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# Module 3: Governance Pathway



**ETHICS, FINANCE &  
DIGITAL  
EMPOWERMENT**

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# 3.1 Ethical Leadership & ESG Principles

## What is Governance?

For a young entrepreneur, **governance** is about:

- How important decisions are made in a project
- Who is responsible for what
- How accountability is ensured towards partners, clients, teams and investors

Governance is the operating system of your business: the roles, roles and controls that make sure the project does not depend only on the founder's impulse, but works in a transparent, responsible and sustainable way.

Source:

<https://documents1.worldbank.org/curated/en/269491582263785004/pdf/SME-Governance-Guidebook.pdf>



## Before we begin, what is ethical decision-making in a youth entrepreneurship project?

Choosing the option that generates the highest profit

Making fast decisions based only on personal intuition

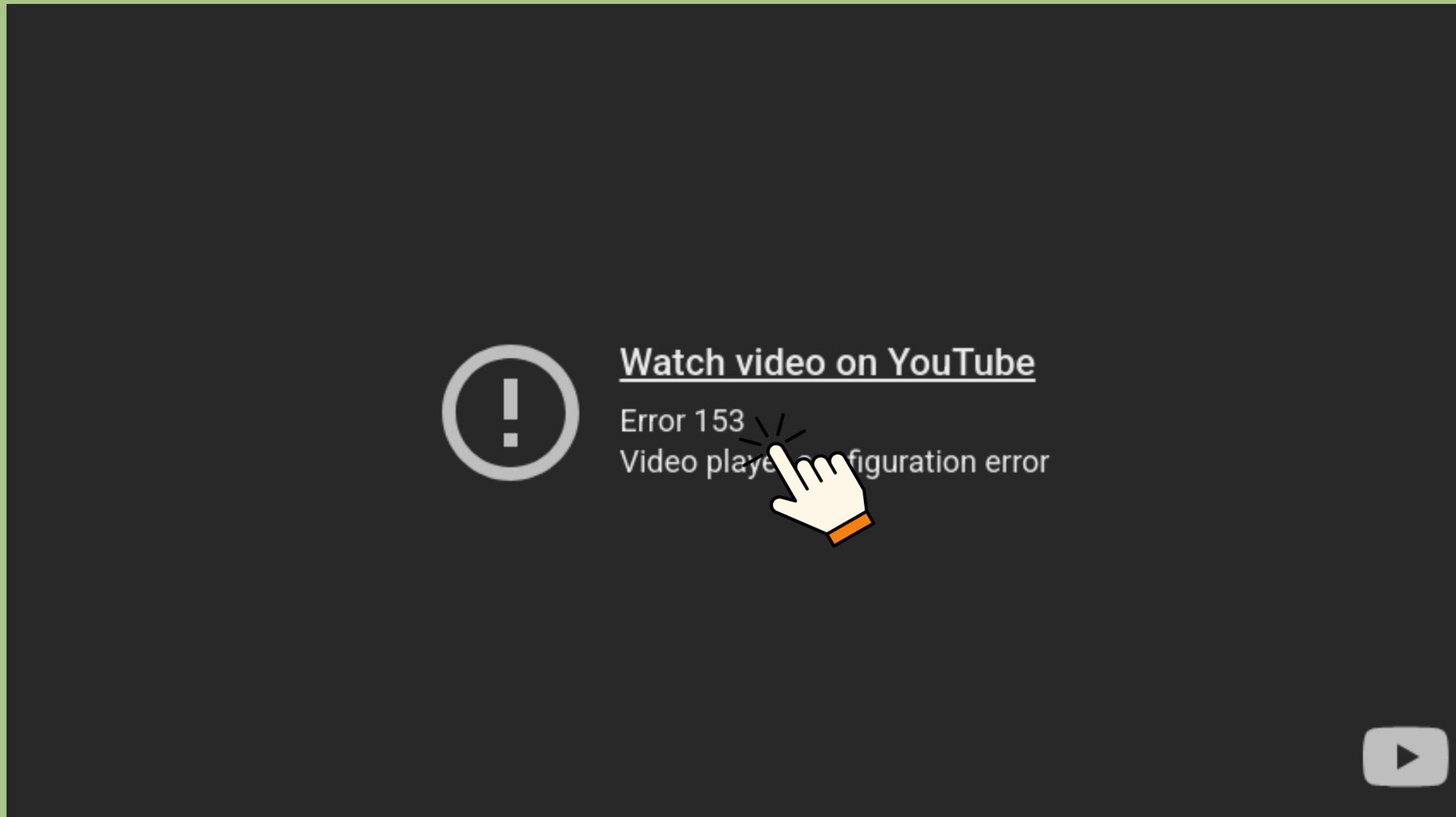
Taking decisions based on values, considering their impact on people, society and the environment

Avoiding difficult decisions whenever possible

**Ethical decision-making** is the process of making decisions guided by values, **integrity** and responsibility, not only by profit or short-term results. For young entrepreneurs, it means thinking beyond immediate gains and understanding that every decision has consequences for different stakeholders, such as the team, partners, clients, communities and the environment.

