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Motivation Romania Foundation: Diversification: A Key to Long-term Sustainability

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- 1 NESST uses the term “social enterprise” to refer to enterprises owned by or operated to benefit nonprofit, civil society organizations. These enterprises typically have a double-bottom-line objective: 1) social impact (e.g., creating employment or job training opportunities for marginalized groups or communities); and 2) financial impact (e.g., generating financial resources to support the social mission of the nonprofit parent organization to help complement donations from philanthropic donors).

Executive Summary

Motivation Romania Foundation is a non-governmental organization (NGO) established in 1995 and registered under Government Ordinance 37/2003. The organization was founded in 1993 as a wheelchair production workshop with the help of the International Federation of the Red Cross and Motivation Charitable Trust, UK. The workshop was initiated to address the need for quality, personalized wheelchairs for people with physical disabilities in Romania, and to provide a viable alternative to the inadequate, second-hand, imported wheelchairs following the 1989 revolution.

In the past few years, Motivation Romania has turned its wheelchair production workshop, originally completely donor-funded, into a social enterprise¹ expected to provide 20% of the organization’s income in the near future. This turnaround from a donor-funded program to social enterprise was closely linked to changes in the Romanian legislative environment that opened up funding mechanisms to assist beneficiaries to pay for Motivation Romania’s products. The wheelchair production workshop, now a Regional Wheelchair Production and Training Center, has grown to produce a variety of products and to serve clients with different mobility needs in three countries including Romania, Moldova, and Bosnia-Herzegovina. In addition to wheelchair production, in 2007 Motivation Romania launched a consulting service targeting employers of people with disabilities so that their workplaces can be more accessible. This new service complements a range of other self-financing activities recently or soon-to-be launched, including a printing shop and physiotherapy and medical rehabilitation.

Despite the growth of the organization and its associated self-financing activities, Motivation Romania Foundation is confronting the challenge of diversifying its self-financing products and services to ensure its long-term sustainability and to provide new sources of revenues to invest in the organization’s social services.

Section A: Organization Background

A.1. Mission and History

Motivation Romania Foundation works to provide social support and integration services to people with disabilities. Its mission is to create sustainable programs to increase the quality of life of people with disabilities of all ages in Romania.

In January 1991, the International Federation of the Red Cross (IFRC) started the Spinal Cord Injury Project, which aimed to develop medical and rehabilitation services for people with physical disabilities in Romania. To evaluate the wheelchair needs of people participating in the Spinal Cord Injury Project, IFRC invited a team of specialists from Motivation Charitable Trust, UK. Based on this work, the Motivation Charitable Trust team established a wheelchair production workshop to prescribe and manufacture appropriate, personalized wheelchairs,



which were not available in post-communist Romania. A few months later, the first two Romania-produced prototype wheelchairs were ready. At the inauguration of the first wheelchair production workshop, representatives of several parents' organizations proposed to set up a second workshop specialized in the production of wheelchairs for children. Hence that same year Motivation Romania Foundation set up a second workshop, and by the time the organization was officially registered in February 1995, the two wheelchair workshops had delivered close to 300 adult and 100 child wheelchairs. A few years later, Motivation Romania added a third production workshop that produced and donated special seating equipment for children with cerebral palsy.

Due to space constraints, Motivation Romania was unable to house the three workshops in the same location. The adult wheelchair production workshop operated from the basement of the Gheorghe Marinescu Hospital in Bucharest, while the child wheelchair production workshop was housed by the Mechanical Engineering and Research Institute. The production of special seating equipment for children with cerebral palsy was operated in the basement of a third building.

In 1997, Motivation Romania expanded its wheelchair facilities when it created the Pilot Center for Active Rehabilitation and Social Integration. The aim of this Center was to facilitate the social integration of people with spinal cord injuries through a complex program of peer group training and social activities. This combination of training and wheelchair production was a new concept in Romania that today forms the basis for Motivation's model of intervention.

In 2001 Motivation Romania moved to its current headquarters, the Motivation Community Center, located in Bragadiru, Ilfov county, 10 km from Bucharest. The building is provided free of charge by the Bragadiru Town Council and houses accommodation for wheelchair users that participate in Motivation Romania's trainings; a physiotherapy room; kitchen and dining facilities; a 500-seat conference hall; an indoors wheelchair basketball court; a 30-seat conference room; a computer classroom; and offices for Motivation's staff. In the same vicinity as the Community Center Motivation Romania also owns three group homes.

In 2004, Motivation Romania was awarded a USAID grant for the creation of a wheelchair production factory and the replication of the Motivation Romania model to additional countries. The wheelchair factory, named the Regional Wheelchair Production and Training Center, produces wheelchairs and wheelchair components for assembly and distribution in Romania, Moldova, and Bosnia-Herzegovina.

A.2. Programs

Motivation Romania advances its mission to support people with disabilities through four programs.

Peer Group Training and Wheelchairs: this program consists of three components:

In 2004, Motivation Romania was awarded a USAID grant for the creation of a wheelchair production factory and the replication of the Motivation Romania model to additional countries.



