

A Work Project, presented as part of the requirements for the Award of a Master's degree in
Management from the Nova School of Business and Economics.

How can implementing for-profit business units improve CJSJ's financial sustainability?

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Abstract

This project aims to offer a way for Centro Juvenil de S. José's (CJSJ) financial sustainability to be improved. An introductory diagnosis highlighted a large dependency on state funding and the need to optimize the use of its assets to become more financially sustainable. It also showed that the current organizational structure could act as a barrier to the successful and sustainable operation of further business units. Hence, this report provides a proposed business plan for two for-profit units that can be implemented by CJSJ and suggested shifts in its current organizational practices to ensure the success of the latter.

Keywords:

Financial sustainability; business model; organizational practices; hybrid organizations; feasibility assessment; viability analyzes; project forecasting; pro-bono partnership; organizational governance.

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1 INTRODUCTORY CONTEXT & DIAGNOSTIC

1.1 Organizational Context

1.1.1 What is CJSJ? What is its mission & vision?

Centro Juvenil de S. José (CJSJ) is a private institution of social solidarity (IPSS) based in Guimarães, Northern Portugal. Founded in 1915, CJSJ's mission is to intervene in the life of children and young people without essential family support or at risk of social exclusion and reintegrate them into society through a transdisciplinary and collaborative approach focusing on the socialization, fulfillment, and personal affirmation of each child. Its vision is to create, promote, and implement appropriate responses to the individual life projects of children and youth, creating opportunities for success in all aspects of life with an ultimate view towards family reintegration or autonomy.

1.1.2 What are CJSJ business units & what is their scope?

CJSJ is composed of three social, non-profit units, one temporary social project, and two for-profit business units. The social units include 1) CJSJ's foster home – Casa de Acolhimento (CA), 2) a daycare nursery – Creche Rosas Amorim Vieira (CRAV), 3) the family support center – Centro de Apoio Familiar e Aconselhamento Parental (CAFAP), and 4) the Family First Project (FFP) – a temporary project strengthening families' competency skills.

A hostel and a printing shop are part of the for-profit business units that were initially opened by CJSJ to aid the organization's financial sustainability. The idea behind having profit-making

units is to collect inflows of money from business activities that can be used to support the social units of the organization.

1.1.2.1 CJSJ's social units

The foster home – Casa de Acolhimento (CA) is a social response that provides residential care for children and young people from ages 6 to 18 who are in a situation of family, social, and/or school vulnerability and whose development and protection requires a foster care period longer than six months. The foster home is usually the last stop for children and youth who have already lived in a foster family, but for certain reasons could not continue living there. Therefore, CJSJ's mission is to provide a safe and family-like environment for children/youth and to support them in their daily lives. CA partners with the ISS (Institute of Social Security), which places the children under their care and subsidizes the costs.

Currently, CJSJ hosts six children but obtains funding for its full capacity of 40 children. CA is awaiting regulation change from the government that will decrease the limit to 15 children per foster home, and thus its funding too, as an effort to give a more familiar-like environment to these institutions.

The daycare nursery – Creche Rosas Amorim Vieira (CRAV) is protocolled with ISS and was inaugurated in March 2012 after having received the donation of a building in the Parish of Jogueiros, in Felgueiras. Its mission is to contribute to the bio-psycho-motor and socio-moral development of children, enhancing their individualized growth in a healthy, peaceful, and creative way, also allowing for close interaction between family and the daycare center, to safeguard their fundamental rights. Further beneficiaries of CRAV include the children's parents and caretakers as the creche relieves them of care work for several hours a day.

CRAV has a total capacity of 42 children. Currently, up to 33 children are subsidized by the government, which means that the additional 9 places must be paid for by the respective families. The demand for its service is high, yet there are limited spots for each age group.

The family support center – Centro de Apoio Familiar e Aconselhamento Parental (CAFAP) is a social response also protocolled with the ISS and opened to the public in 2018. It is a specialized support service for families with children and youth, aimed at the prevention and repair of psychosocial risk situations, through the development of parental, personal, and social skills in families. It carries out primary psychological interventions meant to complement other existing family support service interventions. Three service modalities are available: prevention, reintegration, and offering a family-gathering place for supervised visits.

Families and children/young people are primarily referred for CAFAP intervention by the Commissions for the Protection of Children and Young People, or the Court, as well as by public or private entities in the field of social security, health, education, and justice. Nevertheless, CAFAP also encourages families to submit their own applications.

Currently, the CAFAP foresees the monitoring of 80 families, under a staff of four (plus an external supervisor). The intervention is distributed by the following modalities: family preservation, family reunification, and family meeting point. However, presently, CJSJ is only receiving funding for 70 families on average as the state only pays for the monthly user frequency, meaning that CJSJ does not reach its full potential for beneficiaries.

The Family First Project – Home Sessions (FFP), is a temporary project funded by Portugal Inovação Social. It aims to accompany families with children and young people at psychosocial risk in the municipality of Guimarães, with the goal of promoting personal, social, parental, and family skills in a differentiated and innovative way. It is a staged space, designed similarly to a home, where families are invited to act out the most varied problem situations that occur in the

daily life of the family system. The project plans to assist about 200 beneficiaries until the end of December 2022, which is the end date of the project. Thanks to the positive feedback from this project, CJSJ has applied for a grant from BPI Foundation “la Caixa” in order to continue this intervention under a different name but with a similar strategy.

1.1.2.2 CJSJ's for-profit business units

Printing shop. The typography workshop was created in 1921, restructured in 1998, and in 2013 digital printing machines were purchased. No equipment has been replaced with the newer models since then. Currently, it offers the following services: offset printing, digital printing, leaflets, books, catalogs, flyers, inlays, envelopes, labels, magazines, cards, invoices, receipts, tickets, and photo prints. Its direct beneficiaries include the staff employed and the private customers of the shop. It aims to support the social units by bringing in revenue to the organization. Nevertheless, given its weak financial performance over the last few years, it is planned to be shut down by the end of the year 2022.

Hostel. The hostel was opened as a way of increasing the financial sustainability of CJSJ given there was unused space from the foster home. However, it hasn't made any revenue since 2021 due to the ending of a partnership with the Universidade do Minho as the COVID pandemic started and students did not need any accommodation as classes were online. Since then, it has operated as a refugee home. It partners with the Guimarães City Hall and the High Commission for Migrations and welcomes 17 refugees at the moment. Some pay a symbolic rent fee of €165 per person that covers accommodation, laundry, meals, and cleaning. The rest of the refugees stay there rent-free. They are supported by CJSJ in their daily lives and integration in Portugal.

1.2 Financial Diagnostic

Given that CJSJ operates as a hybrid organization, its financial structure is somewhat unconventional as it includes non-profit social units as well as for-profit business units. A

hybrid organization is one that mixes elements, value systems, and action logic (social impact and profit generation) of various sectors of society, in this case, the private and voluntary sectors (Haigh 2015). However, at the organization's core lies a commitment to making a positive social impact.

The organization's financial situation is dependent on the activities of each of its units, yet one can analyze its financial positioning at a macro, referring to the whole organization, and micro level- referring to each unit. The view for a stable economic standing is a micro-macro balance.

1.2.1 Macro-level diagnostic

According to the financial statements of CJSJ, the organization's financial positioning on a macro level appears to be positive. In fact, the organization's revenues throughout the years have been solid, with a considerably high liquidity ratio and growing revenues.

As shown in figure 1, which portrays the organization's net income for the past five years, it is observable that the institution has been producing positive results with one exceptional year, 2018. The balance sheet does not account for any non-current liabilities. Regardless, the lowest liquidity ratio for the past five years has been 3.5, illustrating an ability to pay off 3.5 times its current debts.

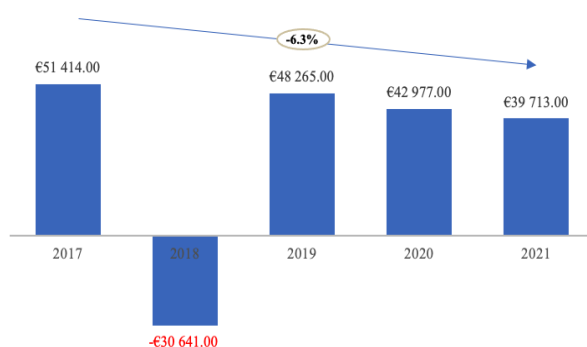


Figure 1 - Net Income of the Organization

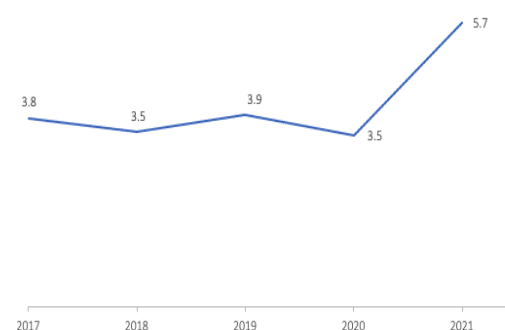


Figure 2 – Current Ratio

The primary element of the organization's income is state contributions, accounting for 79% of

the total in 2021. Of the total, only 20% was attributed to self-generated revenues and 1% from donations. The numbers by themselves do not have a qualitative value, it is only by aligning the values with the strategy that we can make conclusions. As revealed by the organization's management, the future intends to go closer to financial sustainability. However, the state dependency has grown from 56% in 2016 to 79%, representing a compounded annual growth rate of over 6% toward further financial dependency on funding.