This type of decision-making requires analysing the possible impacts of each option, acting with transparency, and balancing economic objectives with **social and environmental responsibility**. Ethical leaders use shared values and ethical principles.

# WHAT IS ESG?





## ENVIRONMENTAL



Sustainable startups integrate environmental practices from the beginning by reducing their **environmental impact**, using eco-friendly materials, improving energy efficiency, and applying **circular economy** principles (reduce, reuse, recycle) across the product life cycle.



## SOCIAL

According to LifeComp, the social dimension focuses on developing empathy, inclusion, collaboration and responsibility towards others. In youth entrepreneurship, this means creating projects that respect **diversity**, promote fair relationships, engage with communities, and generate **positive social impact** by responding to real social needs.



## GOVERNANCE

According to EntreComp, governance in entrepreneurship involves taking responsibility, making informed and **ethical decisions**, managing resources effectively, and being accountable for results. For young entrepreneurs, this means acting **transparently**, sharing responsibilities, managing risks and aligning decisions with the project's values and long-term goals.

Sources:

<https://startupnv.org/sustainable-startup-strategies-and-best-practices/>

<https://publications.jrc.ec.europa.eu/repository/handle/JRC120911>

<https://publications.jrc.ec.europa.eu/repository/handle/JRC101581>

# ACTIVITY 1

## The ethical traffic light:

We have here 6 real ethical dilemmas faced by young entrepreneurs

### INSTRUCTIONS:

Participants put a **green/yellow/red circle in each dilemma**

✓ Green = clear ethical decision

✓ Yellow = depends

✓ Red = serious problem

### Dilemma 1: Accessibility vs. Budget

Your startup wants to launch a digital platform, but making it accessible for people with disabilities increases costs significantly

### Dilemma 2: Funding Pressure

An investor offers funding but asks you to soften the social impact claims on your website to attract more customers.

The impact is real, but not as strong as described

### Dilemma 3: Hiring a Friend

You hire a close friend for a key role, even though another candidate is more qualified, because you trust your friend and need loyalty in the team

### Dilemma 4: Environmental Trade-off

To reduce costs, you switch to a cheaper supplier whose environmental standards are lower, but still legal

### Dilemma 5: Transparency with Clients

Your project faces delays that may affect clients.

You decide not to communicate the problem immediately to avoid panic

### Dilemma 6: Data Use

You collect user data that could help improve your service.

You use it for internal analysis, even though users were not clearly informed



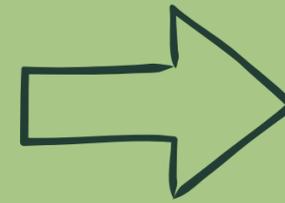
# CASE STUDIES

## RESPONSIBLE LEADERSHIP IN ACTION

SHAPING RESPONSIBLE LEADERSHIP (ACCENTURE  
& WORLD ECONOMIC FORUM)

Accenture, in collaboration with the World Economic Forum, developed a global initiative to redefine leadership for a sustainable future. The programme focuses on **preparing leaders** to manage complex challenges by integrating ethical decision-making, stakeholder engagement and long-term value creation.

The initiative emphasises leadership based on purpose, inclusion, responsibility and sustainability, moving beyond short-term results. It shows how responsible leaders can align business success with social and environmental impact, making governance and ethics central to decision-making.



**What leadership decisions  
would you make differently in  
your own project after  
reading this case?**





## 3.2 Financial Literacy & Social Finance

### Basics of budgeting, funding and resource management

**Financial literacy** is a key skill for **young entrepreneurs** who want their projects to be sustainable, impactful and independent. Understanding how to plan a budget, manage resources and choose the right funding options helps turn good ideas into viable initiatives.

In mission-driven entrepreneurship, money is not the goal, but a tool to create positive social and environmental impact. This section introduces practical basics of budgeting, funding and resource management, with a focus on responsible, ethical and socially oriented financial decisions.



## Social investment

It consists of using repayable financing to help an organization fulfill its social mission. It is in addition to grants, donations, and other forms of financing.

What sets it apart from a grant or donation is that **social investment is repaid**, usually with interest. What makes it different from other investments is that investors are dedicated to supporting the organizations they invest in to achieve their proposed objectives.

Source: <https://www.ncvo.org.uk/help-and-guidance/funding-income/social-investment/#what-is-social-investment>



## Microfinance

It generally refers to the **provision of basic financial services** (loans, savings accounts, etc.) **to low-income but economically active individuals**. In many cases, microfinance refers to the granting of small loans to microentrepreneurs (microcredits).