Since 2007 Motivation Romania provides consultancy and assistance to potential employers and governmental authorities on workplace accessibility and workplace integration.

Motivation Romania's wheelchair production; the reintegration of people with disabilities into society; and accessibility services.

1. Motivation Romania's wheelchair production is now housed under the Regional Wheelchair Production and Training Center. The Center produces wheelchairs that are both donated and sold in Romania and sets of wheelchair components to be assembled and donated at facilities established in Moldova and Bosnia-Herzegovina. Since 2004, the Center has produced close to 350 wheelchairs and 250 sets of wheelchair components. The Center also serves to replicate Motivation Romania's model by training wheelchair assembly technicians and physiotherapists from Moldova and Bosnia-Herzegovina to evaluate and prescribe appropriate, personalized wheelchairs.

2. Peer group training assists people with disabilities to re-integrate society through a process that includes correct positioning, basic independent living skills, vocational training, employment, sports and leisure. Peer group training relies on the concept of Active Rehabilitation, whereby wheelchair users who have become independent are providing counseling, wheelchair maneuvering training, and support to people who have recently suffered a spinal cord injury that requires them to use a wheelchair. The concept is unique and effective in that wheelchair users are more likely to accept advice of those who successfully overcame similar challenges.

3. Accessibility services were started in 2003-2004 with the Motivation Community Centre in Bragadiru. Since then, Motivation Romania created the only wheelchair accessible summer camp in Romania in Varatec, in the Neamt county, and the organization developed an accessible rural tourism program for people with disabilities, including visits to historic monasteries and housing at rural bed-and-breakfasts.

Services for People with Mobility Disabilities: This program focuses on promoting the employment of people with disabilities by providing them and their employers with training and support. Motivation Romania has conducted vocational training in tailoring and job placement services for participants who graduate from the program. In addition, Motivation Romania created and runs the Centre for Assistive Technology, which displays a range of adapted equipment including keyboards, speech recognition and speech-activated computer software, office, kitchen and bathroom furniture, and other similar devices. Since 2007 Motivation Romania also provides consultancy and assistance to potential employers and governmental authorities on workplace accessibility and workplace integration.

Services for Children with Severe Disabilities: This program aims to develop community-based alternatives to the institutionalization of children with physical disabilities. To date Motivation Romania has built three group homes and transferred 37 children with severe disabilities from state-run institutions. The program also identifies educational alternatives in the community and organizes yearly summer camps at Motivation Romania's Varatec Center.



Service Development & Advocacy: Motivation Romania works to change attitudes towards people with disabilities by organizing public demonstrations showing the potential of people with disabilities and the difficulties they face on a daily basis in terms of accessibility, mobility, education, and employment opportunities. In addition, Motivation Romania has participated in projects to increase the capacity of local authorities to respond to the specific needs of people with disabilities by developing social services such as group homes.

A.3. Staff and Financial Information

In the past few years, Motivation Romania has expanded its programs in Romania and abroad to respond to the growing needs of its beneficiaries. This expansion is reflected in the number of staff and beneficiaries the organization reaches. While in 2004 the organization employed 28 full-time paid staff and served 437 beneficiaries, in 2006 Motivation employed 45 full-time paid staff (a 60% increase over 2004) and served 927 beneficiaries (a 112% increase over 2004). The organization currently employs 74 full-time staff, of which 17 are wheelchair users.

In 2007, the organization projects receiving 71% of its income from donations, with approximately three-fourths of these donations coming from foreign donors. The organization projects self-financing income to make up 29% of total income, with the vast majority of the self-financing income derived from wheelchair product sales. From 2005, to 2006 Motivation Romania's budget increased by 29% and the organization anticipates a further 20% increase between 2006 and 2007. The growth of Motivation's budget since 2005 is due in large part to its self-financing activities, which account for more than 53% of the budget growth during the period (and close to 100% of the expected 2006 – 2007 increase).

Table 1
Sources of Income 2005-2007 (Euros)

Sources of Funding	2007 (projected)	2006	2005
Foreign/international sources	511,292	594,000	433,424
Public sources (local/national)	82,60	34,577	88,273
Individual donations (local/national)			
Foundation grants (local/national)	94,764	3,736	
Corporate grants (local/national)		49,562	
In-kind donations		5,714	5,881
Subtotal donations	688,626	687,589	529,672
Self-financing			
Fees for service(s), incl. government and other contracts	31,200		
Product sales	252,000	122,500	97,300
Interest and exchange rate revenue		413	2,927
Subtotal self-financing	283,200	122,913	100,227
TOTAL	971,826	810,502	629,899



Over the past few years the percent of Motivation Romania's budget spent on program activities has consistently surpassed 70%, increasing over the past three years. In 2007, the organization anticipates administrative expenses to represent 13% of its budget and fundraising expenses 5%. The rest of the expenses is spent on infrastructure investments (e.g., purchase of land and construction of group homes, the wheelchair accessible summer camp, the wheelchair production factory, renovation/development of the Motivation Community Center, purchase of vehicles and equipment, etc.) and organizational development (i.e., sustainability initiatives, participation at conferences and events, etc.).

