to training six months after being hired.

There is also a great opportunity since micro enterprises frequently face several difficulties in adapting to the new market situation and often need a strategic change in order to keep competitiveness in troubled environment.

Moreover, summer holidays for children are, on average, two months long; therefore those children need to have some occupation. One of the most common solutions found by parents are the summer camps which maintain the children occupied, in safety and developing several social skills.

ProWACTive has to bear in mind that the great number of competitors and the less favorable macro environment difficult the development of new businesses, especially this one that lacks some competitiveness due to the NGO structure. On the other side, being part of a NGO brings tax benefits both for the business itself, such as tax exemption, and the clients who may purchase the services through the Lei do Mecenato, which decrease the amount of Corporate Taxes to be paid.

Refer to **Appendix 1** for more information concerning training market situation, refer to **Appendix 2** for detailed information concerning the legal right for employees to have training, and refer to **Appendix 3** for detailed information on training services provided by private entities.

IV. THE BUSINESS

The Business and Its Background

ProWACTive has been, in the last 3 years, a department of the non-governmental organization for development ‘We Are Changing Together’ (WACT). It has been responsible for the preparation of the volunteers who were going to São Tomé e Príncipe and for helping on financial support, for which proWACTive organized training activities and fundraising events. Facing financing challenges and acknowledging these capacities, it was agreed by WACT’s management team by late 2010 that proWACTive should turn into an independent commercial entity which would serve also the external market. This way, proWACTive gets revenues which are then

invested in WACT's projects, enabling the NGO and the projects to be financially self-sustainable.

ProWACTive is, therefore, a start-up that brings both social and commercial ideologies together. It is located in Lisbon, Portugal and it is planned to be active in January 2011.

Refer to **Appendix 4** for detailed information concerning the NGO legal framework.

Mission

ProWACTive ultimate mission is to make it easier for the corporations and the civilians to help to improve the world. This will be achieved by providing a set of training services developing certain personal and professional capabilities of the employees in order to guarantee that their awareness of the world and that its development comes from everyday actions and it is indeed possible to improve the place we all live in. This mission will be achieved through a trustful leading position in the training market while establishing long-term relationships with key enterprises.

Values

ProWACTive maintains its settlement on the values which already guide its existence: social responsibility, creativity, dynamics, interactivity, development, synergies, relationships, autonomy, sustainability, fair-trade, awareness and empowerment.

ProWACTive intends to take advantage of these market opportunities in a competitive way and provides a set of services which are still not being provided to all the potential market. Although lacking strong brand awareness, proWACTive has institutional credibility and is overall concerned about transparency, social responsibility and reliable long-term business relationships.

V. DEFINITION OF SERVICES

Once proWACTive has been developing training activities in the past years, its expertise in the field is available to serve the external market in four different ways.

Replicating the model already being used internally, a set of two training workshops that foster the development of core skills and knowledge which are essential to the development of activities that assure an excellence functioning of companies are offered, complemented with two other new training services:

- A. **Social Workshop:** seek the understanding of key aspects of citizenship and human rights, promoting the development of awareness, sensitivity and critical-sense to these aspects. This workshop will be provided at the enterprises' offices where several group and individual activities will be organized to sensitize the development of these personal skills.
- B. **Behavioral Workshop:** enhance behavioral qualification for leaders and develop cross-cutting skills to good practice and excellent performance in different social and professional contexts. This workshop will take place at the companies' offices where the top managers will engage in several group and individual activities to develop and optimize their leadership skills.
- C. **Dynamic Training:** provide strategic training and orientation for companies that need to introduce change and innovation in their businesses. Starts with a diagnostic of the situation and presents solutions to improve the competitiveness and continuous monitoring to assure a long-term improvement of the business activity both strategic and financially, in terms of management, logistics and human resources.

D. **Partnerships with Summer Camps:** ProWACTive believes that synergies of training activities can be achieved so then will extend social skills workshops for children in summer camps, leveraging both proWACTive's educational and training know-how. Hence, one day of the summer camp could be designed to develop individual and social competences, with activities organized by proWACTive.

Differentiation and Competitive Advantage

ProWACTive's points of differentiation focus on **quality, inside experience, social cause and tax benefits.**

Although a new entrant in the market whose brand is not well-known yet, proWACTive allies its commercial vision with its social concerns, assuring that the services provided have an enforced social value allowing its clients to participate in a social cause that complements the goal to the financial success.