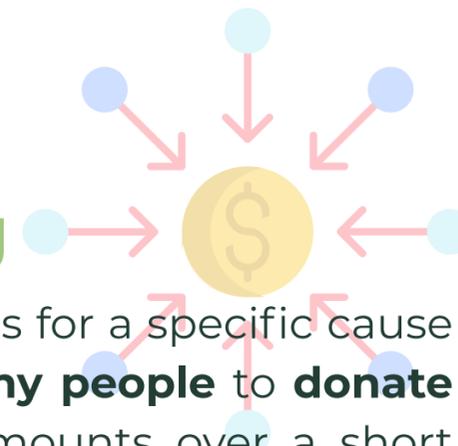
Source: <https://www.impact-am.eu/en/microfinance/microfinance>



## Crowdfunding

It is a way of raising funds for a specific cause or project by asking **many people to donate money**, usually small amounts over a short period of time. Crowdfunding is done **online**, usually through social media, which makes it easy to share the cause or project.

Source: <https://learning.candid.org/what-is-crowdfunding/278307>





## What is the main purpose of budgeting in a social enterprise?

To impress investors

To control resources and ensure sustainability

To increase prices

To avoid transparency



## Which is an example of social finance?

High-interest payday loans

Speculative investment

Informal personal debt

Crowdfunding for social impact



# Managing risk & sustainability in mission-driven enterprises

**Effective risk management** for sustainable enterprises goes beyond financial risks to include environmental and social risks that can impact long-term viability. **Integrating sustainability** into risk practices helps organizations anticipate, prioritise and respond to emerging risks that affect both mission and performance.

- Risk is not only financial: mission-driven enterprises face social, environmental and governance risks
- Sustainability-related risks affect long-term survival, not just reputation
- Identifying risks early helps protect both the mission and the business model
- Integrating sustainability into risk management improves decision-making and resilience
- Managing risk means anticipating change, not only reacting to problems





## Which option do you think that best supports a sustainable, mission-driven enterprise?

Focus only on profit and worry about impact later

Rely on a single investor to grow as fast as possible

Combine basic budgeting, ethical funding and risk management

Avoid financial planning to stay flexible

# ACTIVITY 2

CHOOSE THE CORRECT ANSWER FOR EACH QUESTION:

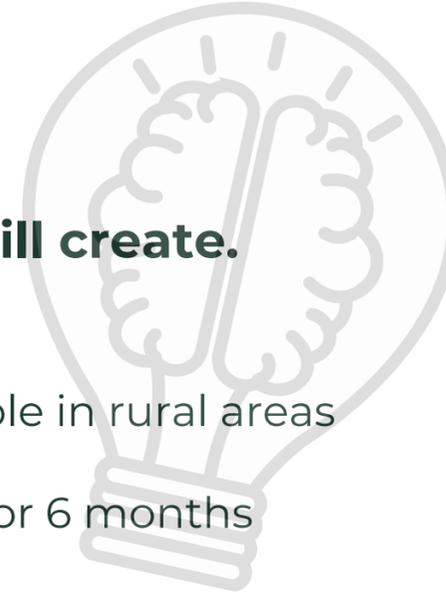
**This is a fictional project that we will create.**

**Project:** EcoYouth Lab

**Mission:** Create green jobs for young people in rural areas

**Initial budget:** €10,000

**Challenge:** Make the project sustainable for 6 months



1

## Budgeting & resource management

**How would you use the money?**

- a. Spend most of it on marketing
- b. Balance salaries, tools, and reserves
- c. Don't plan and decide on the fly

2

## Funding- social finance

**You need more funding. What do you choose?**

- a. Crowdfunding and social microfinance
- b. quick investor with no ethical criteria
- c. High-interest personal loan

# ACTIVITY 2

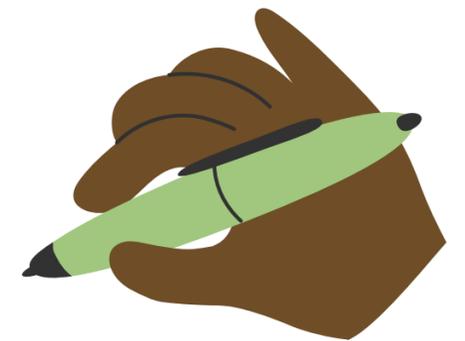
## 3 Risk & sustainability

**You detect financial risks. What do you do?**

- a. Reduce social impact to save money
- b. Ignore them so as not to slow down the project
- c. Diversify income and create an emergency fund

**Open question: What financial decisions help make a mission-driven project sustainable in the long term?**

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