Table 2
Allocation of Expenses

Expense	2007 (projected)	2006	2005
Administrative/office	13%	12.5%	11.8%
Fundraising	5%	3.5%	3%
Programs/activities	72%	71%	70.2%
Investments/organizational development	10%	13%	15%
TOTAL	100%	100%	100%

While Motivation Romania Foundation believes its financial situation has been improving, the organization still faces difficulties raising money from donors for administrative and core operational expenses and ongoing program activities such as its peer group training and summer camps.

Section B: Self-financing

B.1. Self-financing Activities

The decision to start self-financing is linked to legislative changes the Romanian Government made in 2001. Based on its eight-year experience producing and delivering wheelchairs, Motivation Romania saw an opportunity to turn what had been until then a nonprofit activity into a social enterprise. Now the organization is conducting and planning to launch a number of new self-financing activities.

Product sales:

- Sale of wheelchairs and other mobility equipments. Motivation Romania produces a series of custom-made, personalized, active-style wheelchairs and mobility equipment. The three product lines include: 1. Active-style wheelchair aimed at helping users to achieve the greatest degree of independence possible. This wheelchair is lightweight, easy to maneuver, and utilizes an aesthetic design to emphasize the user rather than the wheelchair. 2. Sports wheelchair designed to be lightweight and equipped with special wheels and other accessories. These wheelchairs can be used for tennis, basketball, track and field, etc. 3. Wheelchairs providing special seating for children with cerebral palsy.



Motivation Romania also sells standard, one-size-fits-all orthopedic wheelchairs that it does not produce itself.

All wheelchairs (except the orthopedic ones) are custom-built at Motivation Romania's Regional Wheelchair Production and Training Center using locally available products.

The business model for Motivation Romania's wheelchair social enterprise follows that of a third-party payment system. In Romania people with disabilities are eligible to receive a wheelchair free of charge, paid for by the National Health Insurance Company (NHIC), once every five years. In 2003 Motivation Romania became a certified producer and supplier of medical equipment, which allowed it to enter into contracts with county offices of NHIC. The process requires the would-be wheelchair user to submit an application to NHIC, after which the user can contact Motivation for the building of the wheelchair. Motivation's network of trained physical therapists and technicians help users to assess their wheelchair needs and prescribe the appropriate product to be manufactured. Motivation receives payments from NHIC on a reimbursement basis.

- **Sale of metal components:** This is a newly developed activity that uses provisions of Law 448/2006 on the rights of people with disabilities in Romania. The law provides incentives to potential employers to purchase products from sheltered workshops as an alternative to hiring people with disabilities in mainstream settings. To address this opportunity, Motivation Romania offers metal products manufactured from the cutting, bending and welding facilities of Motivation's wheelchair workshop for different types of components commissioned by companies that need these for their own production activities.

Fees for service:

- **Consultancy services.** Since January 2007 Motivation Romania has been providing consultancy services to potential employers of people with disabilities. The services provide advice on how to adapt the workplace to the mobility requirements of wheelchair users, how to adapt a vehicle or provide accessible transportation, how to adapt work equipment, etc. Consulting services also include disability awareness trainings.
- **Printing workshop.** At present Motivation is setting up a printing workshop for clients in its local community and in Bucharest. The shop will target individuals and businesses that have printing needs such as business cards, brochures, and other materials. At the same time the equipment will serve to decrease Motivation Romania's own printing costs.
- **Physiotherapy and medical rehabilitation services.** Motivation Romania will soon launch an out-patient physiotherapy and medical rehabilitation unit serving people with physical disabilities and with cerebral stroke from Bucharest and Ilfov county. The organization plans to obtain accreditation for these services to become eligible for reimbursements from the National Health Insurance Company.



2 Wheelchair Production, Distribution and Training in Romania, Presentation of the Motivation Romanian Foundation, Bangalore, India, November 2006.

B.2. Start-up of the Wheelchair Social Enterprise

Motivation Romania started as a nonprofit wheelchair production workshop. This wheelchair activity was initiated to address the high need for quality, personalized wheelchairs for people with physical disabilities, and to provide a viable alternative to inadequate, second-hand, and imported wheelchairs. In Romania wheelchair production meets three important needs²:

1. High number of people in need of adequate mobility equipment: the most conservative estimates indicate a total need of 5,000 new wheelchairs per year in Romania (out of a total population of 22 million).
2. Lack of appropriate and affordable local products: available wheelchairs are orthopedic style, meaning they assist users with their mobility requirements but do not take into account special factors such as the disability, age, and lifestyle of the user. Approximately 1,400 wheelchairs are supplied each year by local Romanian businesses and another 1,200 second-hand wheelchairs are donated by international organizations. Supply is thus slightly over 50% of the demand for wheelchairs, and existing wheelchairs are often too expensive for many users.
3. Few training centers: most physicians and therapists working in hospitals and state rehabilitation centers do not appropriately assess the wheelchair needs of people with disabilities. This leads to wheelchair prescription that often do not match the users' needs or requirements for an active and integrated life into the community. Motivation Romania has identified a number of user needs including active style wheelchair; special seating; appropriate equipment for rural areas; wheelchair for the elderly; and sports wheelchairs. Usually these needs cannot be met by a standard, one-size-fits-all orthopedic wheelchair.

