

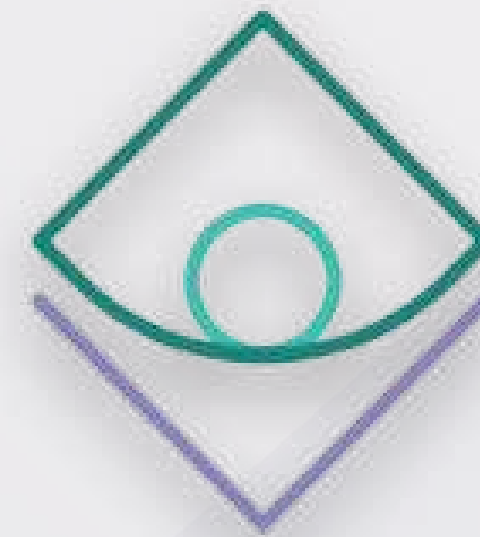


Educator's Guide

# MODULE 4

Finance your startup. ROI and SROI. Market Failures and Institutions: Changing the Rules of the Game

Prepared by:



**SCALE-UP**

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in sociAL EntrepreneUrshiP



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# Learning approach

This module takes an integrated approach to finance, tailored for aspiring women entrepreneurs and startup founders. It aims to provide an in-depth understanding of essential financial concepts such as Return on Investment (ROI) and Social Return on Investment (SROI). The module also addresses the importance of social impact, market failures, and the role of institutions in shaping the entrepreneurial environment.

## Teaching method

It combines theoretical explanations with practical applications, covering financial concepts, data analysis, and case studies on successful social enterprises. Sessions include discussions on analyzing ROI and SROI, fostering an understanding of social impact evaluation and different funding options for startups.



# LEARNING OUTCOMES

- Gain a solid understanding of key financial concepts (such as ROI, SROI, cash flow, and profitability).
- Develop the ability to analyze financial data for informed business decision-making.
- Funding sources and strategies for financing a startup.
- Understand and assess social impact through SROI analysis.
- The role of institutions and the effects of market failures on startups.



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# Preparation

Reviewing foundational knowledge in finance and entrepreneurship, including an understanding of financial statements, different types of funding, ROI, & SROI.

Participants might also benefit from preliminary readings on social entrepreneurship and case studies of successful social enterprises.

## Warm-up/ice - breaking activity

Introduction to the importance of financial literacy and social impact in entrepreneurship, discussing the relevance of concepts like ROI, SROI, and funding sources in shaping successful startups.

The goal is to engage learners in a discussion about their personal experiences with financial planning and social responsibility in their entrepreneurial ideas.





# MODULE OVERVIEW

Module 4, "**Finance Your Startup: ROI, SROI, Market Failures, and Institutions**" is designed for aspiring women entrepreneurs and startup founders. It introduces key financial concepts crucial to understanding the financial landscape of a startup, focusing on (ROI) and (SROI).

The module explores how market failures and institutional roles impact startups and presents strategies for navigating these dynamics in business finance.



# INTRODUCTION

To equip aspiring women entrepreneurs and startup founders with an in-depth understanding of financial management and social impact considerations. Through practical approaches, learners will explore fundamental financial concepts. The course emphasizes aspects such as building financial statements, securing startup funding, navigating market challenges and institutional regulations. Participants will develop the necessary skills to strategically assess their businesses' financial health and create meaningful social impact.

# FACILITY/EQUIPMENT

- Financial Tools and Software: Access to financial management tools, including accounting software, financial analysis models, forecasting platforms, and tools for calculating ROI and SROI.
- Computers and Internet Access: Workstations equipped with internet access for researching market trends, funding options, and institutional regulations.
- Training Spaces: Physical classrooms and virtual platforms with audiovisual capabilities for interactive learning sessions, workshops, and lectures.
- Educational Resources: Access to databases, case studies, financial documentation, and training materials related to social entrepreneurship, financial management, and social impact investment.
- Support Materials: Practical documentation for exercises and case studies on topics such as balance sheet creation, cash flow management, and social impact analysis.



