



**University of Fort Hare**  
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The Role of Records Management in the sustainability of  
Small Micro Medium Enterprises (SMMEs) in the Eastern  
Cape, South Africa: A Study of Alice and Fort Beaufort

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By

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A thesis submitted in fulfilment of the requirements of a  
Masters' degree in Library and Information Science  
(M.LIS).

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Submitted: 2014

# Declaration

I declare this is my own work, and that it has not been submitted at any university for the award of any degree. I also declare that the ideas reflect my own intellectual property and that assistance received from other authors was acknowledged and referenced accordingly.

# Dedication

My dedication is to God Almighty, the study is dedicated to Professor P. A. Ajibade, and his entire family. My Mother Florence E. Ajibade, who gave up her dream that I might have one, your joy is fulfilled and your dream realized. And those you never stop believing.

# Acknowledgement

Given honours to who is due, this acknowledgement goes to my supervisor F.E. Khayundi who had given more than enough room to learn, all the supports needed and insights in shaping this study. I am mostly grateful for constructive structuring and re-alignment of this work and painstakingly going through all the drafts. Without whose efforts and financial bursary approval (supervisor linked bursary), this work would have suffered great setback. To the author and giver of life who has made this work a success, the Alpha and Omega.

Special acknowledgement to the following; my brothers, sisters and family and above all, Professor and Mrs P.A. Ajibade, for all you have been to me, encouragement, patience, support, care and love, words are too short and inadequate to express my gratitude. Most special place in my heart is Raphael and Michael Ajibade, your life has been a blessing to me personally. And to the angel of the house Rosemary Eniola Abigail, your arrival is a timely and memorable one.

To all who have stood by me lest I fall, you are all appreciated. To the entire team at the office for International Affairs, most especially C.N.Kukubo who gave opportunity to develop and Mr A. Johnson for supporting my dreams, you are all appreciated. To those who have contributed in one way or the other to this journey, I am grateful indeed.

# Abstract

The study sought to investigate the role of records management in the sustainability of the Small Micro, Medium enterprises (SMMEs) in the Eastern Cape Province of South Africa with focus on Alice and Fort Beaufort towns. The objectives of the study were to identify the types of records that are kept by SMMEs; evaluate the infrastructure for the SMMEs records management; determine the compliance of SMMEs with the existing RM legal and regulatory requirements; and identify the challenges related to SMMEs records practices. Twenty three (23) respondents from SMMEs were interviewed. Findings revealed all the respondents could not confirm adoption of any systemic way of records management to support business functions and operations. Majority of the SMMEs due to their inability to maintain records could not identify potential benefit of business RM with an exception of three SMMEs. The respondents were not aware of any compliance and regulatory framework most especially on business records management. The challenges facing SMMEs include; inability to capture/create maintain, preserve business records systematically in its lifecycle. The SMMEs lack needed training especially in records management to allow them the benefit of maintaining business records. It is recommended that SMMEs should acquire skill that would enable them manage their business records that may help improved decision making. There should be legislative and regulatory framework that ensures compliance. And assistance should be rendered to train SMMEs on basic RM skills that could improve their business operations.

**Key words:** SMMEs, records management, sustainability, infrastructure, South Africa, Nkonkobe,

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# List of Acronyms

ECDC:	Eastern Cape Development Commission
EU:	European Union
EEA:	European Economic Area
ERMS:	Electronic Records Management System
ESARBICA:	Eastern and Southern Africa Regional Branch of the International Council on Archives
DTI:	Department of Trade and Industry
GDP:	Gross Domestic Product
NEDA:	Nkonkobe Economic Development Agency
OECD:	Organization for Economic Cooperation and Development
IT:	Information Technology
ISO:	International Standard Organization
IRMT:	International Records Management Trust
PAIA:	Promotion of Access to Information Act
RM:	Records Management
SARS:	South Africa Revenue Service
SEDA:	Small Enterprises Development Agency
SMEs:	Small Medium Enterprises
SMMEs:	Small Micro Medium Enterprises
UK:	United Kingdom
US:	United States
UNCTAD:	United Nation Commission on Trade and Development
VAT:	Value Added Tax

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# CHAPTER ONE

## INTRODUCTION AND BACKGROUND OF THE STUDY

### 1.1 Introduction

This research aims at investigating the role of records management (RM) in the sustainability of small, micro and medium enterprises (SMMEs) in the Eastern Cape Province. SMME in this context refers to business enterprises engaging between one to ten workers, (National Small business Act 102, 1996). The distinction between SMEs and SMMEs is that the SMMEs incorporate micro businesses, while the Small and Medium Enterprises deal with a bigger structure (Lukacs (2005). According to Becker (2004) SMMEs are referred to as informal economy, which is unregulated by policymaker, or non-formal portion of the market that produces goods and services for sale or for other forms of remuneration.

