CLASS NOTE

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Subject: ENTREPRENEURSHIP DEVELOPMENT

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LECTURE NO. 02

What is a 'Startup'?

A startup is a company that is in the first stage of its operations. These companies are often initially bankrolled by their entrepreneurial founders as they attempt to capitalize on developing a product or service for which they believe there is a demand. Due to limited revenue or high costs, most of these small-scale operations are not sustainable in the long term without additional funding from venture capitalists.

Startups Legal Structure

Startups need to consider what legal structure best fits their entity. A sole proprietorship is suited for a founder who is also the key employee of a business. Partnerships are a viable legal structure for businesses that consist of several people who have joint ownership; they are typically straightforward to establish. Personal liability can be reduced by registering a startup as a limited liability company.

Considerations for Startups

Startups need to invest time and money into research. Market research helps determine the demand of a product or service. A startup requires a comprehensive business plan outlining mission statement, future visions and goals as well as management and marketing strategies. Startups must decide whether their business is conducted online, in an office/home office or store; this depends on the product or service being offered. For example, a technology startup selling virtual reality hardware may need a physical storefront to give customers a face-to-face demonstration of the product's complex features.

Funding for Startups

Crowd funding allows people who believe in a startup to contribute money via a crowdfunding platform. Startups often raise funds using venture capitalists. This is a group of professional investors that specialize funding startups. Silicon Valley in California is known for its strong venture capitalist community and is a popular destination for startups. Startups may use a small business loan to commence operations. Banks typically have several specialized options available for small businesses; a microloan is a low interest, short-term product tailored for startups. To qualify, a detailed business plan is often required. A startup may be funded using credit. A flawless credit history may allow for a line of credit to fund a startup. This option carries the most risk, particularly if the startup is unsuccessful.

Resource Mobilization for Startups:

The term resource mobilization refers to all activities undertaken by a startup or an organization to secure new and additional financial, human and material resources to advance its mission. Inherent in efforts to mobilize resources is the drive for organizational sustainability.

As fundraisers, we often come across the term ‘resource mobilization.’ Although technical in sense, it merely means mobilizing resources. Now resources can include many different things, not just money, for your organization.

Apart from money, you can also raise support from friends, family, dealers, knowledge of employees, infrastructure etc. So, in order to put all these sources of support into one kitty, including finances, we refer to them collectively as ‘resource mobilization.’

Resource mobilization is actually a process of raising different types of support for your organization. As said above, it can include both cash and in-kind support. Resource mobilization can also be called as the process of getting resource from resource provider, using different mechanisms, to implement the organization’s work for achieving the pre-determined organizational goals. It deals in acquiring the needed resources in a timely-cost effective manner. Resource mobilization advocates upon having the right type of resource, at the right time, at right price with making right use of acquired resources thus ensuring optimum utilization of the same.

Types of Resource Mobilization for Startups:

Every business model requires them, and it is only through them that companies generate Value Propositions and Revenues. Key resources can be physical, financial, intellectual, or human. A microchip manufacturer needs capital-intensive production facilities, whereas a microchip designer depends more on human resources. Any startup would need all of the following resources, though the financial resource may be considered most important:

(i) Financial resource

(ii) Intellectual resource

(iii) Human resource

(iv) Physical resource

(v) Educational Resources

(vi) Emotional Resources

(vii) Moral Resources

(viii) Cultural Knowledge resource

(ix) Relational Resource

Let us discuss each resource one by one:

(i) Financial Resource:

The most important element in starting a business is funding. Even the most basic home business incurs a multitude of startup costs, including registering a business name, obtaining a business telephone line and printing business cards. Financial resources can be obtained from a variety of sources, the easiest being from:

a. The personal accounts of the company’s founder. b. Alternatively, loans and lines of credit may be granted from financial institutions, c. Friends and relatives, d. Private investors

(ii) Intellectual Resource:

Intellectual resource is the intangible value of a business, covering its people, the value inherent in its relationships, and everything that is left when the employees go home, of which Intellectual property (IP) is but one component. It is the sum of everything everybody in a company knows that gives it a competitive edge.

The term is used in academia in an attempt to account for the value of intangible assets not listed explicitly on a company’s balance sheets. On a national level intellectual capital refers to National Intangible Capital (NIC).

A second meaning that is used in academia and was adopted in large corporations is focused on the recycling of knowledge via Knowledge management; Intellectual capital is used in the context of assessing the wealth of organizations. Understanding the intellectual capital in an enterprise allows leveraging of its intellectual assets. The start-ups also require this resource and can mobilize it from within the close circle.

(iii) Human Resource:

The success of an organization is heavily reliant on the talent and strength of its employees. The hiring of experienced professionals with track records of excellence within their area of expertise ensures that the mission and goals of the company will be carried out efficiently and with competence.

Strong team members can be recruited using a variety of methods. Staffing agencies and executive search firms specialize in placing talent of all levels within every industry. An alternative is to find employees through referrals from individuals whose judgment is trusted.

(iv) Physical Resource:

Whether a small home business or a retail operation with multiple locations, every organization must have the appropriate physical resources to survive. This includes a proper workspace, working telephone line, adequate information systems and effective marketing materials. This aspect of business planning can be one of the costliest. As such, it is important for an entrepreneur to realistically assess his needs before making any purchases. Most of the start-ups have had the history of starting the operations from home, garage of a very small place initially.

(v) Educational Resources:

Perhaps the greatest thing an entrepreneur can do when establishing a new business is to gain as much education possible. By understanding his/her competition and gaining an in-depth knowledge of his/her industry, he/she will be better prepared to make smarter decisions regarding the direction of his/her firm.

Educational resources can be found through professional trade associations that are geared toward his/her industry, local chamber of commerce as well as the Small Business Administration.

(vi) Emotional Resources:

Starting a business can be an extremely stressful endeavor for an entrepreneur to undertake. To maintain the sanity as well as stay motivated, it is important to have a support team that can give inspirations and guidance as needed. This team may be composed of friends and family as well as a mentor or professional group.

(vii) Moral Resources:

Moral Resources include solidarity support, legitimacy and sympathetic support. These resources can be easily retracted, making them less accessible than other resources.

(viii) Cultural Knowledge Resource:

Cultural Knowledge resource has become widely necessary and universal. Known Examples include how to accomplish specific tasks like enacting a protest event, holding a news conference, running a meeting, forming an organization, initiating a festival, or surfing the web.

(ix) Relational Resource:

It consists of such elements as customer relationships, supplier relationships, trademarks and trade names, which have value only by virtue of customer relationships, licenses, and franchises. In fact relational resource is separate from human and structural resource and therefore, it indicates its immense importance to an organization’s worth.

The value of the relationships a business maintains with its customers and suppliers is also referred as goodwill, but often poorly booked in corporate accounts, because of accounting rules.

HIPOs, as they are called, high potential employees are the ones who have exceptional potential, ability and aspiration for successive leadership positions.

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