

UNIT-5

MOBILIZATION OF RESOURCES

TOPIC- MOBILIZING RESOURCES FOR START UP

Mobilization of resources is the mean to assemble, organize and procure the required resources for the successful establishment of an enterprise. Resources mobilization process is an essential part of a “New Business Development”. All kind of enterprise need resources, but the type, intensity and nature of resources tends to vary. Primarily, business resources can be categorized as:

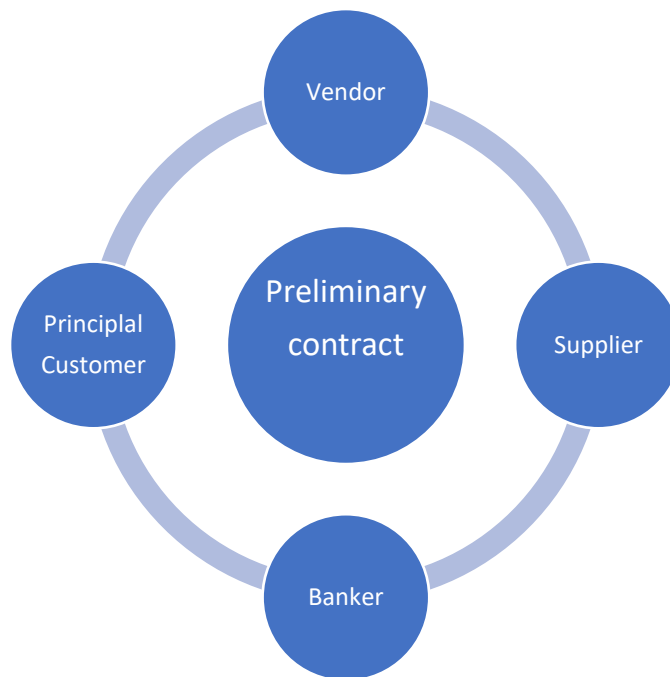
1. **Financial Resources:** Financial Resources are the most important of all resources. Sufficient funds are prerequisite for acquiring other resources. Every entrepreneur, after assessing the availability of funds with himself, procures the remaining funds from outside. There are various sources available for procurement of funds such as:
 - Long-term funds- Equity, preference, debenture, loans from financial institute, public deposit, etc. These are basically required to buy fixed assets and maintaining minimum working capital.
 - Short-term funds- Trade creditors, commercial banks, customer advances, deposits, and borrowing etc. These are required to meet seasonal and cyclical variation for day to day expenses.
2. **Human Resources:** Human Resource is the next vital resource which facilitates the effective utilization other resources. It includes skilled as well as unskilled manpower. Procurement of right number and right type of people who will work for the enterprise is very essential. They must be chosen very carefully, as the success of any enterprise largely depends upon the quality of its human resource.
3. **Physical Resources:** After acquiring the necessary funds and arranging human resources the entrepreneur will procure physical resources like Land & Building, plant & machinery, furniture & fixture, raw material, etc. Every enterprise should design and develop a suitable procedure for procurement of physical resources depending upon the size of the firm, the type of material required, supply sources, etc.

4. **Technology:** Another significant resource to be mobilized is the technology which the enterprise intends to use. Procurement of technology or self-developing a technology is a very crucial decision for any entrepreneur. The new enterprise will be called an innovator or a laggard depending upon how seriously it has taken the innovation and disruption process. In case, the technology is to be procured from outside India then formal approval must be taken from Government of India under FDI policy and foreign technology transfer agreement.
5. **Location:** It refers to the location of the plant where the business unit will be set up. It includes main plant location, warehouse, packing unit, etc. It is essential for every entrepreneur to select the most suitable accommodation for his enterprise taking into consideration the various factors like nearness to the market and source of raw material, availability of labour, availability of various utilities, general climatic conditions, transportation cost, availability of water, and easy availability of skilled labour etc. Location decision holds an essential key to the success of an enterprise.
6. **Utilities:** Utilities are also an indispensable resource to be mobilized. These comprise of essential things which facilitate the smooth functioning of the enterprise. It includes water and gas supply, electricity, internet facility, telecommunication line, etc. Utilities must be timely procured, as in their absence even the best enterprises will not be able to function efficiently.
7. **Market:** While mobilizing resources, market is also one of the crucial aspects which should not be missed. Once all the above said resources have been procured, the entrepreneur should not identify the market he intends to cater. The market segment must be carefully chosen after taking into consideration all the essential factors like nature of product, customer base, competition etc.

PRELIMINARY CONTRACTS

Preliminary contracts are the contracts entered into by the entrepreneur before the formal commencement of the enterprise to bring it into running mode. They are also called pre-incorporation contracts and are usually

entered into by the promoters of the enterprise/company for acquiring some property or right for the company which is yet to be incorporated. Usually an entrepreneur enters into the preliminary contract with the following parties:



1. **Vendor:** Vendor refers to the people from whom the enterprise purchases its various assets and raw material. A contract to purchase the agreed assets and material before the commencement of the enterprise are called preliminary contract with the vendors. An entrepreneur must ensure that the contract with the vendor clearly communicates the term so as to avoid any confusion regarding terminology, performance expectation and service content. He should also review the contract time and again to ensure its timely execution.
2. **Suppliers:** Refers to the person that supplies goods and services. He is different from the contractor who usually adds inputs to the deliverables. They are usually the people who supply basic utility and

services like power, water, telephone, internet and raw material etc. An entrepreneur after deciding to do business with the supplier must document the terms of trade in a written contract covering the issues like- supply condition, ordering and delivery period, payment terms, etc. This written formal document is called the preliminary contract with the suppliers.

3. **Financial Intermediary:** The most common financial intermediary is the bank which provides funds to the new enterprises for fulfilling their financial needs. Preliminary contracts with bankers are the contracts entered to acquire the initial funds for formal establishment of the enterprise. Finance being the most critical part of business, the contracts with the bankers must be entered very carefully to avoid any unwanted financial setback. The terms & conditions of the contract must be duly signed by both the parties in the well drafted written agreement.
4. **Customers:** These are customers who have approved to become the buyer of the products once the enterprise is established. All the contracts entered with these initial customers are called preliminary contract. These contracts comprise of the terms & conditions regarding the purchases, type of goods, nature and quality of goods, quantity of goods, price and delivery options.