Research has shown that in the European Union (EU), SMMEs are economically important with 98% indicated as SMMEs out of an estimated 19.3 million enterprises, providing around 65 million jobs (Lukacs, 2005). The same phenomenon reverberates across numerous countries such as USA, Canada, Sweden, and Latin America. New Zealand enterprises comprise 98% SMMEs (Lawrence, Collins, & Pavlovich, 2006). SMMEs contribute 33% to India's total export (Monks, 2010).

According to Webster and Hare (1999) SMMEs manage records to facilitate business functions, to meet legal, operational, and accountability requirements. This includes creation, storage, retrieval and disposal of records and these are given

priority to enhance business sustainability. In most of the EU member states, SMMEs maintain considerable records management and some even utilize information technology (IT) to optimise various record management processes to facilitate efficient and time effective access to records in order to ensure improved service delivery. SMMEs in the UK have realized that the use of information technology and RM is the third most important area for business improvement identified after management and training. The findings also showed that most SMMEs are aware of the role and significance of RM in aiding growth and sustainability.

In the member states of the Organization for Economic Cooperation and Development (OECD), this comprises thirty countries; SMMEs represent over 95% of enterprises and generate over half of total private sector employment (Lukacs, 2005). In the EU, it was reported that SMMEs ability to maintain records management assisted them in their various operations and promote efficient access to records and ensured improved service delivery (Webster, Hare & McLeod, 1999). This enhanced the overall performance of the business management compared to those that failed to adopt proper records management. This may explain some of the reasons why the OECD member states have had so many successful SMMEs businesses to sustain their economies (Webster, Hare & McLeod, 1999; Borglund et al, 2009).

The findings by Tushabomwe-Kazooba (2006) revealed that poor recordkeeping and a lack of basic business management skills are major contributors to small business failure in Africa. According to Kauffmann (2005) few countries in Africa have working definitions of SMMEs, and thus making it extremely difficult to assess performance and compliance with regulations. Also data on their RM cannot be easily compared

to the European countries which operate under regulated market. According to Mutula (2011) RM, and in particular e-records, have received significant attention in large corporations.

According to Okpara (2011) some SMMEs in Africa cannot sustain their business because of their ignorance about the importance of keeping well documented track records of all business activities. Business owners spend their capital because they cannot differentiate between business capital and profit. This leads to business stagnation and failure. Despite the enormous contribution of SMMEs to Africa's economy and in sustaining impoverished populace, the performance is said to be below expectation. It could be argued that, records management could play a crucial role in the tracking of business activities and monitor growth.

Record keeping is enforced by international and national legislative laws. In South Africa there is the Company Act No. 71 of 2008. There are other international and national regulatory frameworks and guidelines such as ISO 15489, ISO 9000, ISO 14000, and SANS 15489 as standards and regulatory requirements for records management in businesses. These requirements emphasize the importance of efficient records managements as a yardstick to promote business and ensure sustainability (Borglund, 2009; Chachage and Ngulube, 2006; Webster and Hare, 1999). In South Africa, there is the National Archives Act; Promotion of Access to Information Act No.2, (PAIA) 2000; The National Small Business Act No. 29, 2004; The Companies Act, No. 71 of 2008 that require business records to be managed irrespective of size or nature, and some to be kept indefinitely. South Africa Revenue Service (SARS) require businesses to keep records such as sales books, ledgers, receipts, invoices, cash books, electronic data, and documents relating to capital gains or losses for a period of five years (SARS, 2012).



SMMEs accounted for approximately 60 per cent of all employment in the economy and more than 35 per cent of South Africa's Gross Domestic Product (GDP) (Roadwell, 2013). But according to Biekpe, (2010) SMMEs provides up to 90% employment opportunity in South Africa. This serves as a vehicle by which the lowest income people in the society gain access to economic opportunities. It was estimated that this represents 97.5 per cent of the total number of business firms in South Africa. It accounted for 42 per cent of total remuneration, and has between 500 000 and 700 000 businesses (Abor and Quartey, 2010:2337 cited in Roadwell).

SMMEs classification in South Africa; source – National Small Business Acts No. 26, amended in 2003;

Table 1: (Source: National Small Business Act as Amended by March 2003)

Business enterprises classification according to sectors				
Sector according to the Standard industrial Classification	Classification categories	Classification by number of employees	Total turnover ZAR (million)	Total gross asset value (fixed property excluded) ZAR (million)
<b>Agriculture</b>	Small	50	3.00	3.00
	Micro	5	0.20	0.10
	Medium	100	5.00	5.00
	Very Small	10	10	0.10
<b>Mining and quarrying</b>	Small	50	10.00	6.00
	Micro	5	0.20	0.10
	Medium	200	39.00	23.00
	Very Small	20	4.00	2.00
<b>Manufacturing</b>	Small	50	13.00	5.00
	Micro	5	0.02	0.10
	Medium	200	51.00	19.00
	Very Small	20	5.00	2.00
<b>Electricity, Gas and Water</b>	Small	50	13.00	5.00
	Micro	5	0.20	0.10
	Medium	200	51.00	19.00
	Very Small	20	5.10	1.90
<b>Construction</b>	Small	50	6.00	1.00
	Micro	5	0.20	0.10