With extreme relevance there is the know-how and experience of proWACTive and its willingness to serve the society extremely well in the training market. ProWACTive provides well-defined services which have been improved over three years of serving WACT with high levels of quality and consistence, offered by trainers of high reputation and qualification, and whose services' revenues will be invested in the social projects of WACT.

Furthermore, since proWACTive belongs to WACT, its services are considered contributions to the NGO, therefore the buyers of these services may deduct these contributions for tax purposes, which is one major reason to prefer proWACTive's services over the competition, besides its higher competences and superiority.

Market Segmentation

Assuming that proWACTive's services will be provided to Portuguese companies, the market will be segmented according to size and sector. When referring to small and medium enterprises, these will be segmented by sector and regional distribution. The data was gathered from National Statistics Institute database from 2008. In Portugal, there are 1,121,472 companies, from which the non-financial firms constitute 97,8% (1,096,255 units) of the business sector weighing about 87% in total of turnover (368,392,42 M Euro).

Sector

Trade sector concentrates the higher proportion of business units (24.3%), number of employees (21.5%) and it is the one which gives the greatest contribution to the turnover generated (37.7%). The manufacturing industries represent only 7.3% of total enterprises and each company employs an average of 9.7 people, which is well above the average of 3.5 people in the whole non-financial sector. Also noteworthy is the Water sector with the largest average size per company (26.9 employees). The electricity sector was noted as the second activity with larger average size per company (16.5 persons) in all corporate sectors.

Size

There is widespread recognition of the predominance of small and medium enterprises (SME) in the Portuguese business structure, where companies with fewer than 10 people represent over than 95% of total business units. Non-financial sector has an average of 3.5 employees per firm.

Small and Medium Enterprises

SMEs encompass the micro, small and medium-size firms. Micro enterprises have less than 10 employees and a turnover (or total assets) inferior or equal to 2 million Euro.

Small businesses have less than 50 employees and an annual turnover (or total assets) which does not exceed 10 million Euro. Medium-sized enterprises are the remaining ones which have fewer than 250 employees, whose annual turnover does not exceed 50 million Euro or whose annual total assets do not exceed 43 million Euro.

There are 349.756 SMEs in Portugal representing 99.7% of the non-financial sector. Micro-enterprises predominate, constituting about 86% of total SMEs. Employment in non-financial corporate sector is mainly provided by SMEs (72.5%), which were still responsible for 57.9% of turnover.

SMEs are the main responsible for the employment provided by the companies (72.5%). Regarding the size of business units, each SME employs on average 6.2 workers whereas large firms employ 741.4 employees.

Sector

The Trade sector has the largest number of SMEs with 99,486 units, generating the largest share of turnover equivalent to about 83,864 million (41.6% of total turnover made by SMEs), representing more than 97% of business units in any sector of economic activity. Other highlights are the Service activities that with only two large companies, SMEs get a weight of nearly 100%. SMEs in this sector are also highlighted, with a weight 95.6% in turnover and 97.1% in the number of employees in this case only exceeded by 99% of employment provided by Real estate SMEs. Moreover, the Manufacturing sector is the largest contributor to employment with 565 115 workers.

Regional distribution

The North and Lisbon regions concentrate 229,604 SMEs, representing 65.6% of national total. Highlight to the North in the number of employees: just the North

employs 36.5% of workers allocated to SMEs. This situation has given to SMEs in the North an average size of about 7 workers by company, surpassed only by the Azores who employs an average of 8.3 workers. As for the SMEs weight in each region, Lisbon is the least likely contributed to each of regional indicators considered, being below 50% of turnover. In contrast, SMEs in Algarve play a leading role with contributions of 91.9% in turnover in the region.

VI. TARGET MARKET

(Source: INE: National Statistics Institute – Portugal)

There are 1,121,472 companies in Portugal. However, large enterprises usually do not purchase training and coaching services from companies other than consultancy specialists.

As known, there are 349,756 SMEs in Portugal. ProWACTive will focus its activities on the Center and Lisbon regions which amount for 53% of all SMEs in Portugal (186,067 companies) as proWACTive headquarters will be in Lisbon.

