Physical Resources

Whatever the product, whatever the service provided by firms, they will all need some combination of all four factors of production to be produced. The actual mix will depend on the product or service, for example the key factor for an oil well is land, but without the other 3 factors no oil will be produced. For a bank, capital is the most important factor, and for a football team labour - but again without the other factors there is can be no Barclays Bank, no BP or Tesco and there is no Manchester United.

The four factors of production are:

- **Land**
- **Labour**
- **Capital**
- **Enterprise**

Of these the Physical resources are Land and Capital.

Land.

Land is often described as the free gifts of nature. The factor of production Land includes natural resources such as minerals, oil, coal, the sea, the fishes in the sea, plus land itself. One of the problems of describing what is meant by land is that as soon as something is added to it, for example fertilizer to soil, it quickly becomes someone's capital, (see below). So when describing land, it is best to stick to the free gifts of nature definition.

When we consider physical resources in relation to business we might be interested in the features of land that can be profitably exploited by firms without involving themselves in farming or extractive industries, so

- the physical relief of the landscape, such as mountains for climbing, beaches for swimming and sunbathing, rivers for fishing become important.
- ecosystems such as rainforest or tropical grasslands are an invitation for business investment in specialist tourism.
- firms will consider weather and climate, and take advantage of the ultimate free gift of nature—sunshine.

Raw Materials.

From land we can extract raw materials. Raw Materials are the inputs from which manufactured goods are produced. Oil, iron ore, and coal are examples of raw materials. Access to raw materials is currently a major concern especially for rapidly developing economies such as China and India. As a result the price of raw materials has been increasing over the last few years as demand has boomed.

Capital.

Capital means money invested into a business. But because the money invested does not

just sit in a bank, but is turned into productive goods that are used within the business, a businesses capital can include , machinery, buildings, vans, computers etc., as well as cash.

It is important for businesses to turn money capital into physical capital that produces a profitable return for the business. So firms purchase with money capital producer goods such as equipment, machinery and vehicles that can be efficiently used within the business. Capital intensive firms rely on invested capital the produce the greatest part of value added.

Management of physical resources is a complex part of large firms. Capital has to produce targeted rates of return, oil fields and mines are expected to achieve set levels of output, equipment must be quickly and effectively integrated into the production process.

Labour.

Labour is perhaps the most important resource in any developed country. Labour includes the skills of those who work, as well as the quantity of people who work or who are available for work. In the UK there are labour shortages, often for skilled jobs, but also for manual workers in areas where the cost of living is high. For more information on Labour as a resource, read the notes on 'Human Resources'.

Enterprise.

Enterprise is the ability to combine the other factors of production, and then to use them to provide profitably, goods or services. Your local plumber will be an entrepreneur, and so are Richard Branson the founder of Virgin Group, and Alan Sugar, famous for the Apprentice programme. For more on the importance of entrepreneurs see notes on 'Functions of the entrepreneur'.

Notes.