



# COPE

Training Module 2

**Finance**

**From the entrepreneur 's perspective**

Mikrofonden Väst, Sweden

**COPE TRAINING MODULES GUIDELINES**



Co-funded by the  
Erasmus+ Programme  
of the European Union

This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein. Project Number: 2020-1-SE01-KA204-077996

## Preface

COPE Project's Intellectual Output 1 constitutes the main IO of the project's training content development phase. It consists of the production of an active and creative learning model which is designed to enable trainers in organizations managing entrepreneurship education spread to knowledge about cooperatives and motivate and prepare people for potential establishment of innovative cooperatives or other forms of social enterprises.

The present training Model corresponds to one of the project's Modules within COPE's training handbook.

The training handbook is based on the gap analysis findings. The partners collected information in three specific ways:

- by undertaking an analysis of the state of the art on existing methodologies adopted to promote cooperative model which will provide solid ground and more knowledge about how to structure the learning methodology
- by collecting good practices already implemented by partners at local level. Good practices were collected with a common description form which was created by the partners and filled in by advisors and trainers.
- by interviewing trainers and experts in the field.

Its production was undertaken by Mikrofonden Väst<sup>1</sup>, Sweden, one of the project's Partners.

Mikrofonden Väst wishes to acknowledge the contribution of Carina Krii, Kerstin Hallenrud, Ann Ugglå, Maria Henriksson, Kristina Berneholm, Jan Svensson and of others who provided helpful comments on its contents.

**Jan Svensson**

**Gothenburg, Sweden**

**23 march 2023**

---

<sup>1</sup> <https://mikrofonden.se/mikrofonden-vast/>

## Contents

<b>Preface</b>	<b>2</b>
<b>Introduction to the module's content and structure</b>	<b>4</b>
<b>Financing new ventures</b>	<b>4</b>
<i>Business plans</i>	5
<i>What characterizes social entrepreneurship?</i>	5
<i>Project financing</i>	6
<b>Funding a cooperative</b>	<b>6</b>
<b>Impact investment</b>	<b>6</b>
<b>Equity</b>	<b>7</b>
<i>Crowdfunding</i>	7
<i>Financial actors</i>	8
<i>Microfunding</i>	8
<i>Public organizations, municipalities, and regions</i>	8
<i>Seed funding</i>	9
<b>Sustainability</b>	<b>9</b>
<b>Discussion Questions</b>	<b>10</b>
<b>Exercises</b>	<b>10</b>
<i>Exercise 1. Financing activities by bootstrapping.</i>	10
<b>Bibliography</b>	<b>11</b>
<b>Annex</b>	<b>11</b>

## Introduction to the module's content and structure

Learning outcomes covered within this module include the ones highlighted below.

### LEARNING OUTCOMES OF MODULE 2 Finance, from the Entrepreneur's perspective

<b>Knowledge</b>	
	<b>How to start a cooperative business</b>
	<b>Sustainable development and environmental protection</b>
	<b>Innovative sectors and cooperatives</b>
<b>Skills</b>	
	<b>Financial literacy or financial managerial proficiency</b>
<b>Competences</b>	
	<b>Collaboration between cooperatives and other businesses</b>

## Financing new ventures

One can take many different perspectives on the topic of financing. It could involve the financial management of an established company, or financing the operations of a public entity, either at state or municipal level. But in this module, the focus is on financing activities of an entrepreneur, or an entrepreneurial group, generally starting from scratch, with an initial idea and a team of devoted individuals.

Norrskan foundation states that "Innovation thrives in openness" and they also emphasize diverse teams as a success factor.<sup>2</sup> A large share of the books or guidelines on funding for entrepreneurs focuses on the solo entrepreneur, where one sets off to realize a new business idea and to create a new privately owned business. In the COPE module we take a different perspective, and focus on how groups can join forces, form a cooperative, and work towards a common goal. The objective of the group may be to generate income and create new jobs, for oneself or for other. Or the aim might be of a societal nature, solving a challenge or meeting a need that is unfulfilled in the status quo.