Trade, industry and restaurants will be the sectors in which proWACTive will invest to serve since these are the ones with more training needs and which may profit from a strategic change that proWACTive services can provide. Assuming that these sectors' region distribution is the same, they amount for 91,775 companies.

Finally, depending on the service, proWACTive will target companies with different sizes. The workshops will be provided to SMEs which prefer more focused training that takes less time and is more concrete, while the dynamic training will be provided to micro companies which need more strategic support to face the market changes. Thus, assuming a homogeneous region and sectoral distribution of micro, small and medium enterprises, proWACTive is able to serve **78,926 micro enterprises** and **12,849 small**

and medium enterprises on trade, industry or restaurants sector in Center and Lisbon regions.

Target market must be targeted differently. Both social and behavioral workshops are targeted to small and medium enterprises, however to different individuals. Social workshops are targeted to regular employees; since managers are the ones investing in the training of their employees, these workshops should have an attractive price so managers are willing to pursue this investment. Behavioral workshops are targeted to top-position leaders, a segment with higher economic possibilities and therefore a higher willingness to pay. The dynamic training is targeted to micro enterprises and may be provided to top managers who are responsible for the core management of the business.

Concerning summer camps, in Portugal no more than 3,5% of children who are 6-17 years old enroll in these programs, which is a low value compared to other countries, such as France and the USA, in which the percentage is above 20%. (Mizar - Campos de Férias, 2010). The usual duration of summer camps is two weeks, although they range from a two-day program to a one-month camp. The average price is 300 Euro per week, which includes meals, accommodation, insurance, activities and permanent monitoring by trained individuals. There are themed summer camps and standard ones, both with activities with high diversity. When realized by specialized entities, it is assured the benefits for the children in what concerns the development of certain competences, namely social interaction, teamwork, responsibility and autonomy.

ProWACTive services are targeted for the standard type of summer camps, in the region of Great Lisbon, which are willing to innovate their activities and complement their offer with the service proWACTive provides.

VII. MARKETING MIX

Product

Social Workshops are provided to groups of 10 participants in sessions that sum up to 8 hours. Behavioral Workshops are provided to groups of 6 participants in sessions that sum up to 9 hours. Dynamic Training is provided to micro enterprises' managers with no specific regularity, but when the need arises. Summer camps activities will be developed in a partnership with children summer camps during one entire day.

Price

Services price will be determined based on costs structure. Thus, it was found compromised prices which permit to overcome the incurred costs allowing for profit, with figures that assure a stable level of sales. Thus, the prices were set based on the price level of the training market. On the second year, there is an increase of 5% which accounts for 2% of EU inflation target plus a 3% margin to assure for the business stability and quality. The price is then maintained in the following two years. The following price list concerns the first year of activity.

The market price for indoor training workshop sessions ranges from 40 Euro to 280 Euro per participant for a session of 8 hours, which is determined by an average of 20 Euro per hour.

Social Workshops: 160 Euro per workshop (10 elements)

The price is based on the market average price of 20 Euro per hour, having in consideration that this workshop lasts 8 hours.

Behavioral Workshops: 180 Euro per workshop (6 elements)

The price is based on the market average price of 20 Euro per hour, having in consideration that this workshop lasts 9 hours. The target market is willing to purchase

this service at a competitive price since a higher price is perceived as an indicator of higher quality on the service.

Dynamic Training: 100 Euro per activity

This training is a personalized offer shaped for the specific business being dealt with. It is targeted to micro enterprises that do not have high levels of turnover, therefore the price should not be too high in order to get the highest number of clients possible. The price was determined having in consideration costs of 50 Euro.

Summer camp activities: 300 Euro per summer camp

In the market, each summer camp week costs in average 300 Euro per child and has around 30 children enrolled. From these considerations, each summer camp raises 9,000 Euro per week. The summer camps with proWACTive activities will increase the price per child on 20 Euro due to the positive differentiation, increasing the final weekly revenues by 600 Euro. ProWACTive service price will cost 50% of this increase in revenues and includes a full day of activities (8 hours) which take place in the summer camp installations.

Placement

The key placement point is proWACTive's website platform, since it will have all the information available concerning the products as well as the possibility to sign-in to some of them.

