

INTERNAL MANAGEMENT PROBLEMS OF MICRO ENTERPRISES IN AIZAWL DISTRICT, MIZORAM

Lalhunthara*

Abstract

The entrepreneurship process consists of constant search for alternatives, certain amount of risk taking, attempts to identify opportunities. In fact, from the moment the entrepreneur conceives the idea of starting his own business he has to work hard against heavy odds. Mizoram is one of the most industrially backward states in India. The entire state has been notified as backward and is categorised as 'No Industry State' due to non-existence of large and medium industries. Mostly micro enterprises exist in while big industries are almost absent. Development of industries in the state is an uphill task as the investors remain fearful to invest due to its topography, small size market, entry restrictions, low end infrastructure and such other related factors. Although opportunities exist, the lack of vision and will to explore the opportunities hampers the industrial development. The analysis of the problems faced by the enterprises is taken up with a view to evaluate the entrepreneurship on the basis of their magnitude and the intensity. This paper aimed at identifying the internal management problems faced by micro entrepreneurs in Aizawl district, Mizoram.

***Key words:** entrepreneurs, enterprises, micro enterprises, internal management*

*Assistant Professor, Department of Commerce, Pachhunga University College, Aizawl, Mizoram; Email: lhthara@yahoo.com

Introduction

The variations in the growth of enterprises may be due to various problems faced by the enterprises from time to time. The problems faced by the entrepreneurs may be different from place to place and between one occupation to another. Even within the same occupation, the problems may be different from enterprise to enterprise and also from entrepreneur to entrepreneur. In fact, the efficiency of the entrepreneurs is measured by his efficiency in handling the problems. The various problems faced by the entrepreneurs may be relating to raw materials, marketing, power supply, labour, finance, technical, managerial and government policy. All these problems in due course affect the overall performance of the business. If the problems have their reflections on the performance, the performance gives an idea of the magnitude of the problems. The better the performance, the fewer may be the problems. In other words, the greater the problems, the greater the non-performance of enterprises leading to lesser growth in terms of investment, employment etc (Rao, 1986).

Every country desire to attain economic growth within the shortest possible time, but in the process, they were seriously handicapped by the rigid institutional set up, political instability, market imperfection, traditional value system etc. The problems of the entrepreneurs in managing the enterprises can be broadly divided into two major groups: internal and external. Internal problems are those which are not influenced by external forces, mainly crop up from within the enterprise and can be controlled internally. External problems, on the other hand, are those which are the outcome of external factors and are beyond the particular unit. The non-availability or scarcity of power, communication problems and other infrastructure bottleneck etc. are examples of external problems while problems relating to organisational

structure, production, distribution, management, training etc are internal problems (Desai, 2006). The North Eastern Region (NER) of India are quite different from the rest of the country due to their socioeconomic, geographical and cultural diversities. Similarly, the problems faced by the industrial sector in this area are also different from their counterparts in the other parts of the country. The industrial sector in this region suffers from a number of innate constraints like entrepreneurial, geographical, financial, social, political and infrastructures. The development of small and medium enterprises in the NER is lagging far behind the other regions of India. In spite of the huge potential for different types of resources based industries, the process of industrialisation is very slow because of the unique geographical location, inadequate infrastructure, worried investment climate, lack of entrepreneurial skill, remoteness of market etc.

Due to the steep slopes of the hills in the NER, road transport and railways are not well developed. The region also suffers from lack of sufficient plain areas to be used for industrial purpose. The ethnic feeling is also very strong especially in Mizoram and Nagaland which retards the industrial growth. Because of the ethnic reason the political economy does not permit free movement of potential investors and skilled manpower from other parts of the country. There is a tendency among the tribal people to get rich quickly. This mental attitude unfavorably affects their courage to take risk in setting up industrial enterprises. The investment environment in this region is also insecure because of the insurgency and terrorism prevailing in the entire NER. Frequent racial clashes, extortion of money by the insurgent groups etc. create an insecure investment environment which discourages the national and multinational companies in investing in the region and ultimately go against the interest of the industrial development (Lingaih, 1998).

