

Business Unit Promotion

Module - III

Promotion of a Company

- **Promotion is the first stage in the formation of a company.**
- **It involves conceiving a business opportunity and taking an initiative to form a company.**
- **exploiting the available business opportunity.**

Steps

1. Discover a business opportunity – The promoter gathers ideas for business through research, market surveys, consultation with advisors, observation at market place etc.

Ideas may be related to –

- Start a new business
- Expand or diversify the existing one
- Purchase another company
- Enter a joint venture or foreign collaboration etc

2. Preliminary investigation- the promoter makes a rough estimate of the expected income and expenditure of the business unit to be started.

the promoter assesses the risks involved and also studies the viability of the project.

3. Size of the business – the promoter has to decide about the size and form of the business unit –whether it will be small, medium or large size or whether it will take the form of proprietary firm, partnership firm, public or private limited company.

4. Location of business – factors taken into account while deciding the location are –

- Easy availability of raw materials, labour
- Nearness to market
- Availability of infrastructure facilities like power, water, roads etc
- Banking facilities
- General law and order situation
- Social infrastructure
- Government policies
- Natural factors
- Safety considerations

5. Financial Planning – The promoter has to decide-

- The capital requirements – Long term or short term
- Sources of collecting funds
- Cost of collecting finance and the returns on capital invested
- The capital structure

6. Structure and Layout - The promoter has to decide about the machines and equipment to be used and the layout. A good layout ensures minimum wastage, better use of available space, safety and security of workers etc.

Organisation structure is the division of departments according to functions and pattern of relationships and responsibilities.

7. Manpower requirements – it includes requirement of skilled, semi-skilled and unskilled workers to do factory and clerical jobs. The promoter should select the right man for the right job.

8. Legal formalities and tax planning – Legal formalities include –

- Licensing
- Permission from local authorities
- Approvals from financial institutions or banks
- Preparation of essential documents
- Formal sanction to start the business

Tax planning includes tax holiday, tax liability, tax concessions.

9. Launching the enterprise – After preparing the business plan, the entrepreneur assembles the necessary resources to launch the enterprise.

He collects the required funds and acquires land and buildings, plant and machinery, furniture and fixtures, raw materials, employees etc.

Once this is achieved, it is necessary to ensure that the project is implemented properly and it has smooth and uninterrupted operation.