Nonetheless, dissecting and identifying the major contributors to the existing surpluses is paramount for this analysis. CJSJ transitioned to a hybrid institution, "modus operandi," to lessen the exposure to the possibility of being unable to function due to unanticipated changes. As a social institution, CJSJ can quickly drop below a deficit if the operational costs of the activity are higher than the subsidies and donations. This risk should be addressed even when institutions are overperforming, as subsidies are dependent on bureaucracy and constantly changing, making an organization's financial stability uncertain.

CJSJ is a hybrid organization in the way that it is a non-profit that aims to earn most of its revenue without external support to become self-sustainable. The strategy in this decision is straightforward, to further fund the social units with profits from for-profit business units to optimally guarantee the continuity of the institution's social purpose in the eventuality of a lack of external funding.

Whilst at a macro-level, CJSJ seems to be positively positioned throughout the last years, it is essential to analyze each unit, dividing them into non-profit and for-profit to understand the performance of the organization in detail.

1.2.2 Micro-level diagnostic

It is evident from a micro perspective that several CJSJ departments operate at a loss. Analyzes of the for-profit units' statements for the past five years revealed a noticeable drop in the net

profit, with an ongoing trend towards continuous losses. From 2018 onwards, both businesses, the hostel, and the printing shop have been presenting negative results, weakening the organization's overall financial situation, and actively consuming resources that should be directed to the social units.

The printing shop in specific represents an industry with significant fixed costs, and one that if not modernized can become soon obsolete due to shifts in consumer preferences and technological advancements. Yet, in this case, the figures also portray some indicators of poor managerial decision-making. For example, the difficulty in adjusting the high fixed costs through periods of recession. In 2021 the value of sales increased by 20% compared to the previous year. It would be expected that the variable costs would also increase somewhere in the same magnitude, but the numbers revealed that the costs hardly reached a 1% increase, suggesting a margin for improvement. Additionally, in 2021 the printing shop's personnel costs accounted for 65% of the total costs, making it so that 72% of the revenues went to personnel only. During 2020 and 2021, the printing shop operated at a significant loss. In 2021, the net income of the printing shop was almost -€17,000. Thus, the constant poor financial performance of the printing shop led to the decision to close it down at the end of 2022.

The hostel, throughout the year 2019 guaranteed a safe occupation rate as it had a contract with the local university. Nevertheless, revenues dropped in 2019 to a point where profits were null, and the fiscal year ended with a loss. After reaching the breakeven point, the hostel never recovered. With the pandemic outbreak, and thus the ending of the contract with the university, CJSJ management was forced to monetize the hostel in other ways, such as hosting refugees. Yet, in 2021, the hostel operation was shut down and had total revenue of €0.

The non-profit units of the organization displayed an overperformance. The variance for units with a higher budget is bigger, but all units directed towards social causes revealed outstanding

management of resources. CAFAP had a total surplus of €60,000 in 2021, thus being able to save 29% of their income. The income, in its entirety, comes from state subsidies, reaching a total of €215,000 in 2021. The costs are mainly attributed to personnel costs, representing 52% of all the revenues. Since its creation, CAFAP has managed to end every fiscal year with a surplus; proving able to adjust its growth with a rational increase in its costs, that are balanced with a consequential increase of the subsidies.

CA has been able to manage its resources with regular positive net income. These constant surpluses have been possible, particularly since this unit has been acting inside its production–possibility frontier. The reason behind this is that the state subsidies are the same for any number of children that is under the responsibility of the organization. Currently, for the 40 available spots, there are only 6 children. The subsidy is set up for 40 beneficiaries, and the number of personnel hired is to supply this demand, but the variable costs, namely food, and electricity are only a fraction.

CRAV has long been a source of losses for the organization but managed to reach a breakeven point in 2020 after eight years of constant deficit. In 2021, this unit was financially stable, illustrating the continuity of the increased profitability through the years. CRAV managed to have a surplus of 1% of its revenue, mainly due to a subsidy account growth, representing more clients. Again, personnel costs took the biggest percentage of the costs of this unit.

Therefore, it can be seen that whilst CJSJ is a hybrid organization that opened two for-profit units to aid its financial sustainability, these businesses are only negatively impacting the finances of the entire organization as they operate at a loss. And, ironically, they use up resources from the surpluses made by the social business units.

1.3 Organizational Structure

In order to gain a deeper understanding of CJSJ structure and challenges the organization might be facing, the resource allocation, staff composition, and governance were reviewed. Currently, CJSJ employs 31 permanent staff members and three contractors to manage three permanent social units (CA, CRAV, and CAFAP) and one temporary project (FFP). In addition, the sole for-profit business unit (Printing Shop) that is currently active, has a staff of 7. Moreover, there is yet another unit (Hostel) that is now unstaffed and is in a somewhat hybrid position (between being totally non-profit and not-for-profit). Only CA and the Printing shop have a dedicated Director/Coordinator. The other teams are overseen by the Executive Director and Chief of Administrative Services (the present-day organizational chart is demonstrated in the next chapter).

Several more units will be added soon (more information on that is mentioned below), therefore the changes necessary to ensure sustainable growth of the organization were proposed in the upcoming chapter.

After interviewing the team, it has been discovered that the units are financially interconnected. Therefore, the money originally intended for other units is used to assist ones that are currently not profitable or receiving adequate financing. Also, there is a tendency to allocate one person to several projects, so the employee's salary can be covered by the funds assigned for various social units.

In addition to the anticipated reduction in CA's subsidies, CJSJ management believes that other current financing may also be cut. Considering this, it was decided to develop additional initiatives (see next chapter for projected organizational chart) and ask for more funding. The team aims to restructure so that social units no longer rely on the financing given to CA.

Moreover, the fact that new initiatives may be created, and new employees may be hired only with the Board of Directors permission should be considered. It's chosen by the organization's

members, whose annual dues provide funding for CJSJ. While the Board members appear accessible and open to discussion, they aren't always available to actively monitor or contribute to the organization's efforts to address its current greater issues, as was found out after interviewing the staff. Additionally, because of the reliance on public funds, proposals to open additional social business units typically require municipal approval.

In order to assist the organization in its efforts to build a more independent, agile and self-sufficient, structure, taking into account the changes mentioned, CJSJ's organizational practices were analyzed, and multiple shifts were recommended.

1.4 Impact Diagnostic

1.4.1 Overall Impact

The overall focus of CJSJ's beneficiaries are children and young people without essential family support or at risk of social exclusion. Hence, indirect beneficiaries are multi-challenged families. To measure the impact of the activities of CAFAP and CA, CJSJ uses annual indicators to track the status and numbers of families and individuals using its services and compares them to previous years. Furthermore, on its website, CJSJ provides an annual evaluation report of its activity plan (2021) for its non-profit departments. To evaluate the impact of its social units' activities, CJSJ is conducting individual (online) surveys that assess the user satisfaction of each department.

1.4.2 Summary of survey results (2021)

At the end of 2021, CJSJ provided online surveys to users of CA, CRAV, CAFAP, and FFP to determine their satisfaction with the activities and facilities provided by each department. For CA, in summary, the youth are satisfied with the "facilities, equipment and signage," the "service and communication," and the "reliability, expertise and responsibility." In general, they are satisfied and indicate that they would recommend CJSJ to others if asked. It should be noted

that if they had the option to change facilities, all the youth responded that they would not. For CRAV, it can also be stated that the parents/guardians of the children in the nursery are satisfied with the facilities and the staff. Nevertheless, CJSJ aims to continuously improve both the physical space and the performance of the technical team, to provide a quality response to the users of the daycare center. Also, for CAFAP, 54 families were surveyed and in summary, users are satisfied (78.8%) – the percentage corresponds to the answers "I agree" and "I completely agree". Finally, to evaluate the FFP trainees in each session, a Registration Grid was prepared where their punctuality, active participation, and motivation were noted. The trainees' satisfaction with the sessions, the trainers, and the training show that 92% of the answers given in the evaluations were corresponding "excellent", 7% corresponding "good", and 1% to "sufficient", meaning that most participants were very satisfied with the program.

From the overall results of these surveys, it can be concluded that the high level of user satisfaction of its clients reflects the positive impact CJSJ is having. Nevertheless, the scope of the impact measurement reported can be rated as deficient, since only quantitative surveys are conducted. Qualitative methods that determine the satisfaction of the users and, above all, the well-being of the children and young people are lacking for a comprehensive evaluation of the impact. Finally, it should be noted that the CJSJ's impact relies on subsidies as CJSJ has not reached financial sustainability yet meaning that without any intervention, its impact can fluctuate due to cuttings of subsidies and donations.

1.5 Scope Definition

As a result of the performed diagnostics, four learnings stand out. Firstly, CJSJ shows a determination in its mission of helping children and families at risk to thrive. From an impact perspective, it achieves its aim successfully through its social units. However, they persist to be highly dependent on government funding. Thus, their expansion and autonomy are limited.

Secondly, the two current for-profit business units, the former hostel, and the printing shop, are either unprofitable or their capacity is not being optimized (i.e., the hostel).