While the wheelchair production was present since the inception of the organization, it has only been developed as a self-financing activity since 2003. Previously, wheelchair production was 100% donor funded, with wheelchairs provided to users free of charge. Under this model Motivation Romania could only produce the number of wheelchairs that were funded through secured grants. This model served the valuable purpose of distributing wheelchairs free to users who had little financial means, but the model also limited the number of wheelchairs the organization could produce.

The beginning of Motivation Romania's social enterprise is closely linked to legislative changes in Romania's disability medical equipment market. After the 1989 revolution, this market was effectively served by only one company, ROMAHANDICAP, which operated under state ownership for most of the 1990s. Though it eventually became privately-owned, ROMAHANDICAP kept its status as the only organization in the country that was accredited for reimbursement from the state's National Health Insurance Company (NHIC) for disability equipment sold (including wheelchairs). This status prevented competition from entering the market since few people could afford the expensive equipment without state support. The alternative, which Motivation Romania had been



pursuing since 1993, was to raise donor funds and donate, free of charge, wheelchairs to users.

In 2001, new liberalization laws were enacted to allow a wide range of disability mobility equipment manufacturers to obtain accreditation from NHIC. Now people with disabilities could choose from different manufacturers whose products were eligible for reimbursement. At the same time, the Romanian Government passed new laws allowing sheltered workshops to receive funds from NHIC, provided they were accredited by NHIC and registered as separate, for-profit companies. The legislative environment was now favorable to Motivation Romania's social enterprise.

Motivation Romania's management viewed NHIC accreditation as an opportunity to increase the sustainability of their wheelchair production activities by accessing more stable funds (from NHIC) and a higher number of wheelchair users. The wheelchair production was legally registered in December 2001 under a separate for-profit entity called Motivation SRL, which functioned as a limited company and was accredited as a sheltered workshop.

While Motivation SRL was incorporated in December 2001, Motivation Romania's wheelchair production continued to operate through grants for another two years. For the first two years of Motivation SRL's operations, Motivation Romania received grants for wheelchair donations and outsourced production to Motivation SRL. The latter broke even on all orders made from grants (Motivation SRL actually experienced a loss in 2002). Motivation Romania then donated the equipment manufactured by Motivation SRL. In 2003, Motivation SRL received accreditation from NHIC, which allowed it to start selling wheelchair equipment through the insurance system.

In 2004, Motivation SRL received a three-year grant from the United States Agency for International Development (USAID) to strengthen and expand its self-financing activities. The grant allowed the organization to build a more appropriate wheelchair prescription, production, distribution and training center, called the Regional Wheelchair Production and Training Center. The new facility led to the increase of monthly production capacity from 20 to 60 wheelchairs and provided new storage facilities. In addition, Motivation Romania improved quality standards by designing a new production workflow.

The USAID grant included the set up of a wheelchair assembly unit in the Republic of Moldova and more recently one in Bosnia-Herzegovina. Prior to extending the assembly units in these two countries, Motivation Romania's staff undertook brief country needs assessments including country visits during which interviews were carried out with representatives of people with disabilities and nonprofit organizations. Motivation staff also conducted internet-based research of the legal environment and the availability of mobility equipments for people



Workers assemble wheelchairs at the Regional Wheelchair Production and Training Center.



with mobility disabilities in these countries.

Following the opening of the Regional Wheelchair Production and Training Center, Motivation obtained funds from the Co-operating Netherlands Foundations to certify the management and manufacturing of the production center under ISO 9001:2000. The certification would insure the organization produced high quality equipment and positioned it to potentially access new international markets where the equipment had to meet high quality standards through recognized certifications.

In 2007, the support of the Romanian Government through the National Authority for People with Disabilities will enable Motivation to further expand its social enterprise by establishing two additional wheelchair prescription, assembly and distribution sheltered workshops. The establishment of the two workshops is



A wheelchair built at Motivation's Regional Wheelchair Production and Training Center

a response to the high level of unmet need for mobility equipments in Romania and other East European countries (particularly those bordering the EU such as the Republic of Moldova). The new workshops will mainly serve people with disabilities located in the areas surrounding the workshops, but they will also increase Motivation Romania's capacity to distribute wheelchairs in partner countries (in particular Moldova and Bosnia-Herzegovina). Furthermore, by transferring part of the wheelchair assembly to the regional workshops, the Regional Wheelchair Production and Training Center will be able to increase production of wheelchair components, leading to an overall increase in the number of wheelchairs assembled and distributed regionally.