Clients can sign in for the workshops online or by phone. In what concerns the dynamic training and the partnerships with summer camps, in-person meetings are the method to assure business relations.

Promotion

Companies are considered the only proWACTive's target audience, since they are the ones buying and consuming the service, therefore there is not any important influencer or external buyer of the services.

The creation of proWACTive's **website** allows all the promotion of all of the services to be done in one place.

The rise of **social media** has been considerable and it is becoming the hot new marketing tool, as two-thirds of companies get informed about the products in the marketing through these media. Therefore, proWACTive will create a professional profile in both Facebook and Twitter to assure that the information concerning all its services gets out there and it will also provide more general information about the training and development subjects. It brings some advantages, such as the low-cost infra-structure, segmented demand, personalized relations with each client and, more relevant, the interactivity with the target-audience.

Besides, it will be created a well-designed and user-friendly **newsletter** which will be spread out through e-mail communication. In a first moment it will be sent to a massive number of companies which will have the opportunity to request the termination of the sending. If they do not do so, proWACTive will keep on informing them of its offers.

Several clients will be acquired through in-person communications; therefore a high level of promotion will be done by a **sales force team**, which will be responsible for promoting and selling the services. This team will be composed by three elements which are also part of proWACTive's management team and will be paid minimum wage plus commission based on sales. They are budgeted on the financial plan and their role is specified in the business model.

VIII. BUSINESS MODEL

ProWACTive management team is composed by three elements with high expertise in training and who are responsible for the organization of the entire business and the sales force. Their sales activities will be segregated by locations with high business activity, and each salesman will be allocated to one region of Lisbon. They will be in charge of collecting the most clients possible on their specific location, to serve them with training services and to maintain a strong, close and reliable long-term business relationship with those clients.

These elements will be paid monthly minimum wage (475 Euro) plus a monthly 10% commission based on their sales and service provision.

The team remains with three elements for the first three years and it is expected to be added a new element, a salesman, during the fourth year.

Concerning both social and behavioral workshops, these services will take place at the clients' offices. ProWACTive offers the first workshop in order to start the relationship with the company in the best terms, to assure that it gives proWACTive a change to show its offers and to develop client loyalty. The service will be priced by unit of workshop provided to the company.

Dynamic training will result after an in-person meeting with the manager of the business in which proWACTive offers to perform a strategic diagnostic of the activity for free. The manager is expected to trust proWACTive and let it propose the changes to perform in order to assure an increased business competitiveness. ProWACTive becomes a reliable partner of the business and must be always available to recommend innovation, guaranteeing a strong long-term relationship with the enterprise. The training will be priced by service unit provided.

Summer camps activities will be developed through partnerships with summer camps already in activity, assuring to provide a strong positive differentiation for the summer camps in a way that parents prefer their children to go to the ones with proWACTive's activities. This way, these partnerships satisfy both parties and assure that they will last for several years. This service will be priced by increasing the summer camps price for the end-consumer and then proWACTive gets a commission of this increase.

Since proWACTive will provide services for free in a first contact with the companies to assure consumer loyalty, there will be the need for some investment source. In a first phase, it will come from partnerships with entities which can supply resources, such as photocopies, pens, binders and other type of material. This partnership with proWACTive is, in a broader way, a help to the NGO, therefore the sponsors may include this partnership in their Corporate Social Responsibility activities and deduct it under the Lei do Mecenato¹.

IX. STRATEGIC OBJECTIVES²

This project has the objective of reach 1,25% of target market in two-year time and 1,40% in three-year time, reach sales values of 33,000 Euro, 65,000 Euro, 82,000 Euro and 92,000 Euro in 1, 2, 3 and 4-year time, respectively, and increase brand awareness of proWACTive as well as NGO visibility.

¹ For more details on Lei do Mecenato, refer to **Appendix 4**.

² Consider the following assumptions: **1)** One third of the workshops (social and behavioral) is purchased by companies that only purchase one unit. **2)** Two thirds of the training workshops (behavioral and social) are purchased by companies that incur in three proWACTive's workshops per year or in a combination of three between the two types of workshops. **3)** Enterprises will purchase three training services per year, in average. **4)** There will be two workshops per month with the same summer camp. **5)** In the first year, companies do not pay for the first service of workshops and dynamic training.