The latter two points lead to the third diagnostic learning that stood out: CJSJ perceives the need to apply for funding for various new projects throughout the year in order to maintain its current operations. This leads to an endless cycle of having to develop new projects as a means of obtaining funds to cover expenses.

Finally, the organizational practices seem to be a limiting factor of the organization's overall performance and ability to break out from the funding dependency cycle.

This dependency and perceived rigid organizational practices have been identified as the two major factors affecting CJSJ's aim for financial sustainability and autonomy as well as its overall efficiency. Hence, the scope of this project has been defined to target these two areas:

financial sustainability through the implementation of one, or two, new, profitable, business units (BUs), and the organizational shifts required for its successful implementation.

On one hand, for CJSJ the creation of cost-effective BUs has been identified as a promising solution due to

numerous underutilized assets, namely undeveloped land and property that present opportunities for optimization to generate some financial gain. *Figure 3* shows CJSJ's current positioning of its social and financial business units and the proposed shift.

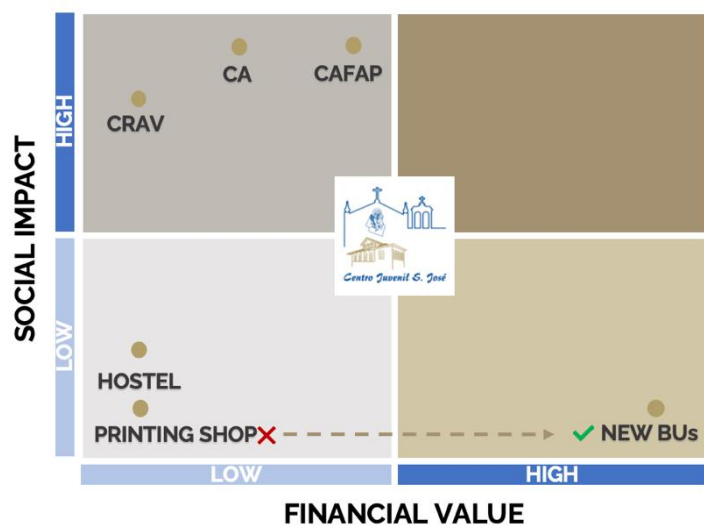


Figure 3

On the other hand, a transformation in managerial processes and approaches has been identified as a fundamental factor largely determining the success of the new BUs implementation and an overall improvement in the organization's performance and efficiency.

As such, this report aims to explore how the financial sustainability of CJSJ might be increased and what organizational shifts are required for its successful implementation. To achieve this – after briefly providing the methodology used – it will first investigate how CJSJ's organizational practices can be enhanced to support sustainable growth. Thereafter, it will provide two business concepts as promising business unit ideas for CJSJ. The financial impact of the latter will be analyzed next. Lastly, it will offer some recommendations and an overall conclusion.

1.6 Methodology

This report has used primary qualitative and secondary qualitative and quantitative data. For the first contextual part of this piece, various informal interviews as well as personal and written conversations took place with staff from CJSJ. Secondary data was retrieved from CJSJ's website and internal documents that were shared. This enabled the group to understand the context and current state of the organization and thus lead to the scope definition of this project.

The individual reports of this work project represent a literature review as well as primary data gathered from interviews that have been supported by various authors and strategic frameworks.

Interviews: a number semi-structured of informal interviews and written conversations were conducted with CJSJ staff, management, and board.

Benchmarking: A systematic tool used to examine the closest competitors in the market and identify gaps that could be targeted to achieve a competitive advantage. It allowed to investigate the Padel and Parking industry overall.

STP Framework: Every marketing strategy is based on segmentation, targeting and positioning. A company discovers different needs and consumer groups in the market, targets those it excels at satisfying, and then positions its offering so that the target group recognizes its distinctive offerings and images (Kotler and Keller 2016).

SWOT Analysis: A strategic planning framework utilized to analyze the internal strengths and weaknesses as well as the external opportunities of the business concepts presented.

Marketing Mix (4 P's): A model used to define the four key elements (product, price, place, and promotion) of a marketing strategy. The model also helps to translate the marketing strategy into marketing tactics so that a company can move directly to specific actions and implement the strategy efficiently.

Break-Even-Analysis: Break-even analysis is used to calculate the break-even point of a new product, company, or division. It is used to determine the point in time from which a business generates a profit.

Internal Rate on Return (IRR): The internal rate of return is the effective rate of return on investment, meaning the discount rate at which the net present value is zero.

Organizational Mapping: Analyzes cross dependencies between structural elements of the organization performed in order to foster synergy.

Feasibility, viability, and sustainability assessment: An adopted tool developed for the project evaluation.

1.7 Financial Analysis for Parking and Padel

1.7.1 Introduction

After a careful diagnostic of both the structure and finances of the organization, the conclusions directly led us to a simple truth: a shift in the revenue streams is required. We challenged the possibility of creating a for-profit business as to reduce the state dependency of the organization. Given the macroeconomic situation of the region, the culture and current trends we tested the possibility of opening a padel court and a parking.

The following report describes the various phases developed in the scope of the financial profitability analysis, the options that will be reviewed for this business will be following:

- Analysis of building Padel courts and directly managing the business, which we will refer to as MBTO (Managed By The Organization).
- Alternatively, selling the rights to explore the Padel business to a second party, which we will refer to as SER (Selling Exploration Rights).
- In parallel, the financial analysis of building and managing a parking lot.

Given the simplicity of managing a parking lot, overseeing this part of the business will be the organization's total responsibility. Ultimately, the differences in these options will depend on the organization's profile risk. The financial profitability study will contribute to a more informed decision regarding the investment to be made for this project's implementation, assessing not only the benefits but the costs for the organization.

Considering the characteristics of the new infrastructure, some indirect benefits could also be added. This is the case, for example, of increased demand generated by the increased exposure of Padel in the region. It should be added that the complete analysis will be done in 2023 with

constant prices and the project indicators such as the Net Present Value (NPV) will be evaluated in early 2023.

If, on the one hand, the rights of exploration are kept within the organization, the risk of the project will be higher; but on the other hand, so can the profits. By selling the rights of exploration to a second party, the organization would act as a property owner collecting rent; this would ease the organization from responsibilities, pressure to run a business, and concerns regarding minimum occupancy rates; consequently, the risk would decrease substantially.

In the first scenario, MBTO, the management would be under the organization's total responsibility. The financial plan would include considerable operational costs, such as the cost of employees and maintenance.

Nevertheless, both options would require initial significant capital expenditure; the magnitude of this initial investment, however, would be different for each option. While in MBTO, the CAPEX will be covered by the organization in its entirety, in the second scenario, SER, a significant portion of the costs will be undertaken by the incoming management.

In sum, the analysis will evaluate the benefits, costs, and financial viability of the following units:

- Padel courts (direct vs outsourced management)
- Kiosk (included in the financial scheme of the Padel)
- Parking lot

1.7.2 Capital Expenditures

The costs incurred in this project can be classified into capital and operational expenditures. The totality of the CAPEX will be paid in the first year, not excluding the hypothesis to finance the project with debt.

The capital investment structure will include several essential expenses that can be reduced to four categories, namely: earthworks, drainage, pavement, and infrastructure. Each one of these assets has a price and a useful life associated, as seen in the table below.

	Price per Sqm	Price per Court	Usefull Life (Years)
Earthworks	€5.00	€1 000.00	45
Drainage	€10.00	€2 000.00	75
Pavements	€40.00	€8 000.00	20
Infrastructure (court + roof)	€125.00	€25 000.00	10
Total	€180.00	€36 000.00	

Figure 4 - Construction Prices

As mentioned before, the financial analysis projects a ten-year scheme.

Starting with the costs referring to Padel, the first thing to note is that some of the assets have longer longevity than the length of the scheme; therefore, there will only be enough time to depreciate a portion of these assets. The values of the assets that were not depreciated will have a positive contribution toward the NPV with their residual value at the end of the period.

In order to build courts from the ground up, there is first a need to prepare the soil to receive the infrastructure. The process, as mentioned, can be divided in three steps: earthworks, drainage, and pavements. All of which are essential.

The earthwork has a useful life of 45 years and a price of € 5/m². The drainage has a useful life of 75 years and a price of €10/m², and the pavement has a useful life of 20 years and a price of €40/m². All the square meters on the property require the same interventions. Important to recall that each Padel court has a dimension of 20x10m, a total of 200m².

As essential and time-consuming as this part of the project is, the infrastructure will be the most relevant logistically and financially. The infrastructure prices were provided by a

company, Playground International, which specializes in constructing Padel courts in Portugal. Their catalog consists of a spectrum of Padel courts that differ in both price and quality. Our market analysis supported the decision regarding the type of court for medium-high quality with a cover. The infrastructure cost chosen includes the installation for a total of €25,000 per court.

Regarding the area destined for the kiosk, the space will also require pavement interventions and a reconstruction of the barn. The estimated costs for this intervention will also fall under the CAPEX. For this intervention, the costs will be of €25,000, with everything included.

The CAPEX costs will go by the following formula.

$$CAPEX_{MBTO} = € 25,000.00 + € 28,000.00 * \text{Number Of Courts}$$

This formula represents the project's costs, but for the SER's scheme, only 50% of the costs will be incurred by the organization, therefore:

$$CAPEX_{SER} = € 12,500.00 + € 14,000.00 * \text{Number Of Courts}$$

At the signing of the contract, the promisor shall pay the promisee the equivalent of 50% of the initial investment as a non-refundable fee. By committing the management of the Padel club to the organization, the initial investment to get the business going would also require higher stakes.