The limitations and constraints which hinder the growth of micro and small enterprises at the national level are more or less equally applicable to the problems of this sector in the NER. The enterprises which are run by an individual or a few partners usually suffer from some innate deficiencies like poor capital base, lack of proper technical know how, weak bargaining power, poor marketing capacity of products etc (Deb, 1993). Given the poor performance of the primary sector in Mizoram in accelerating economic growth, it is necessary to establish linkages among different sectors of the economy to boost the overall progress of the region. Though the geographical location, unique hilly landscape combined with infrastructural bottlenecks and other constraints rule out the viability of major industries in the region in general and Mizoram in particular. The linkages can only be established by the development of micro and small enterprises in the region to create income opportunities and generation of employment.

Objetives, data and methodology

The objective of this paper is to trace out the internal management problems of micro enterprises in Aizawl district, Mizoram. The study covers diverse range of micro enterprises. Since it is an exploratory study, it is mostly based on primary data collected from the entrepreneurs of micro enterprises. As per the Third Census of Small Scale Industries (2001-02) there were 2718 registered small scale industries in Mizoram, out of which 2027 were in Aizawl district (1914 were in Aizawl urban and 113 were in Aizawl rural). Precisely all these enterprises constituted the population from which the sample for the purpose of the present study had to be chosen. The size of the sample was fixed at 20% of the enterprises in Aizawl district. Accordingly, a total of 406 enterprises (383 enterprises in Aizawl urban and 23 enterprises in Aizawl rural) were covered. Then the sample was drawn by using random sampling technique. However, in the

course of identifying the sample enterprises in the field study it was found that some of the enterprises were either non-functional or closed units. In such instances, those sample units were selected randomly again. Another practical problem faced at the time of selection of sample units was relating to the nomenclature used in the records kept by the Directorate of Industries, government of Mizoram. In these records ‘micro’ and ‘small enterprises’ were not differentiated because such data was based on the nomenclature used prior to the enactment of the MSMED Act 2006. Hence the researcher had to take the difficulty of eliminating ‘small enterprises’ from the list with a view to confine to only ‘micro enterprises’. It was to be noted that such type of small enterprises are very few in the data provided by the Third Census of Small Scale Industries in respect of Mizoram.

Information from the sample entrepreneurs was collected in by administering a schedule. The schedule was pre-tested and suitable modifications were made after eliciting the opinions of policy makers, experts and selected entrepreneurs. Data were collected at the place of work of the entrepreneurs. Practically the researcher found it difficult to get micro entrepreneur’s time in the first meeting itself. Despite these limitations, the entrepreneurs were cooperative in sparing their time and required information. The data thus collected were further supplemented by unstructured interviews with the entrepreneurs.

Table 1

No. of registered enterprisess in Mizoram : District-wise				
	Districts	Working units in rural	Working units in urban	Total
1	Mamit	20	16	36
2	Kolasib	13	100	113
3	Aizawl	113	1914	2027

4	Champhai	79	101	180
5	Serchhip	17	56	73
6	Lunglei	20	142	162
7	Lawngtlai	3	36	39
8	Saiha	2	86	88
	Total	267	2451	2718

Source: *Third Census of Small Scale Industries*, Ministry of MSME, Government of India, New Delhi

The primary data collected with the help of the schedule is tabulated to make it suitable for further treatment. In addition, the primary data was collected by conducting personal interviews with the Joint Director, Directorate of Industries and Industries Promotion Officers. This is supplemented with the secondary data collected from various government publications. Further, the information was solicited from the website of the Ministry of MSME, government of India.

The sample units drawn on the basis of random sampling technique fall under seven groups of business activities as shown in Table 2.