In what concerns both social and behavioral workshops, there is a goal to increase number of workshops by 25% both in year 2 and 3 and by 10% in year 4, to assure that at least one fourth of the companies keep on purchasing from proWACTive as years pass by, to create strong consumer loyalty while proving a whole set of workshop sessions that combine the development of different competences, integrating both top and regular position employees, and to develop both top managers and regular employees' competences to face the changing demands of the market and the needs to incorporate a social responsibility in the everyday life.

Concerning the dynamic training, it is an objective to increase demand by 50%, by 25% and by 10% in year 2, 3 and 4, to assure that at least two thirds of the enterprises keep purchasing from proWACTive in the following years, and to help improving clients' business competitiveness introducing innovation and change, guaranteeing the success of the enterprise.

The summer camps activities aim to increase demand by 50%, by 25% and by 10% in year 2, 3 and 4, while maintaining all the summer camps from previous years, to cooperate with summer camps in order to develop complementary activities and to give a worthwhile preparation for children to start thinking about the world in a responsible way.

X. FINANCIAL PLAN

To start up proWACTive business, initial investment is required as showed in Table 1.

It is assumed that sponsors will be responsible for offering, in a first moment, materials for the

INVESTMENTS	
Laptops (3 units)	1.500,00 €
Room Equipment	1.200,00 €
Image Projector (3 units)	900,00 €
Workshops Material	- €
Marketing	- €
Designer	500,00 €
TOTAL	4.100,00 €

Table 1: Initial Investment Costs

workshops and marketing resources, such as binders, photocopies and other materials that may be needed.

Besides, sponsors will be also responsible for funding the activities themselves for a period of two years with a predicted total value of 7,250 Euro.

The management fixed costs required and expected to be maintained over the four years are:

MANAGEMENT FIXED COSTS		
	MONTHLY	YEARLY
Rent	200,00 €	2.400,00 €
Communication:	60,00 €	719,94 €
Bills	60,00 €	720,00 €
Website	10,00 €	120,00 €
TOTAL	320,00 €	3.959,94 €

Table 2: Management Fixed Costs

Finally, personal costs are distributed by year as following:

WAGES COSTS PER YEAR				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Fixed	19.950,00 €	19.950,00 €	19.950,00 €	26.600,00 €
Commissions	4.803,00 €	7.309,50 €	9.196,00 €	10.101,30 €
Social Security	7.178,37 €	7.905,26 €	8.452,34 €	10.643,38 €
	24.753,00 €	27.259,50 €	29.146,00 €	36.701,30 €

Table 3: Wages per Year

Variable costs and revenues are related to the following projected demand:

PROJECTED DEMAND BY YEAR (UNITS)				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Social Workshop	75	94	120	132
Behavioral Workshop	75	94	120	132
Dynamic Training	120	180	225	248
Summer camps	27	41	52	57
	297	409	517	569

Table 4: Projected Demand by Year

During the four years, proWACTIVE’s business situation will improve over the time. Next chart illustrates the profit situation along this period, which may be explained by the initial investment costs incurred in the first year as well as the free services provided which do not allow positive profits in the end of that year. Besides, demand also increased along the years providing great margin for profits to increase.

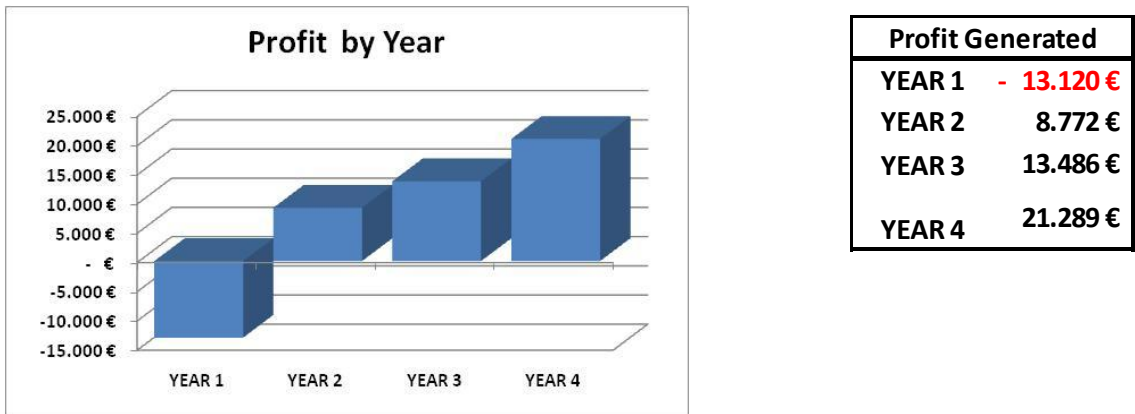


Chart 1: Profit by Year

The business will break-even at the fifth month of year two with sales volume of 55 3980 Euro and 299 units, assuming all units provide equal gross profit. (Chart 2)