B.3. Startup-of Other Self-financing Activities

Like the wheelchair social enterprise, the start-up of other Motivation Romania self-financing activities was directly linked to legislative changes. In 2006 the Romanian Government enacted Law 448/2006 on the rights of people with disabilities. The law states that a company with more than 50 employees must employ people with disabilities so they represent 4% of the workforce. If the company fails to meet this requirement, it must pay the government the equivalent of the minimum wage of each disabled person the company is not employing. A third option is for the company to buy products made by disabled people in sheltered workshops or organizations (as long as at least two-thirds of the organizations' employees are disabled).

Based on this new opportunity, Motivation developed a process to identify and select new self-financing activities. The process included assessing the organization's strengths and capacities to evaluate if these could be developed into self-financing activities; identifying service needs in the local communities where the organization worked; and identifying environmental opportunities such as new legislation and business partnerships. The ideas that came out of this process included providing consultancy services to employers on workplace



accessibility; a printing workshop; and out-patient physiotherapy and medical rehabilitation services. The consultancy services to employers of people with disabilities are being developed based on Motivation Romania's knowledge of the needs of people with disabilities and the challenges they face in employment settings. This new self-financing activity was launched in January 2007 and is now serving two clients with a few more in the pipeline. The other two self-financing activities will be launched later in 2007 and start-up costs have already been secured through a grant from the National Authority for People with Disabilities.

Section C: Management

Motivation Romania Foundation manages its diverse self-financing activities through its for-profit subsidiary, Motivation SRL. The creation of the subsidiary was necessary to become accredited with NHIC, but Motivation Romania's board of directors viewed this as an opportunity to maintain more transparent finances between nonprofit and self-financing activities. Before Motivation SRL's registration, operating both nonprofit and self-financing activities gave rise to VAT reimbursement challenges for Motivation Romania. When requesting VAT reimbursement, interpretation of the organization's nonprofit and for-profit activities were left to the tax authorities, who often questioned the level of eligible reimbursements given the organization's commercial activities.

The registration of the for-profit enterprise had two additional benefits. First, Motivation's board and management believed a separate for-profit company would be better able to take advantage of new business opportunities and to grow independently from nonprofit activities. This growth, in turn, would benefit Motivation Romania through the income Motivation SRL would provide and beneficiary jobs it would create. Second, establishing a separate company would reduce Motivation Romania's management need to actively oversee the self-financing activities, thereby allowing them to focus on nonprofit activities.

Motivation SRL is owned by Motivation Romania and two individual shareholders. This ownership structure with participation of two individuals was necessary because in 2001, year when the entity was registered, Motivation Romania Foundation did not have headquarters or own a space where Motivation SRL's headquarters could be declared. Now that Motivation SRL operates out of its own building it is planned to transfer 100% of Motivation SRL's shares to Motivation Romania.

Motivation SRL is overseen by a management committee composed of four people: Motivation Romania's General Manager; Motivation Romania's Executive Director; Motivation SRL's Executive Director; and Motivation SRL's Marketing Director. In 2006, the management committee hired Motivation SRL's Executive Director to manage, on a part-time basis, the social enterprise. The Executive Director, who has a business background in marketing and worked at a pharmaceuticals distribution company prior to joining Motivation Romania, oversees all of Motivation SRL's self-financing activities and its 14 full-time staff. Two part-time staff and three volunteers also work at the company.



Part of the surplus (profits) generated by Motivation SRL is re-invested in the company operations. The other part is transferred to Motivation Romania Foundation to fund program activities, in particular service provision to children who have been deinstitutionalized from state-run institutions. The funds also cover some administrative and development-related expenses otherwise uncovered by existing funding sources. Motivation Romanian's Board of Directors and management jointly decide on how the allocation of the self-financing funds.

Motivation Romania promotes its wheelchair products by distributing fliers, brochures, and posters to beneficiaries, partner organizations (NGOs, local and central governmental authorities), rehabilitation centers and hospitals, physicians, and health insurance companies. The organization also participates in seminars and business fairs for producers of mobility equipment and other public events where they present their products. A proactive marketing approach the organization has been taking is to train a network of physiotherapists on the importance of appropriately prescribed, personalized wheelchairs and their correct use, and the way in which Motivation Romania's mobility equipment is adapted to different user needs. This approach is helping Motivation Romania to influence the critical moment at which the prescription of the wheelchair is made.



Motivation's sports wheelchairs help with activities such as tennis.

A number of accredited nonprofit and for-profit producers of mobility equipment (including the former state-run company ROMAHANDICAP) compete on the Romanian market. One peculiarity of this market is that the various players do not compete on price. The National Health Insurance Company set a ceiling price on all wheelchairs it reimburses, so all mobility equipment suppliers receive the same price for their products. One area in which suppliers compete is the product themselves. Few companies produce custom-made, personalized, active-style wheelchairs as Motivation Romania does, and they focus instead on orthopedic wheelchairs or on importing second-hand mobility equipments. In addition, Motivation provides a unique service of peer group / independent living training for the recipients of the wheelchairs, including wheelchair maintenance, which the organization believes is an important selling point.