- *Food items*: This includes enterprises engaged in food items and other related products like milk and milk products, biscuits, bakery and other food items.
- *Wooden*: This group includes enterprises engaged in making and repairing wooden objects and structures, cane and bamboo products.
- *Repair services*: All types of repair services are included here ranging from small electronic items to big machinery.
- *Steel/Metal*: This includes the enterprises who engaged in making, fabricating, repairing, constructing or manufacturing steel structures.

- *Printing/Publication*: This group includes those who engaged in all types of printing and publishing activities.
- *Handlooms*: The enterprises who engage in weaving of cloths and resale them to the market through middlemen or directly to the customers are included in this group.
- *Tailoring*: All enterprises involved in sewing of cloths made from cotton, wool, embroidery etc. and used to make clothes or curtains, are included here.

Table 2

Distribution of sample entrepreneurs		
	Entrepreneurial activity	Sample size (in units)
1	Food items	20
2	Wooden	110
3	Repair services	69
4	Steel/Metal	85
5	Printing/Publication	19
6	Handlooms	34
7	Tailoring	69
	Total	406

Rationale of choosing Aizawl district

The number of entrepreneurs engaged in activities like manufacturing, printing/publications, food processing, handlooms, tailoring etc are found to be abundant in Aizawl district of Mizoram. As seen in Table 1, 74.5% of the registered enterprises are located in Aizawl district. In this context, it was thought that Aizawl district represents the whole of Mizoram.

Internal management

The entrepreneur should understand that he or she could make his or her dreams come through only with the active

cooperation and participation of the employees. If he or she does not pay attention to this aspect, all the other efforts like production planning, financial planning, business and marketing strategy etc. will only be on paper. He should promote friendly, harmonious, cordial and affectionate relationship with the employees so that the employees will contribute to the vision of the entrepreneur. Efficient management of human resources is an important factor in determining the growth and development of business enterprises. This holds true particularly in small business where the owner entrepreneurs have to forge a close and more personal relationship with the employees (Jayabal and Nagarajan, 2008).

Unlike large organisations, supervision and control mechanism in small enterprises are more direct and informal (Cassell, et al., 2002; Jackson, et al., 1989; MacMahon and Murphy, 1999). The owner-entrepreneur plays an important role in managing human resources in small enterprises (Koch, 1996). Employees are in direct contact with the owner-entrepreneur and are known to him personally. This is the reason that the entrepreneur's aspirations and tactics of the entrepreneurs shape the business culture of the enterprises (Marlow and Patton, 1993).

The problems faced by the sample entrepreneurs with regard to the internal management are given in Table 3.

Table 3

Problems of internal management							
	Problems	Entrepreneurs' ranking of internal management problems					
		Number one	Number two	Number three	Weighted score	Rating (%)	Rank
1	Lack of co ordination	33	31	14	175	20.3	2
2	Lack of communication	26	30	15	153	17.7	3
3	Lack of team work	37	29	11	180	20.9	1
			93				

4	Lack of leadership skills	13	17	8	81	9.4	6
5	Improper delegation of authority	21	11	45	130	15.1	4
6	Lack of work culture	21	12	14	101	11.7	5
7	Any other problems (please specify)*	8	7	4	42	4.9	7
8	No. of entrepreneurs not responded	-	22	48	-	-	
	Total	159	159	159	862	100	

Note: 247 enterprises were reported no problem in internal management.

**Other problems include lack of experience to deal with personnel.*

Source: Field survey by the author.

It can be seen from the table that 39.2% of the enterprises were reported to be facing the problem of internal management. In fact, the problem of internal management is not a serious problem confronted by the enterprises under the present study. This is because of the fact that all the enterprises were micro and the number of persons employed by them was also small. It is to be noted that all the enterprises under the study were managed under sole proprietorship form of business.

Among the different problems of internal management, lack of team work was rated as the most serious problem faced by the enterprises (20.9% of rating), followed by lack of co-ordination (20.3% of rating), lack of communication (17.7% of rating), improper delegation of authority (15.1% of rating), lack of work culture (11.7% of rating) and lack of leadership skill (9.4% of rating). However, the problems of internal management faced by the entrepreneurs were more or less equally spread among all the enterprises.