The costs computed above were only related to the Padel courts and the kiosk, overlooking the parking lot as we're separating the business units. Concerning this project, the projected estimations for the wanted outcome require, again, earthworks, drainage, and pavement.

However, the pavement for the parking is different and rather of different composition, price, and useful life.

The budget was provided by a Portuguese company, specialists in implementing pavements. The material chosen was the best option considering its environmental impact and quality for the purpose. The value per square meter equals €12/m² for a total pavement of 4000 sqm, totaling €48,000 m². Hardware expenses for the parking operation require an investment of €13,000.

The parking lot also contains a particular roofed area for parking and electrical chargers. The roofed area requires an additional infrastructure investment of €50/m² for 300 sqm, totaling an extra €15,000.

1.7.3 Operational Expenditures

Padel as a business is known for its relatively low costs to operate. The financial effort required is mostly to build rather than operate. Nevertheless, the system is yet to be fully automatic and still accounts for human resources costs, as well as maintenance.

The strategy set for the club defined that the club is open 16 hours a day, seven days a week. The job demands for the workforce are simple: direct and collect. Direct the players towards the right court and collect the payment. The job requirements call for anyone with minimum or no education. The club requires no more than one person at a time to work with intersecting schedules in the changing shifts. The minimum salary in Portugal is €750 a month. A quick research suggested that an accurate salary for this position would go for €1,000 a month, plus subsidies. The retention rate in Portugal is 11.3%, meaning that €113 has to be paid by the hiring entity to the state. The food subsidy amounts to €7.63 per working day, an average of 22 working days in a month total of €110 a month. Adding these values together adds up to a total

cost of €1405.36 for the company, hence €16,800 yearly. The amount of staff required to make sure that the club is always operable amounts to three, thus €50,400 per year in staff.

For a consistent positive experience, the courts require maintenance, this maintenance comes in the form of rust treatment, glass cleaning, lamp substitution as well as net and floor replacement. All these costs are expected to have a monthly cost of €1500 per year per court, therefore €7500 a year.

The club will have to work with an accounting firm that makes sure that everything is happening with respect with the fiscal laws. This additional expenditure amounts to €200 a month, thus €2,400 a year for all the working years.

The club facilities will include a locker room for the player's use. The existence of these facilities will lead to selling, general, and administrative expenses, namely: gas and water. The costs amount to a total of €120 a month per court, €1440 a year per court. This cost is connected to the occupation rate and amount of courts as it depends on the number of players.

Finally, bureaucracy requires businesses that work directly with customers to have a multi-risk insurance. This multi-risk insurance covers everything from medical injuries of the staff to the players, as well as thefts.

The kiosk's costs will mainly be variable after the barn has been renovated. The operation will be managed by the same person who leads the reservations in the Padel club, and the service is limited to simple snacks and beverages.

The Deloitte research on Padel indicated that 60% of the players have a beverage after the match, not accounting for snacks. The profit margin for selling simple goods depends on the environment where its sold, given the circumstance the values go around 50%. To accurately account for the kiosk's costs it is required a safe estimate of the units that will be sold, relating

it with the Padel number of player that come across the kiosk; the following formula represents the costs from selling simple goods:

$$\begin{aligned} \text{COSTS}_{\text{kiosk}} = & \text{NUMBER OF COURTS} * \text{OCCUPATION RATE COURTS} * \text{NUMBER OF PLAYERS PER COURT} \\ & * \text{PERCENTAGE RATE OF PLAYERS THAT CONSUME} * \text{AVERAGE SPENT PER PLAYER} * 50\% \end{aligned}$$

With regards to the parking lot operating costs, these are very limited. The parking will also require annual multi-risk insurance and a security system. The selling, general, and administrative expenses will amount to a total of €10,000.

1.7.4 Revenues

The income from the "Padel club" depends on the number of courts built. Each court has four players, and the players pay the price by the hour. Each court is set to function from 08:00 to 24:00, a total of 16h a day. The income, however, depends on the occupation rate.

The following equation represents the total revenue from operating the courts:

$$\text{Padel Revenue} = 4 * \text{PricePerPlayer} * \text{NumberOfCourts} * \text{Occupation Rate}$$

It is expected that the club will gradually reach its full potential gradually, so firstly, we set up the reference values for the total revenues and multiplied it by a factor. The factor's assignment is to reflect the gradual increase of the club sales toward the reference value it is expected to generate once it is all set up and of reference in the region. The factor starts at 0.5 (50%) and reaches 1 (100%) in year 5.

With regard to the occupation rate, this is a seasonal variable that is affected by weather, holidays, events, or even by a pandemic. The foundations for our expected occupation rate were based on the circumstances under which the project is inserted, the Padel positioning, its overall growth, and court availability. It is calculated by dividing the expected hours of courts rented by the total available hours, and it is presented as a ratio. For our scheme, the occupation rate

changes every year, affected by the projected growth in the region, never surpassing 50%. Likewise, the occupation rate is affected by the factor, meaning that in the first year, we expect only to achieve half the occupation rate of what a regular year would be.

The prices were calculated with concerns to two aspects; maximizing the club's total revenue with the attention that the occupation rate is inversely proportional to price. As a strategy, it is the Padel club's goal to have a competitive advantage without sacrificing any quality. It is obtained by focusing on reaching occupancy rates. Therefore, the price variable is our dependent variable, which has rules: maximizing profit and minimizing risk. The prices were then computed as the outcome variable for an optimized solution.

In addition to the revenues from operating the courts, the Padel club will profit from the kiosk that will work as both a cafe and a sports equipment retailer. This non-operational income will be affected by the occupancy rate of the club, as its target audience is attracted through the core business to play Padel.

In the second scenario, the management would be outsourced to a second party in exchange for rent. The costs would only include the initial investment cost and a few variable costs. There wouldn't be a need to hire any extra staff, the income stream would never depend on seasonal effects or any other variable for that matter.

The method used to calculate rent was game theory. It was done by adding a rent to the MBTO's scheme. The conditions for the rent price were made so that it would also allow the incoming management to profit from this business.

Regarding the parking, the revenues of the park will be divided in two: monthly subscriptions and hourly rate. The price charged per hour will be €0.5 and it is expected. For monthly subscriptions the park will charge € 50. For the total of 230 spots available, we expect a rate of 15% monthly subscriptions and 20% hourly paid.

The metrics used to assess the project's financial viability were the NPV and the IRR.

Net present value computes how much capital a project or investment will benefit or lose discounted to today's value. Likewise, the IRR correlates with the NPV as the discount rate that makes the NPV zero. These two metrics are crucial elements of any financial analysis. These are the two metrics that the investor should maximize.

The NPV as a metric is computed by discounting every free cash flow expected, so the first step is to calculate the free cash flow for every period in the schemes. Free cash flow is the money a company has left after paying its capital expenditures and operating expenses.

The NPV accounts for the opportunity cost of capital, meaning potential benefits if the same resources applied in this project were to be used elsewhere. The IRR, however, calculates the return on the investment given the required capital and operational costs. While one is an absolute value (NPV), the IRR is displayed as a percentage.

An important point in comprehending the analysis is understanding that the NPV depends on the discount rate. The discount rate is the rate chosen by the investor that incorporates the expected return for the investor, given the risk being taken. Currently, the organization, through all the businesses it is involved in, has a return that can be computed through the balance sheet. By computing these returns, we comprehend the average returns of the organization units, this metric used to assess the organization's returns is called the weighted average cost of capital (WACC); WACC makes the assumption that a business or project bears the same risk as the company's current assets. This can be the case in an expansion, but different businesses will have different risks. It is typically difficult to determine the appropriate risk-adjusted discount rate for a project; thus, the value is based on the investor's expectations. Therefore, the WACC that should be used for the discount rate for each unit is the WACC for similar businesses.

The business's risk is then a variable. Research suggests that the risk for the Padel club is higher than the parking lot for various reasons:

- Higher CAPEX
- Higher OPEX
- Mainly fixed costs
- Seasonal income

As a reference, the historical WACC for “Asa padel Guimaraes”, a Padel club located in Guimarães, that shares the same risk as directly exploring the club was calculated. In the same line of thought, a parking lot’s WACC was calculated.

By applying the following formula to calculate the cost of capital:

$$WACC = \frac{E}{E + D} * RE + \frac{D}{E + D} * RD * (1 - T)$$

It is our estimate that the discount rate that should be applied to the MBTO, SER and the parking lot is: 15%, 7% and 5.5%, respectively, considering the WACC of similar businesses. The higher the discount rate, the higher the risk and therefore the more return the investor expects.

With all the data needed carefully planned out, building the expected profit and loss statement is the next step toward calculating these metrics, for each project.