Section D: Social Enterprise Challenges

Motivation has confronted several challenges with its social enterprise. Despite the apparent product and service uniqueness, selling to new clients has not been easy. Motivation faces two main challenges. First, prescribing physicians lack information regarding the importance of an adequately prescribed wheelchair and often will prescribe traditional orthopedic wheelchairs. Second, wheelchair users are accustomed to using traditional orthopedic wheelchairs and they initially are reluctant to the novelty of having to learn independent living and wheelchair skills in order to use an active-style wheelchair. To overcome these challenges, Motivation Romanian uses its mission of supporting people with mobility disabilities to educate both physicians and wheelchair users about the benefits of the organization's products. Motivation Romanian views the unique



concept of independent living and wheelchair skills training combined with mobility equipment as an important motivation for customers to choose their products and services.

Another important challenge Motivation currently confronts is diversifying the products and services provided by Motivation SRL. The need to diversify income comes from the wheelchair production's limited profit potential. The National Health Insurance Company's price ceiling prevents Motivation Romania from raising its prices, and at the same time it cannot lower costs for fear of compromising quality. This situation has led the organization to believe that it needs to launch new products and services if it wants to increase the share of self-financing income. So in 2006, during the organization's strategic planning process, Motivation Romania's management decided to launch new self-financing activities based, as previously mentioned, on new legislative changes (Law 448/2006) that opened up new business opportunities.

Currently Motivation SRL's Management Committee is responsible for identifying new areas for business development and for assisting to put them in practice. However this has proved difficult because of the limited business knowledge and skills, which makes it difficult to assess new opportunities and whether they represent profitable new markets to enter. Another difficulty has been the lack of funds to start up the new businesses.

The plan for addressing this challenge has been included in the organization's five-year strategic plan. The plan includes provisions and funds to hire a business development manager with the necessary business background and experience to assess opportunities, create and put in practice business plans, and evaluate resources and partners to assist with the development and launch of these new businesses. The business development manager will become a full-time member of Motivation SRL's staff and the organization expects the position to be funded through the self-financing revenues it generates.

Section E: Legal Aspects of Self-financing

Motivation Romania Foundation is registered as a tax-exempt nonprofit organization under Government Ordinances 26/2000 and 37/2003. Until 2007, the organization did not pay VAT on goods and services it purchased for the delivery of social services (part of the VAT was recoverable based on the submission of a request form to the Fiscal Authorities). With Romania's entry into the European Union, VAT recovery on goods and purchases made with foreign grants is no longer possible so the organization must pay VAT on these funds. Motivation SRL, the limited company owned by Motivation Romania, is a sheltered workshop registered as a business entity according to a special government law³ relating to the protection and employment of people with disabilities. As such, Motivation SRL is not tax-exempt.⁴

As a non-tax exempt business entity, Motivation SRL pays all taxes that apply to Romanian businesses, including value-added tax (paid each month at a rate of

- 3 Government Emergency Order No. 102, approved with modifications by Law No. 519 Year 2002.
- 4 Sheltered workshops registered as companies with limited responsibility used to be tax exempt if profits were reinvested in their business activities. This exemption was in place until 2006, when laws governing these business entities were changed.



5 Financial information for 2001 is not available because Motivation SRL started operations in December of that year.

19%); profit tax paid each quarter at a rate of 16%; dividend tax applied yearly to net profits distributed to shareholders (the rate is 10% for legal entities and 16% for individual shareholders); and employment taxes including income tax, social insurance, unemployment, etc. (paid each month).

All of Motivation's self-financing activities are managed under Motivation SRL because of the sheltered workshop registration and preference of the management and board of directors to separate for-profit from nonprofit activities. Accordingly, all self-financing activities launched or soon-to-be launched fall under the same tax treatment.

Section F: Effects of Self-financing

F.1. Performance of the Enterprise

Since 2002⁵ the financial performance of Motivation SRL has steadily been improving. The social enterprise earned sales of 22,158 euros in its first full year of operations and doubled this amount within two years. In 2006, due to a tripling of its monthly capacity when the Regional Wheelchair Production and Training Center was expanded, the enterprise earned 154,587 euros and profits of 11,600 euros. From 2002 to 2006 sales grew by close to 600%.

The success of Motivation Romania's social enterprise and the fact that Motivation SRL turned a profit in its second year of operations, a fairly rapid achievement for an enterprise selling expensive equipment, can be attributed to two factors. First, Motivation Romania's previous eight years of experience producing and donating wheelchairs. By the time the social enterprise was established, it could rely on knowledge, expertise, and procedures that had been

Table 3
Income Statement 2001-2006 (Euros)

	2006	2005	2004	2003	2002
Revenues	154,587	97,613	49,019	32,700	22,158
Expenses	143,881	86,144	35,298	28,457	25,048
Net Profit	11,600	8,544	12,986	3,752	(3,222)
Number of employees	14	9	9	9	8

Source: Ministry of Finance/Motivation Romania Foundation

tested and implemented. Second, the social enterprise operates in a market with a high demand for wheelchairs, especially quality wheelchairs that are not second-hand. Motivation Romania's customized, personalized, and active wheelchairs respond to that demand by offering a unique product with important benefits to the users: independent living, active lifestyle, and re-integration into society.