Nearly half of the sample entrepreneurs indicated lack of team work as one of the three important internal managerial problems faced by them. Every single employee's performance

in small enterprises is more important than in large enterprises because the per person's influence on productivity and profitability of the entire organisation is higher in case of the former (Singh and Vohra, 2009). Almost 30% of the entrepreneurs in the present study indicated lack of work culture in their enterprises as one of the three important problems relating to internal management.

Similarly, every alternative entrepreneur in the study felt lack of coordination as one of the three important internal managerial problems faced by them. It is the responsibility of the owner-entrepreneur to achieve good human relations in the enterprise. He must keep himself in touch with the workers and understand their personal problems. He should try to reconcile the conflicting interest in the organisation as harmony is a must for growth and prosperity of the enterprise. When a number of people are working to carry out task, coordination is the only method of synchronisation. Co-ordination is an important method by which the owner-entrepreneur can avoid potential sources of conflict among the members of the workers. Co-ordination is a creative force to harmonise the efforts of various individuals. It gives unity of direction to the group of workers. The quality of co-ordination is the crucial factor in the survival of the business organisation. It is the responsibility of the entrepreneur to keep ears and eyes open to see that whether there is proper coordination among the various activities performed by the employees of the business undertaking (Barnard, 1939).

One of the important requirements for achieving coordination is the presence of effective communication between the entrepreneur and the employees and among the workers themselves. The good communication system will help in the integration of various activities in the business. Communication can also help in motivating the employees and getting their

cooperation. The entrepreneur can motivate his employees by using appropriate words to commend their performance. This leads to better human relation among the workers which in turn leads to better cooperation, better team work and better work culture. The entrepreneur should try to develop effective communication because it is only through communication that the entrepreneur can attempt to mould the attitudes of workers, motivate the workers, fulfill leadership role and coordinate the efforts of people within the organisation. In case of the sample entrepreneurs of the present study, lack of communication was one of the three important problems confronted by them concerning internal management of the firm.

The problems relating to internal management of the business are interrelated and interdependent. For example, there can be no proper communication among the workers without the presence of proper spirit of team work. Since the entrepreneurs themselves are the managers of the enterprise, their role is very important in handling their employees. Improper handling of the workforce through defective personnel policies may compel the entrepreneurs to be satisfied with less qualified and less efficient workers. This may create various problems such as labour turnover and absenteeism. In order to avoid or handle the problems relating to internal management of the enterprises, entrepreneur should possess adequate managerial and leadership skills.

Interestingly, about 24% of the sample entrepreneurs confessed that lack of leadership skills was one of the three important constraints faced by their firms relating to internal management. The leadership pattern of the owner-entrepreneur plays an important role in managing human resources of the enterprise. The owner-entrepreneur's aspirations and style of leadership in the formative years of the enterprise shape the work culture of the enterprise.

Leadership is an important part of entrepreneur's job. He must be able to lead the employees under him for inspiring team work. He should have the ability to induce the employees to work with confidence and zeal. The entrepreneur can achieve maximum co-operation from the employees by providing good communication and by motivating them. He should also be able to co-ordinate the various activities of the workers. All the internal management problems can find their solutions if the entrepreneur has adequate knowledge of basic management principles.

It may be suggested that the entrepreneurs need to be more assertive towards their employees, but at the same time they should pay reasonable remuneration to the labourers and should be kind and helpful towards their needs. If possible effective incentive system should also be formulated by the entrepreneurs. This may improve the motivation, performance and efficiency of the workers. In order to have effective and efficient management of the enterprise, the entrepreneurs must get themselves trained in management skills and development. In order to have efficient and committed workforce, the entrepreneurs must pay proper attention to training and employee development activities and undertake systematic human resource management practices. This will prevent, to some extent, the conflict and problems relating to the internal management of the enterprise.