# MAIN TASKS / PROCEDURE

## Station 1: Finance Fundamentals for Startups - ROI and SROI Concepts

- **Clue:** Understanding how to calculate and leverage both Return on Investment (ROI) and Social Return on Investment (SROI) is crucial for maximizing business impact and profitability.
- **Activity:** Participants will learn about core financial concepts, including ROI, SROI, cash flow management, and evaluating social and economic impacts of their startup investments.
- **Tasks: Option 1:** Analyze case studies showcasing the application of ROI and SROI in startups and discuss how these metrics drive decision-making and growth.
- **Option 2:** Develop a simple ROI and SROI model relevant to your own startup and present its potential impacts on business growth and social responsibility.
- **Hint:** Consider both financial and social value creation when designing your model.

# MAIN TASKS / PROCEDURE

## Station 2: Financial Statements and Business Analysis

- **Clue:** Effective financial management starts with understanding the flow of money within a business and analyzing financial health indicators.
- **Activity:** Participants will gain insights into creating, interpreting, and utilizing key financial statements such as the Balance Sheet, Income Statement, and Cash Flow Statements.
- **Tasks: Option 1:** Work in groups to draft a basic set of financial statements for a hypothetical startup and identify areas for potential improvement.
- **Option 2:** Reflect on how cash flow issues or poorly managed liabilities have impacted a business you know and propose strategies to avoid such pitfalls.
- **Hint:** Pay attention to indicators of financial stability and liquidity when assessing business viability.



# MAIN TASKS / PROCEDURE

## Station 3: Sustainable Negotiation and Building Long-Term Partnerships

- **Clue:** Securing appropriate funding can determine the growth and stability of a startup.
- **Activity:** Participants explore various funding options available in Europe, including traditional loans, hybrid finance, and EU grant programs.
- **Tasks: Option 1:** Create a funding proposal for a startup concept using one or more available EU funding options and present your strategy.
- **Option 2:** Compare and contrast different sources of startup financing and identify the pros and cons specific to your business model.
- **Hint:** Consider how funding choice affects long-term business development, innovation, and market positioning.

# COMPLETION AND DEBRIEF

Engage in reflective activities to consolidate their learning on financial strategies and social impact investment principles. This phase would involve evaluating their personal development in managing the financial aspects of a startup, including optimizing (ROI) and (SROI). Participants would reflect on how to apply these financial and impact measurement skills within their entrepreneurial ventures.

Reflective Session: Sharing insights on navigating various funding pathways, addressing challenges related to market failures, and discussing strategies to leverage institutional roles for shaping a more inclusive and supportive business environment. This session aims to solidify participants' capacity to integrate financial management with social impact considerations for sustainable business growth.



# CLOSING

Thank you to all participants for your engagement throughout this module on startup financing, ROI, SROI, and navigating market challenges. Your contributions have made this learning journey impactful. As you move forward, we encourage you to apply these financial strategies and social impact principles to build resilient, inclusive, and socially conscious businesses. By leveraging these tools, you can drive meaningful change and growth in today's evolving market landscape.



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# TIPS/ADDITIONAL ACTIVITIES

## Station 4: Advanced Financial Statement Analysis

- **Clue:** A deep understanding of financial statements can reveal opportunities and threats for business growth.
- **Activity:** Participants will analyze and interpret complex financial statements to make strategic business decisions.
- **Tasks:** Conduct a comparative analysis of financial statements from two companies in the same industry, identifying key differences and their impact on business performance.
- **Hint:** Focus on cash flow, profitability ratios, and asset management indicators when drawing insights.

## Station 5: Social Impact Case Studies and SROI Calculation

- **Clue:** Calculating SROI highlights the value created for society through business activities.
- **Activity:** Explore real-world case studies to see how businesses calculate and leverage SROI for strategic decisions.
- **Tasks:** Using data from a case study, calculate the SROI and discuss the implications of the results for stakeholders and future projects.
- **Hint:** Consider not just financial figures but also social and environmental outcomes when calculating value.

## Station 6: Funding Proposal Development

- **Clue:** Crafting a compelling funding proposal can open the door to critical resources for business growth.
- **Activity:** Participants will develop a funding proposal tailored to a specific EU grant or funding program relevant to startups.
- **Tasks:** Draft a detailed proposal outlining project goals, expected outcomes, and a budget plan, then present it for peer feedback.
- **Hint:** Be clear and specific in your proposal objectives, ensuring alignment with the funding program's goals.



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