

# Key resources

## Focal points

**Key words/concepts:** resource, object of labor, means of labor, business cycle

### I: Essence

In a broad sense, the concept of a resource encompasses everything that has the potential or is a necessary prerequisite for satisfying human needs.

From an economic standpoint, viewed as the aggregate of activities of the entire society aimed at creating goods for consumption, the concept has a wide scope, encompassing:

#### **1. Natural resources**

Geographical features such as terrain, climate, natural resources, water resources, biodiversity.

#### **2. Human resources**

Population size, age structure, educational structure, unemployment rate, and professional competence, among others.

#### **3. Information resources**

Capacity of information systems, quality and speed of information volume, availability and condition of digital infrastructure, access to content, intellectual property protection.

#### **4. Capital resources**

Availability of free capital for reinvestment and functioning capital markets that allow for the adequate redirection of free funds into other business ventures.

#### **5. Know-how resources and industrial capacity**

Knowledge of "how to do something" and the ability for it "to be done" are resources of strategic importance in the era of mass production and international labor specialization.

As a category in entrepreneurship, resources represent the most general items and means of labor, without which the implementation of any entrepreneurial idea aimed at creating and implementing a specific product or service would be unthinkable.

In general, the subject of labor refers to what a person interacts with and changes while working to produce goods for consumption. Typically, these are basic raw materials, energy, etc., needed to produce or construct something. The particularity of the subjects of labor is that they have the property of changing their initial form in the process of their consumption.

For example (1), in the bakery, we use flour to produce bread. The flour seemingly disappears in its original form but transforms into the final product - bread.

Means of production refer to the collective items we use or employ in our production activities to achieve the desired impact on the subjects of labor on the way to creating goods fit for consumption. Here, we can mention all types of machinery, tools, rights to intellectual and industrial property, and in a broader sense, the workforce and available human capital.

For example (2), we use a truck to deliver courier packages to our customers. After completing the delivery, the truck remains a truck and has not changed its characteristics.

For example (3), in implementing a business idea to create a new model of a "Smartphone," we will generally need:

A: Materials of labor: primary materials in the form of semiconductors and electronic components, batteries, screens, plastic components, energy, etc., which will be transformed into the finished product during assembly.

B: Tools of labor: an assembly line of specialized machines and servicing personnel to assemble and manufacture the smartphones, other machinery and personnel to test, package, and ship the product to the end customer, patents and licenses for the use of certain technology, etc.

Whether a resource will be classified as a subject or a means of labor depends on the entrepreneur's initial intentions, expressed through his idea for the final product or service.

For example (4), When implementing his business idea, the entrepreneur has purchased several laundry machines. If,

A: the entrepreneur decides to resell them at a higher price for profit, they are considered subjects of labor. They will directly transform into money.

B: the entrepreneur decides to use them to provide services to the population through a public laundry, they will be considered means of labor. The monetary income will come from the use of the machines, and they themselves will remain available.

## **II: Transforming resources to key resources**

A key resource is the one without which the effective and efficient implementation of a specific business idea is not possible, especially when it is in the necessary quantity and quality.

When a specific resource could be determine as key?

- When the given resource is essential for the realization of our business idea and is directly linked to the created and imposed identity in the market.

For example (1), "In our chocolate, we only use fresh milk from alpine cows..."

- Alternatives for substitution are lacking or limited

For example (2), As a result of the COVID-19 pandemic, the entire automotive industry experienced a severe shortage of microchips, whose deliveries were affected by imposed restrictions, leading to a decline in production.

For example (3), Closely specialized and limited productions often suffer from a shortage of specialists in their field, making these professionals classified as key.

- The time and cost for adequate substitution are unacceptable and affect the efficiency of the business

For example (4), We are experiencing a severe shortage of a certain component that we have used in the production of our product. The alternative for delivery involves organizing a shipment from a manufacturer on the other side of the world. The time and transportation costs will significantly increase production costs and make us uncompetitive.

### **III: What is the business cycle and its relationship to the issue of resources and entrepreneurship?**

The business cycle represents the periodic fluctuations in the economy, which include phases of expansion and contraction of economic activity. This cycle typically consists of four main phases:

- expansion,
- peak,
- contraction, and
- trough.

The connection between the business cycle, resource issues, and entrepreneurship is closely tied to economic dynamics. During the high points of the business cycle, when the economy is in an expansion phase and growing, the market is lively, and investments are higher. This can create competitive pressure for certain resources, leading to increased demand and rising resource prices.

Conversely, during periods of downturns in the business cycle, entrepreneurs face challenges related to decreasing demand and shrinking revenues. In such situations, resource management becomes crucial for business survival. Entrepreneurs must be able to adapt their strategies and effectively manage their resources to navigate the complexities of the market conditions.

From the perspective of organization and management theory, the activities of every entrepreneur consist of numerous interconnected processes within which the mentioned interaction between objects and means of labor takes place. These processes are both numerous and vast in diversity, but we could still focus on several major groups of them, conditionally delineated into cycles:

#### **1. Procurement cycle**

The decisions made by the entrepreneur are related to acquiring all necessary external resources required for their operations. This involves ensuring the availability of both necessary labor inputs, such as raw materials, supplies, and energy, as well as the means of production, in the form of machinery, equipment, buildings, and intellectual property rights. This requires researching specific markets and supply chains, understanding established rules and traditions, calculating costs, lead times, and delivery conditions, and selecting optimal options. In most businesses, these tasks are delegated to specialized departments for execution.

#### **2. Production Cycle**

The entrepreneur's decisions are focused on organizing the production of the product or the delivery of the service through the appropriate combination of labor and capital, including the efficient and effective utilization of personnel. The main emphasis is on the efficiency and effectiveness of utilizing various resources, with a focus on achieving sustainable development. It is necessary to achieve a suitable balance between the desire for profit and the degree of exploitation of available natural, material, and human resources.

### **3. Sales Cycle**

The entrepreneur's decisions revolve around organizing logistics and the final realization of the produced products and services. This process requires specific resources such as material/transportation vehicles and infrastructure, storage facilities, fuels and energy, suitable transport packaging, and their own logistics, as well as human resources including marketing specialists, international trade experts, specialized brokers, and others. Not least is the question of ecology, the issue of packaging, their collection, and the availability of opportunities for reuse and recycling.

### **4. Labor and Human Resources Cycle**

Each of the preceding cycles requires the provision of suitable personnel with the necessary qualifications and experience. Human resources and human capital become one of the most valuable assets for any modern business. The selection of suitable staff, their motivation, and retention pose challenges with a significant impact on the business outcomes of any enterprise.