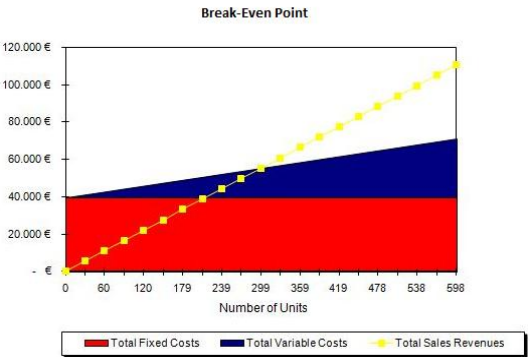


Chart 2: Break-Even Point

Product contribution for EBITDA is different along the years especially due to free services provided in the 1st year to guarantee customer loyalty, as shown in Table 5.

PRODUCT CONTRIBUTION FOR EBITDA (%)				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Social Workshop	22%	24%	24%	25%
Behavioral Workshop	27%	28%	29%	29%
Dynamic Training	16%	25%	23%	23%
Summer camps	35%	23%	24%	23%
EBITDA	100%	100%	100%	100%

Table 5: Product Contribution for EBITDA (%)

An ONG such as proWACTive may only have 10,000 Euro of turnover each year in order to keep being exempted from VAT deduction, although, for four years the excess may be deducted with past losses. When the final value is above 10,000 Euro, proWACTive will provide sponsorship to WACT and will end with a turnover never above the upper limit. This type of sponsorship to WACT will not exist in this four-year period.

ProWACTive will use the Pro-Rata VAT method to deduct its VAT expenses, which applies to entities, such as WACT and proWACTive, which engages in taxable and exempt activities simultaneously. Therefore, proWACTive may deduct only a percentage (pro-rata) of VAT paid on their purchases, considering that Pro-Rata VAT is computed by dividing the annual value without taxes of the supply of goods and sales that give rise to VAT deduction by the annual value without taxes of all economic operations.

Refer to **Appendix 5** for deeper information on predicted business situation.

XI. CONCLUSIONS AND RECOMMENDATIONS

Developing the most sustainable financing strategy for NGOs which is the co-existence of both social and commercial activities, WACT has here a great opportunity to assure that its social projects are going to be even more effective with the financial boost that proWACTive training services provide.

Defined after a market diagnostic, acknowledge of the needs and the room to operate, this business model shows that there is room for proWACTive to well succeed. And there is confidence that proWACTive can achieve its sales forecasts, generating total sales of approximately €33,000, € 65,000, € 82,000 and €92,000 in years one, two, three and four, respectively.

Assuming that the company is able to acquire its funding requirements, proWACTive should be able to achieve its business success for many years to come, investing in new services and guaranteeing strong brand awareness.

As hints for the future, previously to the beginning of the project, it is recommended to develop several market interviews to assure the companies are interested in these specific services as well as if they are willing to purchase these services at the determined price.

Besides, it is important that proWACTive diversifies its workshops' contents as years pass by, in order to assure that previous clients keep purchasing from proWACTive as there are always new services to be provided.

Finally, this project is only possible to proceed when proWACTive becomes a training entity recognized by DGERT (Direção Geral do Emprego e das Relações de Trabalho).

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XIII. APPENDICES

Appendix 1

Market Situation (Source: Eurostat, 2008)

In Portugal, there was a growth of 2% in the population aged 25 to 64 participating in training in the last 8 years (2001-2009), completing a total of 5,3% against a EU average of 9,6%.