Despite its success, Motivation SRL faces financial difficulties related to the payment system under which it operates. Reimbursements from the National



Health Insurance Company can take up to six months after the wheelchairs have been sold. This causes cash flow problems that impact the social enterprise's ability to purchase supplies and materials for wheelchair production. Securing financing to overcome these financial difficulties is not easy, but at the beginning of 2007 the organization was able to obtain a zero-interest, twelve-month loan from Mosaic Foundation, USA, to cover the costs of materials and meet its production targets for the year.

These challenges notwithstanding, Motivation Romania is now better able to manage its social enterprise. In 2004 the organization moved to its new production facilities, the Regional Wheelchair Production and Training Center, which provided dedicated facilities for production and additional space for new self-financing activities. Moreover, ISO quality certification has helped to create a production process that is better documented with established rules and procedures, ensuring greater product quality.

F.2. Organizational Sustainability

Motivation's long term sustainability strategy is to increase the amount of self-financing revenues to 20% of Motivation's total budget. To help meet this target, in 2007 the organization plans to launch new self-financing activities, including expanding its wheelchair production capacity by establishing two additional assembly units, providing consulting services to employers of people with disabilities, establishing a printing workshop, and providing outpatient medical rehabilitation services. Motivation already secured financial support for these self-financing activities through grants specifically awarded for this purpose. In the future, the organization also plans to develop businesses in the areas of gardening, catering and electrical wiring for construction. The self-financing income will continue to cover social service provisions (in particular children deinstitutionalization programs) and administration and development costs.

The increasing confidence of donors in the organization's self-sustainability has attracted more funding sources for social service provision. For example, the USAID three-year grant to create the Regional Wheelchair Production and Training Center included a component to train wheelchair assembly technicians and physiotherapists from Moldova and Bosnia-Herzegovina to enable them to make evaluations and prescriptions of personalized wheelchairs. In addition, the success of the wheelchair production activity convinced donors to invest in new income-generation activities. For example, in 2007, the National Authority for People with Disabilities is funding Motivation Romania's start-up costs to develop three new self-financing activities.

Motivation Romania has also been able to diversify the types of revenues that Motivation SRL generates. In addition to payments from donors and the National Health Insurance Company for its wheelchairs, the enterprise now sells consulting services to corporations. These services are a significant new development since the social enterprise is targeting a new market segment (corporations) that it was not serving before. In general, businesses have been increasingly responsive to

The increasing confidence of donors in the organization's self-sustainability has attracted more funding sources for social service provision.



Motivation's competitive approach and orientation toward quality, a result in great part fueled by the social enterprise.

Through the social enterprise Motivation Romania has also been able to access new sources of financing, in particular working capital loans. It expects to increase the use of loans in the future as the social enterprise gains in scale and requires new capital investments.

Finally, Motivation Romania's social enterprise has helped to stabilize staffing. When the organization only produced donor-funded wheelchairs, staff levels increased and decreased depending on project funding, which determined the number of wheelchairs produced. Since the accreditation of the workshop and the sale of wheelchairs through the National Health Insurance Company, sales (and production) are more predictable and the organization is able to rely on a constant level of full-time staff.

F.3. Impact and Trade-offs

Mission Impact

The self-financing activity has increased Motivation's ability to achieve its mission in two ways. First, the income from self-financing activities support continuing nonprofit programs that are otherwise difficult to fund. For example, Motivation has struggled to find funding for one of its key activities, peer group trainings, which was piloted in 1997. To keep the program going, Motivation has used self-financing revenues. Another program that is funded through the organization's self-financing income since 2002, is the deinstitutionalization of children with severe physical disabilities who are now cared for in special homes.

Second, self-financing activities contribute to strengthening Motivation's mission impact. Motivation SRL employs five beneficiaries who work full-time producing wheelchairs. The expansion of wheelchair production through two additional sheltered workshops will create four new jobs for beneficiaries. Moreover, the printing workshop will create two additional beneficiary jobs. Through its other self-financing activities – consulting services provided to employers of people with disabilities and outpatient medical rehabilitation services – the social enterprise will continue to strengthen the organization's mission by facilitating the employment of beneficiaries in mainstream settings and by providing services to a greater number of them.



Motivation's Regional Wheelchair Production and Training Center

Organizational Culture

The self-financing activity has improved organizational culture by infusing it with added business orientation and competitiveness in both the for-profit and nonprofit activities. The organization is now more customer-oriented and more active in seeking input from clients and using this input to permanently improve



products and services.