Role of training and development

The Directorate of Industries, Zoram Industrial Development Corporation (ZIDCO), North Eastern Development Finance Corporation (NEDFi), Micro, Small and Medium Enterprise Development Institute (MSME-DI), [formerly known as SISI], North Eastern Industrial Consultancy (NECON), Small Industries Development Bank of India (SIDBI), Mizoram KVI Board and many more share the responsibility of promotion of

entrepreneurship in Mizoram by conducting different skill development and training programmes from time to time. Out of 406 sample micro entrepreneurs in the study, only one-fifth of the entrepreneurs found an opportunity to attend training and skill development programme. The remaining 80% never attended any such programme.

When enquired about the reasons for not participating in any skill development or training programme, 38.5% of those who have not attended such programme admitted their ignorance or lack of awareness of training programme as shown in Table 4. 28% of the entrepreneurs did not attend any training programme as they do not see any utility. About one-fourth of the entrepreneurs found it ‘inconvenient’ to attend training/development programme. Only 8.3% said they did not attend such programmes as it would be ‘expensive’ to attend.

Table 4

Entrepreneurs' reason for not taking management development programme			
	Reasons	No. of Entrepreneurs	%
1	Not aware of such programmes	125	38.5
2	Do not think useful	91	28
3	Expensive	27	8.3
4	Inconvenience	82	25.2
5	Other reasons (please specify)	-	-
	Total	325*	100

*The remaining 81 entrepreneurs found an opportunity to attend a management development programme.

Source: Field survey by the author.

It may be suggested that any agency undertaking management development programmes to the entrepreneurs, should publicise the event by using mass media well in advance. Directly contacting the target groups of entrepreneurs by using 'right' people such as opinion leaders, leaders from business community and Non-Government Organisations (NGOs) would enable the entrepreneurs to take keen interest in training and development programmes. The agencies involved in conducting such programmes should make use of experts having practical knowledge. Some of the entrepreneurs said that if they think such programmes were useful, they can spare their time in attending the training programme and the problem of inconvenience will not arise. But because of the reason that they do not think useful, they don't want to waste their time in attending unnecessary training programmes.

Although there are three industrial training institutes and two polytechnics to train entrepreneurs in Mizoram, some entrepreneurship development programmes were occasionally conducted in Mizoram by different agencies cited above. The poor response to entrepreneurial development programmes indicates lack of interest or keenness on the part of organising agencies and entrepreneurs in such programmes. Sometimes, it gives an impression that such programmes were being conducted as a mere formality to achieve certain 'targets' on papers. Although the government of Mizoram offered training and subsidy support to willing persons, entrepreneurship could not be developed considerably in the state to enable the entrepreneurs to take up high value projects. One important reason for lack of entrepreneurship development in Mizoram is lack of entrepreneurial motivation. People were not motivated to take up own enterprise.

Entrepreneurs' rating of training and development programmes

At the time of field survey, with a view to know the perceptions of the entrepreneurs about the usefulness of training and development programmes, they were asked to give rating of such programmes they attended (Table 5).

Table 5

Entrepreneurs' rating of usefulness of management development programme			
	Entrepreneurs' rating	No. of entrepreneurs	%
1	Very useful	10	12.3
2	Useful	28	34.6
3	Not very useful	34	42
4	Not useful	9	11.1
	Total	81	100

Source: Field survey by the author.

Of the 81 entrepreneurs who has experience of participating in training and development programmes, only 12.3% of them perceived those programmes as 'very useful'. Over one-third of them felt that such programmes were 'useful'. The rest of 53.1% of the entrepreneurs were not satisfied with the training and development programmes they had attended so far. Here it is recommended that the government should take some measures in the process of entrepreneurship development by setting up more number of institutions for the development of entrepreneurship.