Reasons to participate in non-formal education and training (Portugal)	
To get knowledge/skills useful for everyday life	81,6%
To get knowledge/skills relating to interesting subjects	80,5%
To do better job/improve career prospects	69,9%
To be less likely to lose the job	16,0%
To be obliged to participate	12,2%
To start a new business	6,6%

Table 6: Reasons to participate in non-formal education and training (Portugal, 2008)

Obstacles to participate in non-formal education and training (Portugal)	
No time due to family	34,5%
None within reacheable distance	34,2%
Conflict with work schedule	26,5%
Health or age	6,8%
Do not like the idia of going back to school	4,1%

Table 7: Obstacles to participate in non-formal education and training (Portugal, 2008)

Enterprises conducting training courses organize considerably more external than internal courses. Thus, nearly all of these enterprises (81%) organize external courses, but only half (55%) provide internal courses.

Appendix 2

A right, according to the Law

According to the Labor Code, professional training is considered as a real individual right enforceable against the employer and whose failure generates responsibility. Training is assured to employees by credit hours covered by the limits of normal working hours and can be used during their working hours, not having an impact on the level of pay.

The employee shall acquire the right to training only six months after being hired. The employee must be assured a minimum of 35 hours of annual training which can be provided either by the employer or other approved organizations. The training courses can be fixed by agreement or, failing that, determined by the employer. In this case, training should match the worker's activities or be related, which is assumed to happen in the activities included in the same group or professional career.

Vocational training should be provided by certified organizations, either public, private or cooperative, since they have appropriate qualifications and adequate preparation. Every action must be given a certificate. The place for the training is irrelevant and may be in-job area, in company training centers, in professional centers, among others.

Except for very small businesses (up to 10 workers), it is required to the employer to formulate annual or multi-annual training plans which must be based on a diagnostic objective/subjective of the qualification needs of their employees. The employer must give notice of the assessment report and training draft plan to workers, which, within 15 days can deliberate on them. There is no deadline for drawing up the training plan, but this should be available for consultation immediately after its completion.

According to the Law, the employer is obliged to prepare an annual training report, which must be delivered until March 31 of each year to the General Inspectorate of Labor.

Appendix 3

Training provided by non-public entities

(Source: Cedefop - the European Centre for the Development of Vocational Training)

Private entities, other than public institutional ones, constitute a very broad universe operating to external audiences, and whose importance has grown remarkably in the last decade. Most of these entities operate in specialized fields by sector or by target audience.

There are identifiable **trade unions, employers' associations or entities** managed by social partners with associative character, which promote training activities. In 2005, in Portugal there were 480 employers' associations. Of these, 350 were accredited training bodies in 2008. In the same year there were 490 unions and other union structures, including an unspecified number developing training activities.

A significant number of Portuguese **companies** develop targeted training for its assets through its own training facilities, or by outsourcing it to third parties. There are particularly the large companies or multinationals which perform training for their assets. Although sometimes shaped very structured, this type of training does not get recognition or certification beyond that afforded by the company that organizes. The intervention of Portuguese companies in the direct organization of training activities shows a trend of growth. Of the total number of entities in developing actions training, 63.5% (2006-2007) were companies. Major firms experience more training activity and

more workers in training while small businesses have more expressive training needs, but they are harder to satisfy. The training activity also reflects differences in the business sectors: firms in the field of services have more training action.

There are about 600 **private consulting firms** registered for which training is an essential or complementary activity of other interventions for sale services (financial, marketing, etc.) to companies. These entities, mostly private, but in some cases non-profit organizations, develop training for external target audiences.

There is a large number of **non-profit organizations** that develop training activities for social solidarity, or of a humanitarian nature, in which the training has significant importance. Among the training and social support provided by these entities, most are targeted for the unemployed and other publics in need.

Appendix 4

Legal Framework of NGOs

ProWACTive, as part of WACT, is under the same legal framework as the NGO.

In what concerns the Corporate Tax, proWACTive is exempt because it is an organization that pursues exclusively or predominantly cultural, charitable, social welfare or environmental protection services.

However, proWACTive will indeed create revenues that will derive from commercial activities. This means that the overall Corporate Taxes exemption will not be affected if those activities are purely secondary or residuals, however, the revenues that come from those commercial activities will be taxed at 21% (Article 10.n.3 from Corporate Taxes Code).

In what concerns the VAT, WACT and therefore proWACTive is currently under the system of VAT exemption (Article 53. VAT Code) if a turnover exceeding € 10,000 is not reached, in the previous calendar year.