<sup>2</sup> Norrskan Foundation (n.d.)



Collectives of individuals create synergies and sharing the burden of work and responsibilities creates resilience for the new business. In this module we focus particularly on financing and place emphasis on thrift and resourcefulness. After a coverage of a [multitude of financing options](#)<sup>3</sup>, readers are invited to review the material through discussion questions, and finally to test the method of bootstrapping through a simulated exercise.

### **Business plans**

Writing a [business plan](#)<sup>4</sup> will help you develop your business idea and set goals for your business. You can also use the business plan to sell your idea to investors, suppliers, banks and other interested parties.

One way to develop and shape a new business proposal is to use a business model canvas, a template with a predefined set of sections to describe processes, stakeholders, and interactions pertaining to the proposed business plan. Instructions on how to use a business model canvas are widely available online, and one can learn about its origins and the general approach on the *Business Model Canvas* Wikipedia page.<sup>5</sup> The page includes a free template that interested parties can start experimenting with.

### **What characterizes social entrepreneurship?**

1: Social enterprises - where the social benefits are at least as important as the economic ones. Sometimes more important.

2: Work-integrated social enterprises - which, without private profit-sharing opportunities and with working methods that create participation, create paths into the labor market for groups that are far from it.

3: Social innovations - which include processes where the goal is to solve societal problems with new innovative ideas. A borderland between business, public affairs and civil society.

- **Organizations that support social entrepreneurship**

There are several different organizations that support social entrepreneurship. (Partners can/should list relevant organizations here). One of the largest and most famous in the world is Ashoka. Ashoka coined the term "social entrepreneurship" and supports social entrepreneurs with funding, education and networking. The organization is currently present in over 95 countries<sup>6</sup>. <https://www.ashoka.org/en-aaw/about-ashoka>

---

<sup>3</sup> Visit <https://www.cope.one/archive/> to find Attachment A. Guide on financing options.

<sup>4</sup> Visit <https://www.cope.one/archive/> to find Attachment B. Business plan.

<sup>5</sup> Go to [https://en.wikipedia.org/wiki/Business\\_Model\\_Canvas](https://en.wikipedia.org/wiki/Business_Model_Canvas) to find the Canvas and some background information.

<sup>6</sup> Ashoka (n.d.)

## Project financing

Running projects with public funds is a common way to start social enterprises and implement other initiatives linked to social entrepreneurship. The criteria for different fund programs change in many cases year by year. Therefore, it is important to stay updated regularly if project financing is something you want to work with. Even private charities can sometimes be helpful in finding funding. These exist both locally, regionally, and nationally. There are some distinctive organization sites and collection sites you can use to stay up to date.

## Funding a cooperative

It's important to have tips and support to find a financing solution that suits your needs. If you need more help when you want to start a cooperative, contact a business advisor. In some EU countries there are organizations with cooperative business advisors, for example Coompanion in Sweden, and in Italy Confcooperative and Consorzio Icaro offer such services.

The cooperative safeguard economic, social and environmental sustainability are in many cases run with the aim of creating a positive social effect or societal benefit.

Social entrepreneurship is basically like any other form of entrepreneurship. It requires financing and good business models for sustainability. Therefore, as a social entrepreneur, you have reason to look at traditional financing solutions for your business. Just like any other contractor.

At the same time, there are clear differences when it comes to business and return targets. This means that there are complementary opportunities to find financing.

## Impact investment

Impact investing is a matter of achieving various social or environmental goals through active influence.

**Norrskan** Foundation is a privately funded organization that supports and invests in both for-profit companies and non-profit organizations, depending on which solution it believes can create the most positive impact on society. The focus is on combining innovative technology with global societal benefits. Norrskan Foundation, which is based in Stockholm, also runs Europe's largest hub for innovation in this field - "Norrskan House". Recently, a hub was also started in Rwanda.<sup>7</sup>

There are many different organizations that work with impact investment. The largest international is GIIN - Global Impact Investment Network which does a lot of research

---

<sup>7</sup> <https://www.norrskan.org/>

on the subject (including the one mentioned above). On their site you can find interesting reports and news.<sup>8</sup>

## Equity

All companies need equity, which in most cases is also a prerequisite for obtaining a bank loan. Borrowing from relatives and friends can be tempting - but here there is a risk that if things go badly, you will lose valuable social ties.