Conclusion

The micro enterprises in Mizoram face some inherent problems such as small markets, low productivity, high cost, poor

technology, lack of entrepreneurial mind and scarcity of funds. Modernisation of business proves to be difficult due to the very small capital base of the enterprises. Lack of good infrastructure is one of the serious constraints faced by the entrepreneurs in Mizoram, which is considered an obstacle in the growth of enterprises in the state. The inadequacy of infrastructure facilities hold back the state from capitalising the advantage it has in terms of availability of forest resources and natural resources. In the hilly state of Mizoram, even after six decades of economic planning in India, the state suffers from inadequate road transport and communication system, which is the major impediment to the socioeconomic development of the state. The enterprises have to incur about 10-20% extra cost as compared to units in other states owing to high cost of transportation. The project cost is also higher by 20-25%. The critical inputs that mostly come from outside the state are neither available in adequate quantity nor in time.

Out of the micro enterprises confronting the problems internal management, the biggest problem was 'lack of team work' followed by 'lack of coordination' and 'lack of communication'. 80% of the entrepreneurs never participated in any skill development or training programme. Of a few entrepreneurs who attended such programmes, most of them were not satisfied with the quality of such programmes.

Thus, the problems faced by the entrepreneurs are multi-dimensional which can be solved by coordinated efforts of entrepreneurs, supporting institutions and government agencies without red-tapism and bureaucratic attitude. The entrepreneurs should be educated and proper training should be given so that the entrepreneurial mind would be strengthened. Therefore, the need of the hour is to strengthen the sector so that it could adapt to the liberalised environment and contribute to the state's economy.

It is also desirable for potential entrepreneurs to acquire few years of experience in the line of activity they intend venturing into. This would give them an insight into the functioning of a business enterprise and will therefore prepare them to better face the challenges ahead in the start up and management of their enterprises.

References

Barnard, Chester I (1939), *The Functions of Executive*, Harvard University Press, p.256

Cassell, C., Nadin, S., Gray, M and Clegg, C (2002), Exploring Human Resource Management Practices in Small and Medium Enterprises, *Personnel Review*, vol. 31, No. 6

Deb, Ranabijoy (1993), *Small Scale Industries in India: A Case Study from Assam*, Mittal Publication, New Delhi.

Desai, Vasant (2006), *Small Scale Industries and Entrepreneurship*, Himalaya Publishing House, Mumbai.

Jackson, S.E., Schuler, R.S and Rivero, J.C (1989), Organisational Characteristics as Predictors of Personnel Practices. *Personnel Psychology*, vol. 42, No. 4

Jayabal, G and Nagarajan, K (2008), 'Entrepreneurial Failures : Causes and Cures', in *Current Trends in Entrepreneurship* [S.Mohan and R. Elangovan (Ed)] Deep and Deep Publication, New Delhi, p.275

Koch, M.J (1996), Improving Labour Productivity: Human Resource Management Policies do Matter, *Strategic Management Journal*, vol. 17, No. 5

Lingaiah, K (1998), *Industrialisation in Tribal Areas*, RBSA Publishers, Jaipur.

MacMahon, J and Murphy, E (1999), Managerial Effectiveness in Small Enterprises: Implications for HRD, *Journal of European Industrial Training*, vol. 23, No. 1

Marlow, S and Patton, D (1993), Managing the Employment Relationship in the Smaller Firm: Possibilities for Human Resource Management. *International Small Business Journal*, vol.11, No. 4

Rao, N. Gangadhara (1986), *Entrepreneurship and Growth of Enterprise in Industrial Estate*, Deep & Deep Publications, New Delhi.

Singh, Manjari and Vohra, Neharika (2009), Level of Formalization of Human Resource Management in Small and Medium Enterprise in India, *The Journal of Entrepreneurship*, Sage Publication, New Delhi, vol.18, No.1, Jan – Jun.

Third Census of Small Scale Industries (2001-02), Ministry of Micro, Small and Medium Enterprise, Government of India, New Delhi.