For each of the projects, the metrics used to measure the potential profitability will be the NPV and the IRR. The crucial elements to calculate these metrics are:

- Net Income
- Depreciation and Amortization
- Capital Expenditure (CAPEX)
- Free Cash Flow

Being Free cash flow:

$$\text{Free Cash Flow} = \text{Net Income} + \text{Depreciation and Amortization} - \text{CAPEX}$$

Once the free cash flow is computed for every year, it is possible to compute the NPV and IRR directly. The following table displays the results obtained for each potential business unit:

	Padel		Parking Lot
	MBTO	SER	
Discount Rate	15%	7%	5.5%
NPV	€243 756	€90 715	€43 217
IRR	37%	28%	20%
Payback Period (Years)	4.5	4.2	5.75
Discounted Payback Period (Years)	4.7	4.6	6

Figure 5 - Financial Prognostic

The key takeaways from the previous table are: The MBTO strategy for managing the Padel club will lead to potentially higher profits with the trade-off of a higher risk. All the business units have a similar payback period. Though the parking lot presents a 20% internal rate of return, the NPV is relatively low of around €40,000.

1.7.5 Risk Analysis

Risk analysis is important for several reasons including reducing the likelihood of undertaking a “bad” project while failing to accept a “good” project. It would be easy to avoid “bad” projects simply by making very conservative assumptions about the values of the key variables and then accepting only those projects that still have a positive NPV. One of the ways to reduce uncertainty is to gather more data and information to the extent feasible, about the key project variables to narrow their likely range and to determine more precisely the appropriate probability distribution.

To face the problem of the uncertainty inherent in the relevant variables in the calculation of the profitability for the project, there are three used methods:

- Sensitivity Analysis
- Scenario Analysis
- Monte Carlo Simulation

1.7.5.1 Sensitivity Analysis

Sensitivity analysis enables the identification of the critical variables of the project. Such variables are those whose variations, be they positive or negative, have the largest impact on the project's financial performance. The analysis is carried out by varying one variable at a time and determining the effect of that change on the NPV. To measure the impact of the variables at stake, we considered a variation of ± 1 % of each of the variables and observed its variation in the NPV. We started by recording the base values for the NPV and IRR, to have a benchmark to compare to. The tested variables were assumed to be independent for the purpose of this analysis.

The process of choosing the important variables that will undergo the sensitivity analysis is based on their impact on the NPV. The sensitivity analysis is fundamentally the elasticity between the independent variables and the dependent variable (NPV). We refer to elasticity as the measure of the percentage change of one economic variable in response to a percentage change in another, usually 1%. For this analysis we evaluate the elasticity for all the variables, except for the occupation rate. The reason supporting our decision is that this variable is already measured in percentage points, so if we chose to use compute the elasticity of this variable, we would be comparing the NPV of the reference situation with a rate of 40% to a 1% increase of the reference, hence 40.04%. This breakdown wouldn't be representative of the behavior of this

variable, namely its variance. Therefore, the method we chose to apply to this specific case was semi-elasticity, thus comparing an NPV for the occupation rate of 40% to 41%.

1.7.5.2 Scenario Analysis

The Scenario Analysis considers both positive scenarios, where the most important variables change in a positive way for the project, and negative scenarios, where the same variables change in an unprofitable way for the project. The importance of this exercise, especially focussing on the Negative Scenario, is mainly to make the investor aware of the economic profitability of the project if “everything goes wrong”. If the NPV is still positive or mildly negative, the investor can be confident that the project will benefit with a very high probability.

In the following two-variable tables for the Padel and the parking the investor can observe the expected NPV for the project for various combinations of occupation rates and price.

Occupation Rate / Price	€14,00	€16,00	€18,00	€20,00	€22,00	€24,00	€26,00	€28,00
0%	€482 198	€482 198	€482 198	€482 198	€482 198	€482 198	€482 198	€482 198
10%	€330 658	€315 684	€300 710	€285 735	€270 761	€255 787	€240 812	€225 838
20%	€179 118	€149 170	€119 221	€89 272	€59 324	€29 375	€574	€30 522
30%	€27 578	€17 345	€62 268	€107 191	€152 114	€197 036	€241 959	€286 882
40%	€123 962	€183 859	€243 756	€303 654	€363 551	€423 448	€483 345	€543 243
50%	€275 502	€350 373	€425 245	€500 117	€574 988	€649 860	€724 731	€799 603
60%	€427 042	€516 888	€606 734	€696 580	€786 425	€876 271	€966 117	€1 055 963
70%	€578 582	€683 402	€788 222	€893 043	€997 863	€1 102 683	€1 207 503	€1 312 323
80%	€730 122	€849 916	€969 711	€1 089 505	€1 209 300	€1 329 094	€1 448 889	€1 568 683
90%	€881 662	€1 016 431	€1 151 200	€1 285 968	€1 420 737	€1 555 506	€1 690 275	€1 825 044
100%	€1 033 202	€1 182 945	€1 332 688	€1 482 431	€1 632 175	€1 781 918	€1 931 661	€2 081 404

Figure 6 - Scenario Analysis for Padel

For the Padel Club, the profitability is mainly dependent on the occupation rate and the price.

Note, that these variables are inversely proportional and an occupation rate of 100% isn't reasonable. Research suggested that the expected occupation rate would be around 40%.

Nevertheless, for the same price of €18 per hour, there would only need to be an occupation rate of 30% for the club to profit.

Occupation Rate / Price	€0,15	€0,30	€0,40	€0,50	€0,60	€0,70	€0,80
0%	-130 957	-130 957	-130 957	-130 957	-130 957	-130 957	-130 957
10%	-117 894	-104 831	-96 122	-87 413	-78 705	-69 996	-61 287
20%	-104 831	-78 705	-61 287	-43 870	-26 452	-9 035	-8 382
30%	-91 768	-52 579	-26 452	-326	25 800	51 926	78 052
40%	-78 705	-26 452	-8 382	43 217	78 052	112 887	147 722
50%	-65 642	-326	43 217	86 761	130 304	173 848	217 391
60%	-52 579	-25 800	78 052	130 304	182 556	234 809	287 061
70%	-39 516	-51 926	112 887	173 848	234 809	295 769	356 730
80%	-26 452	-78 052	147 722	217 391	287 061	356 730	426 400
90%	-13 389	-104 178	182 556	260 935	339 313	417 691	496 070
100%	-326	130 304	217 391	304 478	391 565	478 652	565 739

Figure 7 - Scenario Analysis for Parking

For the parking space, the situation is similar. Even though there is an expected 40% occupation rate, 30% would be enough to breakeven, considering the same price.

1.7.5.3 Monte Carlo Simulation

This step of the exercise is very important, as there are many aspects that are uncertain, given the unpredictability of politics, the world economy, socio-cultural or environmental factors. It is our intent to take into carefulness all the potential effects that may affect the project's viability. For the financial analysis, a lot of values had to be computed based on assumptions. The premises were taken very seriously, with cautiousness to maintain a high level of reliability. Nevertheless, the risk analysis elevates this consideration and exhibits further supporting data of what can be assumed as a promising project.

To identify the potential effects that will impact the costs and the benefits of the project, an inspection process is ought, the risk analysis. It evaluates the impact that adverse circumstances may have on the net present value of the project. Assessing risk is critical for determining how worthwhile an investment is and the best strategy to mitigate those risks. Under quantitative risk analysis, a risk model is built using simulation to assign numerical values to risk. This analysis simulates values under a normal distribution for the variables in respect, these values are then used to compute the expected costs and benefits under these new circumstances.

According to the CBA methodology, probabilistic risk analysis is required where the residual risk exposure is still significant. In other cases, it may be carried out where appropriate, depending on project size and data availability.

To carry out the quantitative risk analysis, the first step involves the identification of adverse events that the project may face, to understand the complexities of the project. This type of analysis assigns a probability distribution to each of the critical variables of the sensitivity analysis, i.e.: occupation rate, padel growth, price, and investment.

For this purpose, the use of the Monte Carlo method is proposed, which requires computational software, in this case we used python. The method consists of the repeated random extraction of a set of values for the critical variables (effects), taken within the respective defined intervals, and then the calculation of the performance indices for the project (NPV, IRR) resulting from each set of extracted values. By repeating this procedure for a large enough number of extractions, one can obtain a pre-defined convergence of the calculation as the probability distribution of the performance indicators (NPV, etc.).

These variables are defined in a precise range of values around the best estimate, used as the base case, in order to recalculate the expected values of economic performance indicators, specifically: NPV, IRR. The probability distribution for each variable may be derived from different sources, such as experimental data, distributions found in the literature for similar cases, consultation with experts. Evidently, if the process of generating the distributions is unreliable, the analysis would be compromised, so it was critical to generate values that portrayed accurately reality. Hence, on top of the conditions applied to each effect, in order for a random sample of values for the effects to be accepted, it needed to be filtered. The filter would detect and remove from the sample hypothesis that wouldn't make sense in the real world, for example, the occupation rate is correlated with Padel growth, therefore it won't ever be a

significant difference in the growth between these two variables. Our model sampled 10.537 results, of which 10.000 were suitable and utilized, it was empirical that the values were generated around the mean following a strict pre-determined distribution that fit into the reality of these variables, as we wanted to replicate accurately the actuality of the possible future circumstances. For a matter of simplicity and efficiency, the way we encountered to acquire these results was to generate 10,000 factors for each variable by which the reference values were multiplied. By using a factor, the mean value is no longer the true value of the occupation rate, but rather 1. These factors were generated using Python software that made sure all the criteria were followed.