There are different strategies for managing your equity well. In business language, this is called *bootstrapping* - to work actively to find solutions that reduce the need for liquidity and thus preserve the solidity of the business.

### *Examples of bootstrapping can be that:*

- ❖ Borrow resources from others without interest.
- ❖ Costs be careful in choosing suppliers and compare these against each other to find the best price.
- ❖ Use barter agreements (B2B barter) to reduce the need for liquidity to carry out transactions.
- ❖ Find collaborative partners who let your brand be exposed in their marketing free of charge.
- ❖ Create several different uses for a given asset.
- ❖ Charge in advance
- ❖ Find public grants.
- ❖ Lease resources to the company according to need and liquidity.
- ❖ Build competence free of charge by engaging students in degree projects.
- ❖ Use study associations for study circles.
- ❖ Seek customers who request consulting assistance in an area you want to immerse yourself in, the first customers can then finance your own skills development.

A strategy might be to simply pay attention to bootstrapping opportunities as they arise and make sure to use them. Act immediately, save your liquidity in the short term and promote your solvency in the long term.

## Crowdfunding

Crowdfunding is a method of financing projects or ideas by turning to a large number of financiers. These invest small sums of money separately to together create a larger sum. This takes place mainly today via internet-based systems, but can also take place directly between stakeholders, such as neighbors, within the village team and so on.

A successful crowdfunding campaign online means that you have created the right conditions for compo -product, video pitch and community. Your product should be at least at the prototype stage so that you have something to show off and it must solve a problem that appeals to many people.

---

<sup>8</sup> You will find more information at <https://thegiin.org/>

Investors must get something they really want - either for their own consumption or the feeling of being part of and improving the world. Investors are reached through (and are part of) the community that the campaign and preparatory work builds. The most important component for building your community is a good video pitch, but it is also very important to build an e-mail list and forum on social media with the right type of participant in the preparatory work.

Note, before you start a crowdfunding campaign, be sure to check VAT-rules and regulations regarding this form of income in your country.

### **Financial actors**

Banks. Social enterprises are still relatively unknown in the banking world. Since traditional banks have clear rules for their lending that require collateral and at the same time often do not have experience of social entrepreneurship / entrepreneurship, there are threshold effects that have proved difficult to overcome. But of course it is possible to get a loan from ordinary banks under the right conditions. Historically, it has been shown that savings banks and member banks have been more helpful with loans to companies in the social economy.

Don't forget to check for state-owned venture capital companies, besides commercial banks.

### **Microfunding**

In some countries there are microfunds that can offer **guarantees and microloans but also capital investments to companies, associations, cooperatives and other forms of activities and projects in social economy and local development**. Social entrepreneurs with a clear focus on the global goals generally have good opportunities to be approved.

Example of guarantees that can be given:

- ❖ account credit
- ❖ bank loans & investments
- ❖ bank loan before the project grant arrives
- ❖ [rent of premises](#) (See Attachment C. Bakery Brukets Godaste. A good example of renting premises)<sup>9</sup>.

### **Public organizations, municipalities, and regions**

There are various examples of collaboration with municipalities and regions to find financing. For work-integrating social enterprises, there are adapted ways to find collaboration. This can be anything from subsidized premises to support with equipment and in some cases even supervision. Such support can be a way to get started for a social enterprise.

An important support tool for social enterprises is procurement with social considerations that both regions and municipalities can use. This means that demands are made on various

---

<sup>9</sup> <https://www.cope.one/archive/>, Attachment C. Bakery Brukets Godaste. A good example of renting premises.





social aspects in the procurement, for example internships or that parts of the staff must be employed with support from the employment service.