When transactions worth more than € 10,000 subject to VAT are committed, proWACTive shall be required to submit periodic VAT declarations on a quarterly basis (monthly if turnover is less than € 650,000) and annual statements. When the organization starts to practice transactions subject to VAT, it becomes compulsory to issue an invoice.

Under the “Mecenato” Law (Act n° 74/99, March 16), corporate and individual contributions given to registered non-profit (or state) organizations - educational, cultural, social, environmental, scientific, technological or sporting - are deductible for tax purposes in 120 to 140%, up to a limit of 0.5% of turnover (or, in some cases, 0.8%).

Appendix 5

FOUR-YEAR PROJECTED BUSINESS SITUATION

	YEAR 1			YEAR 2			YEAR 3			YEAR 4		
	Quantity	75		Quantity	94		Quantity	120		Quantity	132	
	Sales @ 160 €	8.000 €		Sales @ 170 €	15.980 €		Sales @ 170 €	20.400 €		Sales @ 170 €	23.232 €	
	Costs @ 60 €	4.500 €		Costs @ 60 €	5.640 €		Costs @ 60 €	7.200 €		Costs @ 60 €	7.920 €	
	Sponsorships @ 10 €	750 €		Sponsorships @ 10 €	750 €		Sponsorships	- €		Sponsorships	- €	
		4.250 €			11.280 €			13.200 €			15.312 €	
	General Costs	8.670 €		General Costs	9.175 €		General Costs	9.898 €		General Costs	12.790 €	
	-	4.420 €			2.105 €			3.302 €			2.522 €	
Social Workshop												
	Quantity	75		Quantity	94		Quantity	120		Quantity	132	
	Sales @ 180 €	9.000 €		Sales @ 190 €	17.860 €		Sales @ 190 €	22.800 €		Sales @ 190 €	25.080 €	
	Costs @ 60 €	4.500 €		Costs @ 60 €	5.640 €		Costs @ 60 €	7.200 €		Costs @ 60 €	7.920 €	
	Sponsorships @ 10 €	750 €		Sponsorships @ 10 €	940 €		Sponsorships	- €		Sponsorships	- €	
		5.250 €			13.160 €			15.600 €			17.160 €	
	General Costs	10.710 €		General Costs	10.704 €		General Costs	11.698 €		General Costs	14.334 €	
	-	5.460 €			2.456 €			3.902 €			2.826 €	
Behavioral Workshop												
	Quantity	120		Quantity	180		Quantity	225		Quantity	248	
	Sales @ 100 €	8.000 €		Sales @ 105 €	18.900 €		Sales @ 105 €	23.625 €		Sales @ 105 €	26.040 €	
	Costs @ 50 €	6.000 €		Costs @ 50 €	9.000 €		Costs @ 50 €	11.250 €		Costs @ 50 €	12.400 €	
	Sponsorships @ 10 €	1.200 €		Sponsorships @ 10 €	1.800 €		Sponsorships	- €		Sponsorships	- €	
		3.200 €			11.700 €			12.375 €			13.640 €	
	General Costs	6.528 €		General Costs	9.517 €		General Costs	9.280 €		General Costs		
	-	3.328 €			2.183 €			3.095 €			13.640 €	
Dynamic Training												
	Quantity	27		Quantity	41		Quantity	52		Quantity	57	
	Sales @ 300 €	8.100 €		Sales @ 315 €	12.915 €		Sales @ 315 €	16.380 €		Sales @ 315 €	17.955 €	
	Costs @ 70 €	1.890 €		Costs @ 70 €	2.870 €		Costs @ 70 €	3.640 €		Costs @ 70 €	3.990 €	
	Sponsorships @ 20 €	540 €		Sponsorships @ 20 €	820 €		Sponsorships	- €		Sponsorships	- €	
		6.750 €			10.865 €			12.740 €			13.965 €	
	General Costs	13.770 €		General Costs	8.837 €		General Costs	9.553 €		General Costs	11.665 €	
	-	7.020 €			2.028 €			3.187 €			2.300 €	
Summer camps												
	EBITDA	-	13.120 €	EBITDA	8.772 €		EBITDA	13.486 €		EBITDA	21.289 €	