

B.Com (Hons.), Semester-IV, Subject: Entrepreneurship Development
Chapter: Mobilizing Resources for Start-up
Teacher: Ashim Paul

Topics: Concept of Resource Mobilization; Mobilizing resources for start-up; Accommodation and utilities; Preliminary contracts with the vendors, suppliers, bankers, principal customers; Basic start-up problems

(*Notes are prepared on the basis of information available in relevant books and e-resources)

Resource Mobilization

Resource mobilization is the continuous process of getting the desired resources from different sources and allocating such resources efficiently to get optimum outcome by minimizing wastages. It is not only about getting new resources but ensuring proper utilization of the existing resources too. The underlying concept of resource mobilization is to ensure the availability of the right resources at the right place at the right time and in a cost-effective manner i.e. at the right price. Therefore, resource mobilization encompasses all such activities that are involved in securing new and additional resources for an organization, optimally using the existing resource base of the organization and developing ideas for business sustainability and business expansion.

Mobilizing Resources for Start-Up

A start-up is a new business that is in its nascent phase, beginning its operation with the expectation to grow big. According to *Kumar (2018)* a start-up “is a young entrepreneurial, scalable business model built on technology and innovation wherein the founders develop a product or service for which they foresee demand through disruption of existing or by creating entirely new markets”. *Thornton (2016)* has explained the meaning of start-up in a more elaborative way and considered start-up as an organization having the essential features like i) incorporation period is three years or less; ii) aims at developing, producing or distributing new products or services; iii) is not formed through splitting or restructuring of an existing entity; iv) having an employee base of 50 people or less. Another important piece of literature, in this context, is the definition given by the *Department of Industrial Policy and Promotion (DIPP), Government of India*, in its guidance note on ‘*Startup India*’, (2017), and where it describes start-up “as an entity incorporated or registered in India” and must have the features viz. i) “established not prior to seven years, (for Biotechnology Startups not prior to ten years)” ii) has “annual turnover not exceeding INR 25Cr. in any preceding

financial year” iii) “working towards innovation, development or improvement of products or processes or services” iv) “scalable business model with a high potential of employment generation or wealth creation”.

Thus, it can be understood that a start-up business is a new business that is yet to start or has just started its operation with some new ideas for developing products or services and has the potential to grow large. Since, it is in its starting phase, it requires a lot of resources to become fully functional and the following is a list of important resources that requires mobilization for start-ups.

Need for Mobilizing Financial Resource

It is one of the most important resources for any business whether an existing one or a start-up. Without financial resource base, it cannot put a single step forward and therefore, it must select such sources which bear lower amount of risk for arranging the required funds. It may collect funds from personal sources, venture capitalists, angel investors etc. or may rely upon various grants and subsidies to some extent.

Need for Mobilizing Human Resource

Human resource is the main driving force behind every successful operation and here, the role is played by the entrepreneur(s). He has to hire the right person for the right work and form a team that would channelize other resources in the right direction for the sustainability of the business in the long run.

Need for Mobilizing Intellectual Resource

It is a part of the human resource base and resides at the top to form, initiate and execute strategic plans for the successful operation of the start-up and for generating new ideas and policies for the all-round development of the business.

Need for Mobilizing Physical Resource

It simply represents the tangible part of the resource base of the start-up. It includes the office building, office infrastructure, machineries, modern equipment etc. The entrepreneur has to plan systematically to channelize these resources in a proper and realistic way.

Need for Mobilizing Cultural Resource

Mobilizing cultural resource is of great importance for a start-ups as from the beginning it must try to build up a strong organizational culture that would give rise to positive values, healthy interpersonal relations and sense of belongingness among the employees. It must build a unique

cooperative and psychological environment within the organization so that its interactions with the outer world would be effective and fruitful.

Thus the above segment has highlighted the concept of resource mobilization and need for mobilizing various resources for start-up business.

Short Notes:

Angel Investors, Venture Capital and Business Incubators

Angel Investors

Angel investors are very often called as private investors or seed investors or business angels. They are the persons with huge funds with themselves and they use to step forward for a start-up business to supply the required funds at a time or at regular intervals in exchange of stake in ownership in the business or against convertible-debt. It is one of the sources from which a start-up can collect its financial resources. Angel investors are not profit seekers and their main objective lies in helping a start-up when in need and that is why such investments are exposed to higher risk always. Angel investors may invest individually or even jointly (known as angel group or network), considering the pooled funds of some investors together. In reality a limited liability partnership, a business house or even a trust may play the role of an angel investor.