Self-financing has also contributed to better relationship management with donors and potential business partners. Motivation Romania is improving relations with donors by being increasingly aware of the need to maintain periodic communications, informing donors of project progress and achievements, and of keeping them up to date on new organizational developments. This has led to a more balanced relationship with donors who are now considered partners in the projects they finance. Motivation Romania's management is now adopting this partnership approach to network and develop relationships with for-profit companies.

The social enterprise has also affected management and staff. At the managerial level, the separation of the for-profit and nonprofit entities developed clearer lines of responsibilities. For example when Motivation directly managed wheelchair production, the organization's director had full responsibility for managing both nonprofit programs and wheelchair production. With the registration of Motivation SRL, Motivation Romania hired a dedicated management team for the social enterprise, which freed up Motivation Romania's directors to focus on the nonprofit activities and to take more of an advisory and coordination role (by participating as members of the management committee) in the social enterprise.



At the staff level, beneficiaries employed in Motivation SRL can choose from a variety of activities offered by Motivation Romania. For example, some beneficiaries employed in the wheelchair workshop are also invited to be part of Motivation Romania's wheelchair basketball team. The team travels in Romania and abroad to participate at competitions and events. Participating in a variety of activities represents a motivational factor for the staff who have opportunities to pursue their interests in an accessible environment.

Furthermore, Motivation SRL provides financial incentives relating to the performance of the enterprise. Motivation SRL and Motivation Romania staff are eligible for bonuses at the end of the year. Bonuses are paid according to the profits earned by the enterprise. The policy is not meant to provide significant monetary reward but rather is seen as acknowledgement of staff's contribution to both nonprofit and for-profit activities. In addition to bonuses, Motivation Romania and Motivation SRL regularly adjust staff salaries for inflation.

The social enterprise has also resulted in new orientations – both positive and negative – for the organization.

- **Competitive orientation:** competition with other wheelchair manufacturers (both for-profit and non-profit organizations) has infused the social enterprise with a spirit of quality and responsiveness to customer needs. This spirit has been transferred over to the nonprofit organization, which, as mentioned above, is more responsive to beneficiary input. Furthermore, when approaching donors,



Motivation Romania positions the organization as one that is committed to increase its financial sustainability. It can demonstrate its commitment through Motivation SRL's performance and results.

- **Bureaucratic orientation:** because of the reimbursement payment system that takes place through the National Health Insurance Company, the number of forms and bureaucratic procedures required by the accreditation process has significantly increased since the social enterprise was launched.
- **Decision-making approach:** Motivation Romania has adopted some of the social enterprise's strategic planning tools, such as PEST (Politics, Economics, Socioculture, Technology) and SWOT (Strengths, Weaknesses, Opportunities, and Strengths) analyses. In addition, Motivation Romania now seeks beneficiary input and develops multi-year strategic plans, the latest one in 2006.

Section G: Conclusions and Recommendations

The self-financing activities at Motivation Romania developed gradually from a nonprofit activity to a for profit social enterprise that produces and sells wheelchairs and other mobility equipment to people with disabilities. These products are paid for both by the National Health Insurance Company and donors. Part of Motivation Romania's success can be attributed to its ability to take advantage of the various changes in the legislative environment and to turn them into business opportunities. In addition, the employment of beneficiaries in the social enterprise was crucial to insuring that the business responds to the real needs of clients with disabilities and to the development of unique and high-quality products. Based on the success of this wheelchair social enterprise, Motivation identified and launched additional self-financing activities, such as consulting services to employers of people with disabilities, and the organization plans to launch additional self-financing activities in 2007, all directly linked to the organization's mission of providing support to people with disabilities.

Despite these achievements, Motivation Romania believes its progress would have been speedier and possibly more effective and competitive had it possessed more business skills and conducted business planning. In particular, Motivation believes business expertise would have helped it to set up and manage a more effective country-wide distribution network, to better market its products, and to set up systems to follow the progress of the business on a more regular basis. Access to business skills and expertise was difficult due to limited resources.

Reflecting on its social enterprise experience, Motivation Romania identified the following elements as keys to success in planning for social enterprise: thorough business planning and seeking advice from individuals and organizations with business expertise (which Motivation did in relation to its ISO 9001 certification, during which consultants assisted in establishing manufacturing quality standards); including members and beneficiaries of the nonprofit organization in the self-financing activity and seeking their input in marketing these activities; ensuring transparency between nonprofit and for profit operations; and including



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business and nonprofit partners in the development of the self-financing activity. Business and nonprofit partners are especially important given the limited resources available to many NGOs for starting social enterprises.

One aspect that also helped with the success of the enterprise was the deep expertise Motivation Romania's management had in wheelchair manufacturing. Prior to launching wheelchair production as a self-financing activity, Motivation Romania had had eight years during which it learned about its products and manufacturing processes so by 2001 management knew their product appealed to users. The eight years of implementing wheelchair production as a non-profit activity also built Motivation Romania's image and brand, making it an established player when the self-financing activity was launched.