All the distributions are triangular. A similar distribution to the Gaussian distribution, also known as the normal distribution. The differences lie in the boundaries that are set for the minimum and maximum values, assuring these values are kept within a given range. All the values that are generated are achieved by drawing random numbers from these distributions, resulting in a triangular-shaped distribution with the mean presented by the reference values. All the standards created for each random variable were set so that the outcome would be symmetrical except for the investment category. It is our belief, based on empirical experience and common sense that the investment will, most likely, have a higher probability of increasing in expenditure rather than decreasing, thus we can see in the graph below that the risk factors for the investment were slightly right skewed. These were the distributions the model assumed for the variables.

Having established the probability distributions for the critical variables, it is possible to proceed with the calculation of the probability distribution of the internal rate of return (IRR) and net present value (NPV) of the project.

The simulation is a quantitative technique that calculates results for the random input variables repeatedly, using a different set of input values each time. The resulting outcome from each input is recorded, and the final result of the model is a probability distribution of all possible outcomes. The values obtained enable the reviewer to infer significant judgments about the level of risk of the project. The results point to sustainable levels of NPV. The minimum value is always positive, and the average is around €287,000 for the whole project, a relatively small percent of the baseline value; nevertheless, the likelihood of that negative event is negligible. The variance of the results is relatively low, which is a good sign that the baseline results are stable. The risk analysis evaluates how stable the baseline results of the economic study are.

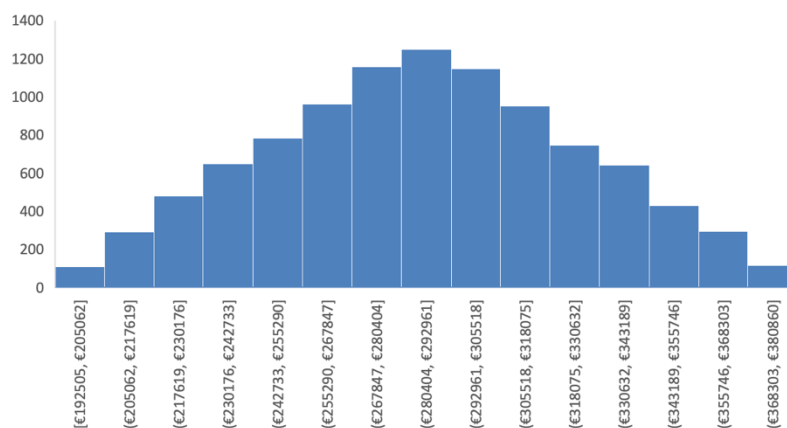


Figure 8 - NPV Distribution

As shown, the distribution of the NPV for the two projects portrays with confidence that a positive return is expected.

2 RECOMMENDATIONS & CONCLUSION

2.1 ORGANIZATIONAL SHIFTS RECOMMENDED

The analysis of CJSJ's organizational practices revealed that regular project forecasting should be carried out and HR procedures improved to optimize resource allocation. In order to ensure an adequate workload, it is suggested to continue estimating the staff-to-beneficiary ratio for both current and future projects and include it as a part of project evaluation along with the administrative, technical, financial, and market feasibility assessment. When establishing strategic priorities, project viability and sustainability should also be taken into account.

In efforts to increase teams' satisfaction, it's recommended to regularly assess burnout rates and apply specific measures to mitigate their level. This indicator should be given equal weight to other important performance measures. Moreover, to increase the attractiveness of the workplace, onboarding process improvement is advised.

Furthermore, given that a new board will take office in January 2023, the revision of the top decision-making mechanism is suggested. For this reason, it is suggested to assess current board regulations that restrict the organization's flexibility and offer change proposals prior to the first public meeting. Considering that several more units will be added soon, the expansion of the administrative team might be one of the topics included in the proposals. The hiring of directors to oversee one or more projects, or, at the very least, the hiring of assistants for existing directors, is crucial to prevent a decline in efficiency.

Moreover, the prioritization of stakeholder management is believed to potentially increase the organization's visibility, attracting new hires and donors. Building pro bono ties with socially responsible businesses is advised as a further step in this regard.

2.2 BUSINESS CASE RECOMMENDATIONS

2.2.1 Recommendations for the parking space

The analysis performed made it evident that despite the parking space business model having the potential of giving CJSJ a stream of income with minimum administrative overhead, the investment does not compare favorably to the projected revenue. This specifically refers to the possibility of opening a garage with privately rented parking spaces. The anticipated investment is significant, and future maintenance and insurance expenses will also be required.

CJSJ is recommended not to construct a parking garage with rental parking for the time being since there is a lack of information on the precise demand for privately rented parking spaces. As seen in *figure 9*, despite the parking space generating positive cashflows after its break even in year 5, due to low hourly rates, public parking alone does not constitute to outstanding revenues, it only generates small profits. The public parking alone for a time period of ten years would generate around €43,000 in today's money.

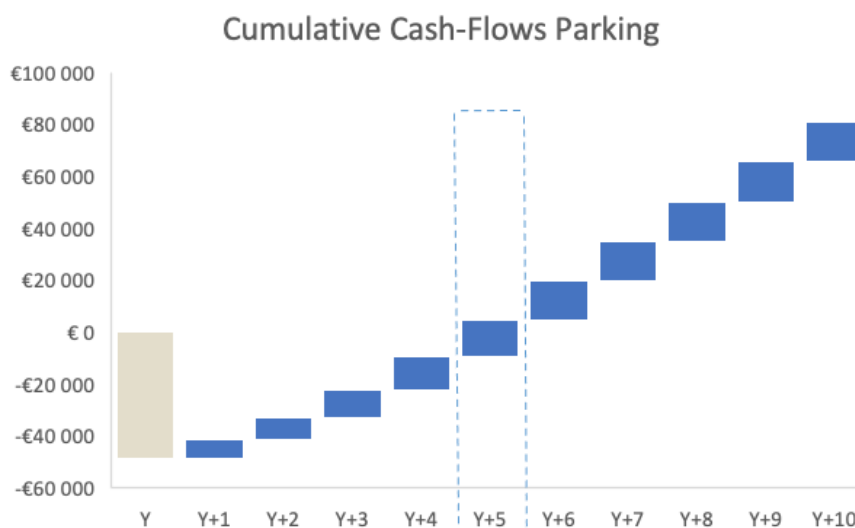


Figure 9 - Cumulative Cash Flows Parking

Therefore, the parking must be built considering the installation of the Padel courts. While the parking space will be free to use for Padel players, other users will be charged with an hourly rate of €0.5 per hour. Additionally, it is advised to adhere to the idea of creating a "green" public

parking space and supply three charging stations for e-cars creating an infrastructure for Portugal's growing demand for e-mobility.

Nevertheless, the possibility of providing rental parking in the public parking area should thus be kept open by CJSJ in case demand rises. The operation of those rental parking spaces will then involve less organizational effort and can be offered at a lower price since it won't be within a garage and therefore, CJSJ is not obliged to insure the spaces.

When income from the Padel court has increased over the course of a few years and there is a demonstrable demand, the construction of a garage with permanent parking places may be taken into consideration.

2.2.2 Recommendations for the Padel club

In principle, a Padel court is a viable new business unit investment for CJSJ, according to the designed business model. Firstly, it is undeniable that Portugal's Padel sports market is expanding and will continue to do so in the future. Secondly, CJSJ's unused land proves to be an ideal outdoor space with a great location to build a Padel club. This would add a competitive advantage against the four main players in Guimarães' Padel market. Thirdly, CJSJ could position itself as a Padel club with more affordable rental court fees without compromising the quality of the facilities and services offered. The fact that it is a hybrid organization, with all its surpluses going directly to support CJSJ's goal, is an important selling feature. As a result, this can also have a favorable effect on the expansion of CJSJ's brand recognition.

The construction of a Padel club could help CJSJ's financial sustainability through two identified scenarios. First, the ownership and operation of a Padel club by CJSJ directly would entail managing the premises and thus having to invest larger human capital to run the club. This scenario would potentially allow for higher profits as it would collect revenues from the primary service, the rental of Padel courts, as well as from secondary services, such as Padel

lessons, and the kiosk. Second, the ownership and outsourcing of a Padel club would offer CJSJ a way to receive stable and recurrent flows of income through its monthly rent and arguably less risk as this is passed to the party that operates the club. Nevertheless, the profitability of this business model would most likely be lower.

By analyzing the financial impact that both scenarios would have, it is recommended that CJSJ owns and operates the Padel club as the NPV for operating proved to be significantly higher than renting even for a discount rate twice as big. The analysis made took also into consideration the increased risk in operating versus renting by using appropriate discount rates that would accurately reflect the risk of each option. As seen in the following figure, the breakeven of the Padel Club's operation would occur in year 4 with increasing cash-flows.