### Seed funding

Seed funding is a form of financing/start-up financing for a company. The reason it's called "seed" is because this funding happens at the beginning of a startup's life cycle. The goal of seed funding is to start the business and help it grow so that it can start generating its own revenue. In exchange for the financing, investors receive equity in the business. Since seed investments are given before the company makes any money, it is seen as a very risky investment .

Traditional lenders such as banks and credit unions are hesitant to give start-up money. Many entrepreneurs turn to angel investors for seed funding in addition to their family and friends to get the initial investments they need to get their business up and running.

Working with angel investors and venture capital firms is not right for every business. In some cases, entrepreneurs can apply for seed funding from other sources such as:

- Crowdfunding
- Incubators
- Personal assets
- Family and friends

At [cope.one](http://cope.one) you may find some exercises on financing<sup>10</sup>.

### Sustainability

To achieve a sustainable cooperative venture, adopting the SDG - Sustainable Development Goals, would be a good way to start. SDG are the 17 global development goals adopted by the UN and aim to achieve a socially, environmentally, and economically sustainable world.

A business that acts on the basis of the cooperative principles strives towards sustainability, both socially, economically and environmentally. When a cooperative employs its members with fair working conditions the cooperative meets

- SDG #1, No Poverty,
- SDG #2 No Hunger
- SDG #3 Good health and well-being
- SDG #8, Decent work and Economic growth.

Positive outcomes can also be achieved when the cooperative actively promotes skills development for its members and employees.

---

<sup>10</sup> <https://www.cope.one/wp-content/uploads/2023/03/Financing-exercise.pdf>



COPE

- SDG #4, Good education for all

The cooperative is by its nature a democratic organization and usually labeled a social enterprise. This provides good opportunities to achieve both

- SDG #5 Gender Equality
- SDG #10 Reduce inequality.

The cooperative's and the social enterprise's activities are run on the basis of

- SDG #11 Sustainable cities and communities
- SDG #12 Sustainable Consumption and Production.

Last but not least, working towards peaceful and inclusive societies is a self-described goal based on the cooperative principles and the democratic process that permeates a sustainable and successful cooperative.

- SDG #16 Peaceful and inclusive societies

Interested readers will find further information about the [United Nations' Sustainability Goals on the UN website](#)<sup>11</sup>.

## Discussion Questions

1. Business plan
  - a. Question: Why is a business plan a good thing to do?
2. Funding a cooperative
  - a. Question: Discuss different examples of how to fund a cooperative.
3. Seed funding
  - a. Question: Can you explain what seed funding is?
4. Sustainability
  - a. Question: Discuss how the cooperative principles connects to the UN SDG's

## Exercises

### *Exercise 1. Financing activities by bootstrapping.*

1 trainer, other group members are participants

---

<sup>11</sup> <https://www.globalgoals.org/goals/>



Participants are given a task to solve (e.g. Your cooperative needs 10,000 euro – what can you, as a cooperative, do to raise additional finances? Can you save costs? Can you offer additional services? Can you apply for a grant, loan, or sponsorship? Any other ideas?). If you work in a big group, divide participants into smaller groups. Discuss in 15 - 20 minutes and be ready to present your summary.

**Digital meeting:** In Zoom divide participants into break-out rooms. Let the participants discuss in groups for 15 - 20 minutes, and then present their summaries in a big group.

### **Summarise.**

Reflections and thoughts from the participants.

## **Bibliography**

Our main source of literature is [Guide to financing your social entrepreneurship](#).

Ashoka. (n.d.). Ashoka Worldwide. <https://www.ashoka.org/en-aaw/about-ashoka>

Norrskan Foundation. (n.d.). About. Retrieved March 20, 2023, from <https://www.norrskan.org/about>

United Nations. (n.d.). United Nations Sustainable Development. <https://www.un.org/sustainabledevelopment/>

## **Annex**

[Business Budget Template<sup>12</sup>](#)

---

<sup>12</sup> <https://www.cope.one/wp-content/uploads/2023/03/IC-Business-Budget.xlsx>