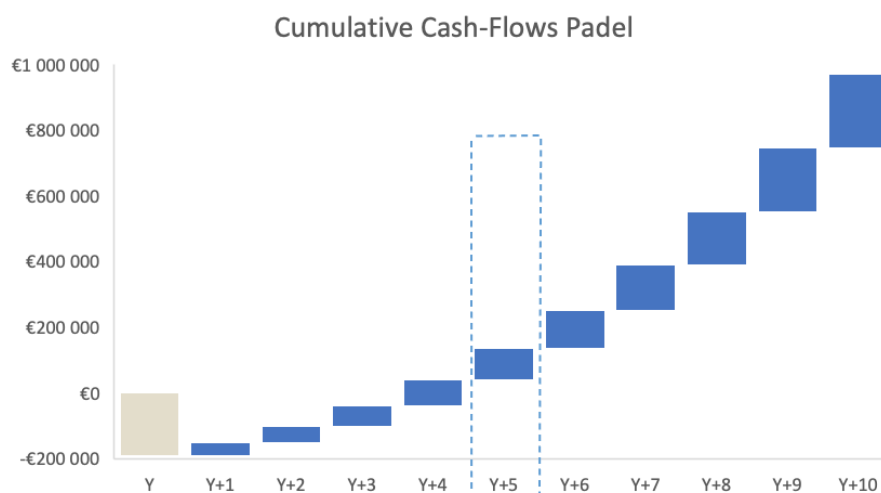


Figure 10 - Cumulative Cash Flows Padel

Therefore, the implementation of a Padel Court shows to be a good investment as a for-profit business unit for CJSJ. Importantly, it can aid the financial sustainability of the organization as it would generate surpluses that can be reinvested in CJSJ's social units.

When considering the two proposed for-profit business units, it has been shown that both, the operation of a Padel Club and the parking are profitable and promising investments. The total

added value of the NPV of these two projects add up to roughly €264,000. Even though there is a risk associated with both businesses, both financial plans have been carefully stress-tested for changes in the crucial variables, reassuring profitability in the event that the economy's performance, as well as other variables throughout the years of the project, don't match the assumptions. Hence, the investor can be confident that the results outlined in the financial study will realize with a high probability.

2.3 PROPOSED NEXT STEPS

This section will briefly describe some proposed next steps for the implementation of the presented for-profit business units.

While CJSJ has financial reserves of approximately €800,000 in cash, the organization plans to spend some of this on renovating its facilities. Therefore, CJSJ is recommended to raise debt capital for the implementation of the new business concepts. Since the organization is already in contact with Portuguese banks such as BPI and la Caixa, the CJSJ should take advantage of these partnerships and apply for a loan for 50% of this project. This way, the organization doesn't require to up-front the totality of the investment; and as long as the return rate is higher than the interest rate, the organization is leveraging its investment, hence increasing its rate of return.

For the implementation of the parking lot and Padel courts, CJSJ must first develop an accurate floor plan, including the driveway to be built, and apply it to the City Council of Guimaraes. This not only has something to do with changing the cityscape, but also with the fact that for the entrance and exit an access must first be created to the road, which belongs to the city. In the course of this, CJSJ also needs permission for the installation of signposts on relevant roads within the city. Therefore, before the implementation of the projects, the organization needs a

building permit. According to Rodrigues (2022), there are four bureaucratic steps to follow to apply for a building permit in Portugal:

1. A previous information request (pt., “Pedido de Informação Prévia”) at the City Council in Guimaraes must be made. This first phase serves to ensure the feasibility of the construction project. In this request, CJSJ must provide details about the location of the land and the planned construction project. Here, the time between the analysis and the response of the authority will be about 20-30 days.

2. Architecture and specialties project - With the approval of the municipality in the previous step, CJSJ can proceed with the topographic survey and the development of the architectural project. This must also be submitted to the relevant chamber for the approval process. Once the architectural project has been approved, the next step is the “specialized projects” (pt., “projetos de especialidades”), which are also reviewed by the responsible authority. In case of approval, the projects can be submitted together with the architectural project or within six months from the date of notification of approval.

3. The Workbook (pt., “o Livro de obra”) - When all projects have been approved by the authority, CJSJ can proceed with the actual construction. Now, the organization must hire a contractor who is responsible for the construction work and creation the workbook. This book must contain all information about the construction work, and it is the responsibility of the construction engineer to monitor the proper execution of the project phases.

4. User license - The final step is to obtain a user permit for the new business units from City Hall, and only after this is issued may CJSJ open its new facilities.

After the implementation of the steps listed above, the organization is advised to proceed with the application for the loan and developing a plan of construction.

2.4 OVERALL CONCLUSION

In conclusion, the implementation of the two business units, a Padel club owned and operated by CJSJ and a parking space, show to be a promising way to improve the organization's financial sustainability. As seen in the figure below, their operation would positively impact CJSJ's financials as they would provoke a rise in the organization's EBITDA over time.

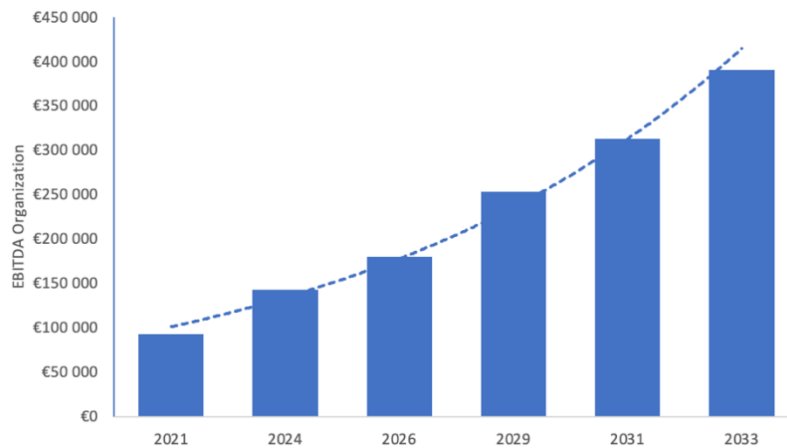


Figure 11 - Expected EBITDA of the Organization

This would, in turn, aid to increase CJSJ's overall financial sustainability. It would allow the EBITDA that is generated by the for-profit business units to be inserted into the social units and thus, reduce the need for state funding. *Figure 12* portrays the impact that these projects would have on the organization's financial sustainability, *caeteris paribus*; estimations show it would

increase 120%.

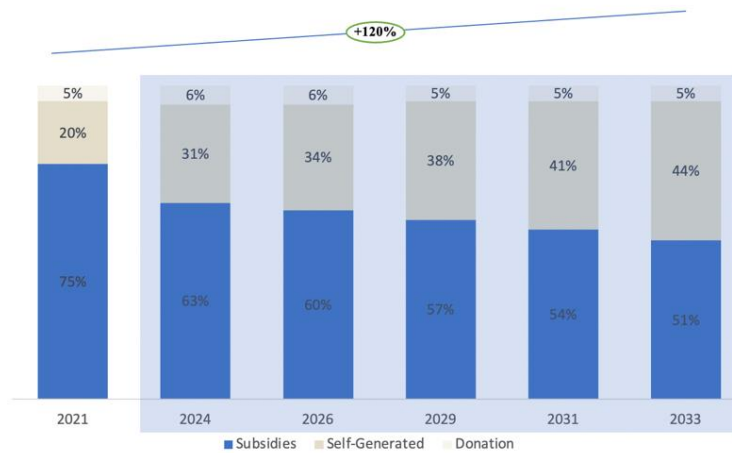


Figure 12 - Organization's expected income source

Hence, it can be seen how the self-generated income from the Padel Club and parking space could help reduce the dependency on donations and subsidies and thus aid CJSJ to become a well-balanced, financially sustainable, hybrid organization.

Importantly, for the successful implementation and sustainable operation of these business units, this project highlights the need for CJSJ to reassess methods of determining viability of new projects, modify organizational regulations to allow for greater agility, and enhance stakeholder management.

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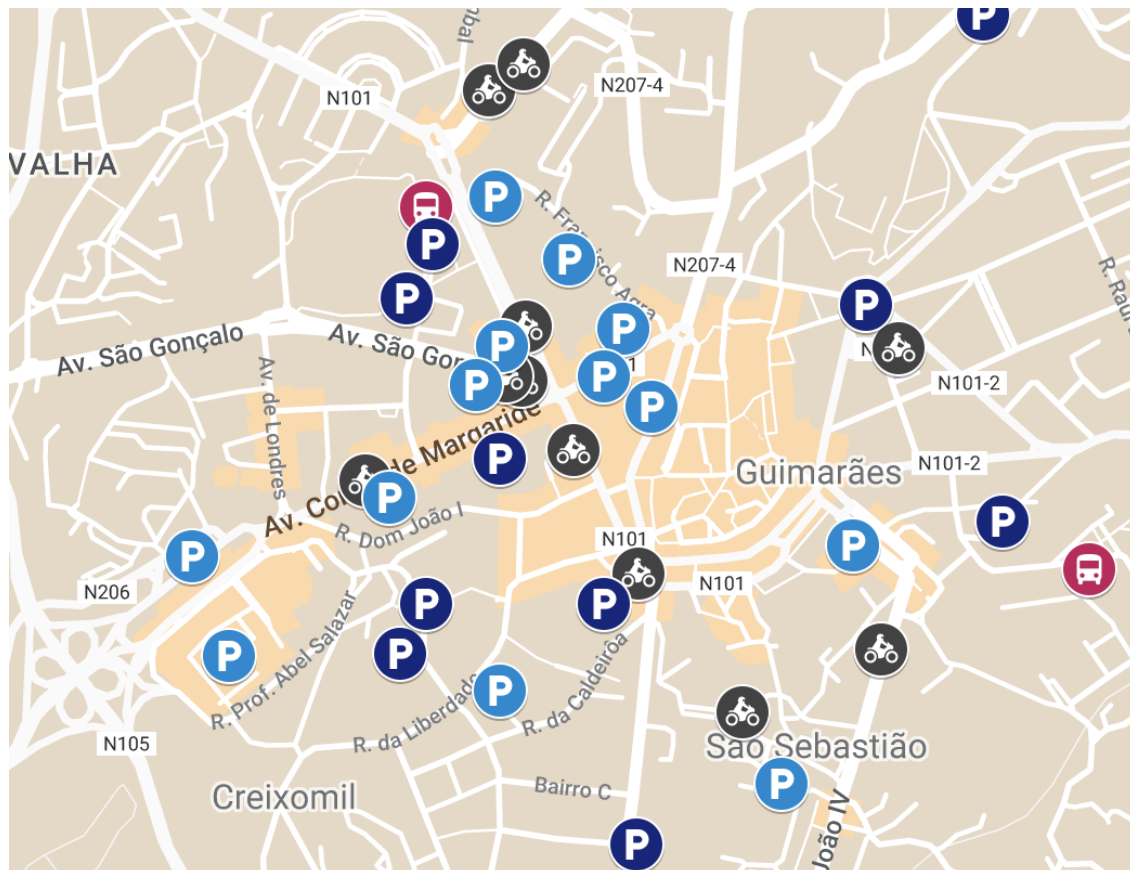
Volchok, Ted. 2014. Review of *Feasibility Assessment Tool*. Mercycorps.org. Accessed November 28, 2022. <https://www.mercycorps.org/sites/default/files/2020-01/Tool%20%20Feasibility%20Assessment.pdf>.

Welectric. 2022. “20% Dos Ligeiros de Passageiros Novos Em Portugal São PHEV Ou Elétricos.” Watts On, Accessed November 28 2022. <https://welectric.pt/2022/05/25/20-dos-ligeiros-de-passageiros-novos-em-portugal-ja-sao-phev-ou-100-eletricos/>.

ZENO. 2020. *2020 Zeno Strength of Purpose Study*. Global Study, ZENO Group.

4 APPENDICES

4.1 Appendix 1



Source: <https://www.cm-guimaraes.pt/conhecer/mobilidade/estacionamento>

4.2 Appendix 2



Source: <https://www.guimaraesdigital.pt/index.php/informacao/sociedade/55693-parque-de-camos-entra-em-funcionamento-apos-cerimonia-de-inauguracao-este-sabado>

4.3 Appendix 3



Source: <https://earth.google.com/web/@41.43874074,-8.28829752,201.33734252a,601.46032582d,35y,0h,0t,0r>

4.4 Appendix 4



Source:

<https://earth.google.com/web/search/R%2e+Dr%2e+Raúl+Alves+da+Cunha/@41.4388008,-8.28698875,211.66658437a,733.6803253d,35y,115.55263392h,59.99792606t,360r/data=CigiJgokCXJchl2UuERAEW8pNv7xtkRAGTwb4jKAiiDAITBr1jMHliDA>

4.5 Appendix 5



Source: <https://specificationonline.co.uk/articles/2018-05-23/grass-concrete-ltd/sustainable-grass-paving>

4.6 Appendix 6



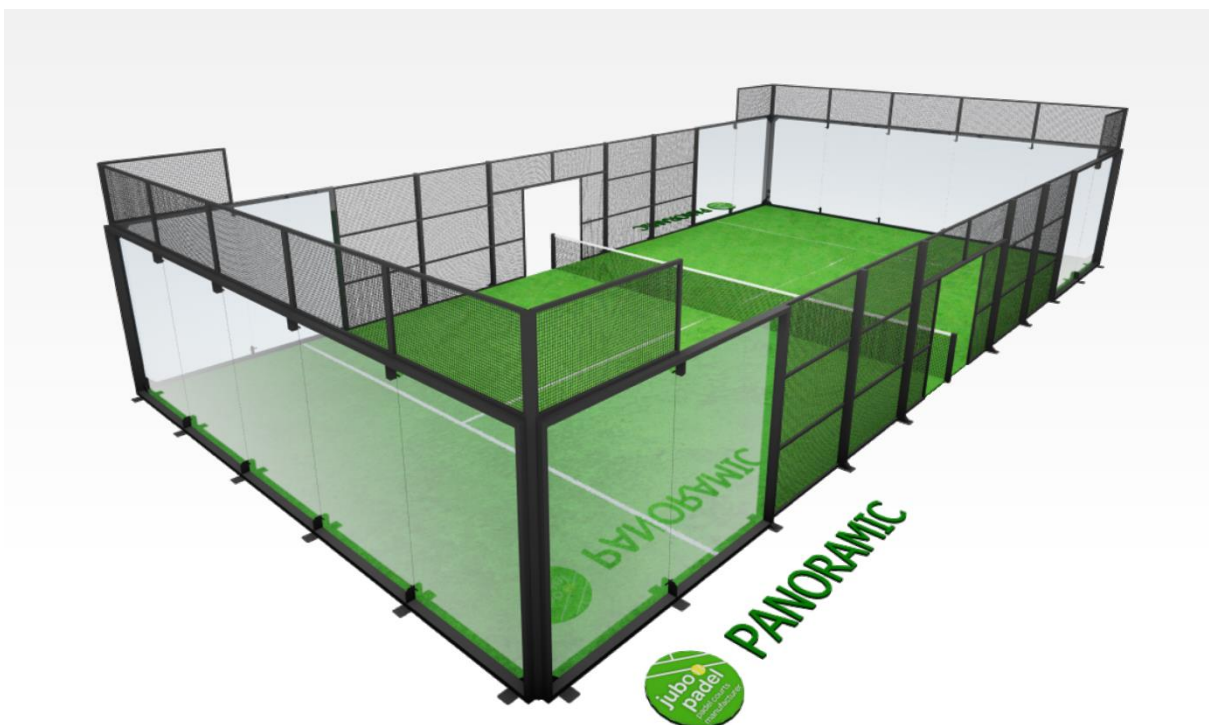
Source: <https://www.archdaily.com.br/br/947831/parque-e-estacionamento-da-caldeiroa-pitagoras-group>

4.7 Appendix 7



Source: [Google Images](#)

4.8 Appendix 8



Source: Jubo Padel <https://www.jubopadel.com/configurator/>

4.9 Appendix 9



The current state of the barn on CJSJ's unused land taken by the team in October 2022.

4.10 Appendix 10



4.11 Appendix 11

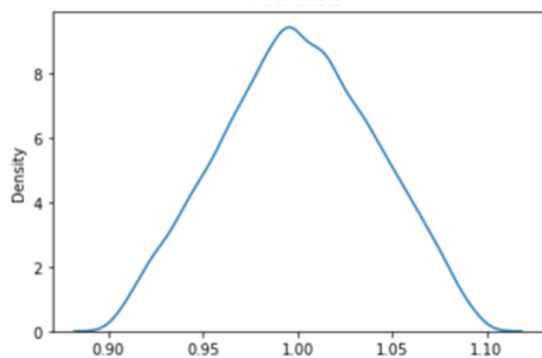


Figure 13 -Padel Growth Distribuion

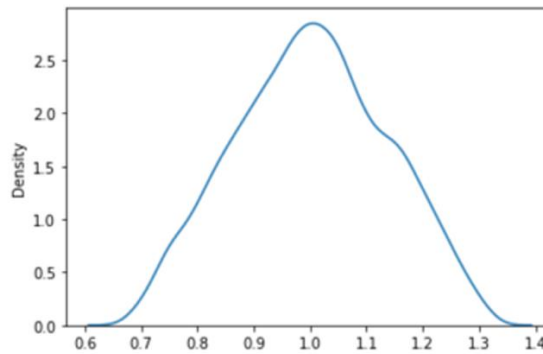


Figure 14 - Occupation Rate Distribuion

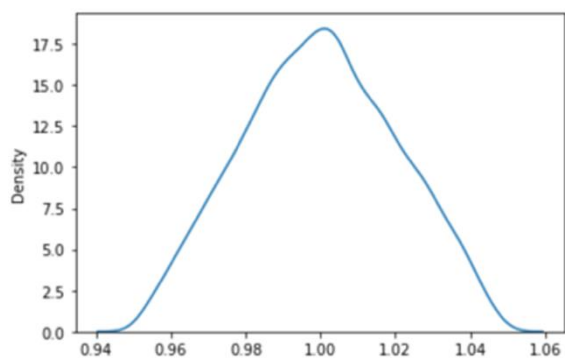


Figure 15 – Price Distribuion

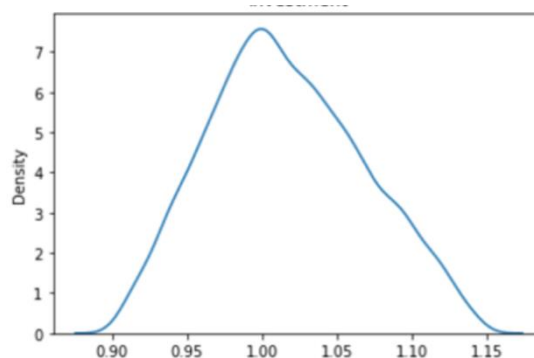


Figure 16 – Investment Distribuion