	Medium	200	26.00	5.00
	Very Small	20	3.00	0.50
<b>Retail and Motor, Trade and Repair Services</b>	Small	50	19.00	3.00
	Micro	5	0.20	0.10
	Medium	200	39.00	6.00
	Very Small	20	4.00	0.60
<b>Wholesale, Trade, Commercial Agents and Allied Services</b>	Small	50	32.00	5.00
	Micro	5	0.20	0.10
	Medium	200	64.00	10.00
	Very Small	20	6.00	0.60
<b>Catering, Accommodation and other Trade</b>	Small	50	6.00	1.00
	Micro	5	0.20	0.10
	Medium	200	13.00	3.00
	Very Small	20	5.10	1.90
<b>Transport, Storage and Communications</b>	Small	50	26.00	6.00
	Micro	5	0.20	0.10
	Medium	200	26.00	6.00
	Very Small	20	3.00	0.60
<b>Finance and Business services</b>	Small	50	26.00	5.00
	Micro	5	0.20	0.10
	Medium	200	26.00	5.00
	Very Small	20	3.00	0.50
<b>Community, Social and Personal Services</b>	Small	50	6.00	3.00
	Micro	5	0.20	0.10
	Medium	200	13.00	6.00
	Very Small	20	1.00	0.60

SMMEs are of significant importance and critical to South Africa's ability to address the serious economic and unemployment problems across all industries and sectors. It has been established that SMMEs are capable of redressing the menace of income inequality, lack of international competitiveness and low social-economic growth (Leach, 2012). It may be said that SMMEs serve as "panacea" for South Africa's poverty and inequality problem (Leach, 2012). Yet majority of South Africa's SMMEs are micro and survivalist enterprises with not so impressive signs of enterprise growth (Bauer in 2012).

In South Africa, the role of SMMEs to the economy is crucial. It was estimated that 90% of the country's workforce (excluding public sector) is employed by this sector

(Biekpe, 2010). Estimated failure rate of SMMEs in South Africa is 70% to 80% (Brink, Cant, & Ligthelm, 2003). The study also indicated that seventy per cent of the SMMEs did not keep records. But according to a research by Fatoki and Van Aardt Smit, (2011) it was reported that failure rate of new SMMEs in South Africa is at 75%, ranking among the highest in the world.

It was reported that 75% of applications for bank credit by new small medium enterprises (SMEs) and SMMEs in South Africa are rejected. One of the major reasons cited for this was lack of access to the business finance record, lack of adequate business information, and proper bookkeeping. However, some of the reasons why keeping business records are critically important are because business records are mandatory for compliance with regulation and legal requirements (Megginson et. al, 1997; Magashula, 2012).

Tushabomwe-Kazooba (2006) emphasizes the importance of proper record keeping for it enables small businesses to have accurate information on which to base decisions making, assess sales and purchases trend and for a wide range of other financial analyses. The finding in Uganda revealed that some business owners were unable to separate their business and family and domestic situations. Business funds were put to personal and domestic issues. This has a negative impact on profitability and sustainability. The effects of records management in the smooth running and sustainability of SMMEs is evident by records documenting the growth path and serving as a memory bank of business (Megill, 2005).

In the Eastern Cape Province in 2002, SMME's employed 68.2% of the workforce out of the total employable population. This was reported to have accounted for 21% of total employment generation in the province (ECDC, 2012). SMME's total

contribution to the provincial GDP was 36.1% out of which agricultural based SMMEs contributed 13% to the GDP and 8% to employment (Dedea, 2010).

### **1.1.1 Records Management**

According to international standard organization, the following is regarded as what makes up records management (ISO 15489: 2001);

- ❖ Establishment of standards and policies.
- ❖ Delegated authorities established for assigning who will be responsible for records.
- ❖ Ensuring adherence to set standards and guidelines.
- ❖ Supplying other needed services in order to use and manage records appropriately.
- ❖ Design and implement systemic records management.
- ❖ Ability to integrate records management into business systems and processes (National SMEs Development Council, 2011).

## **1.2 Records management contextualization in SMMEs**

### **1.3 Records**

According to Smith, (2009) records are recorded information regardless of form, created or received in pursuance of legal obligations or in conducting business activities, and providing evidence of such obligations as well as transaction of that business (Smith, 2009).

Both large and small companies generate and use records in the course of their businesses document processes, decision, contract, leases, and payment to name but few processes. Records management has been defined in several ways and

approached from different angles by scholars in this field. In the present age, various scholars have written about and carried out researches on records management (Ngulube, 2011; Gunnlaugsdottir, 2012; Smith, 2009; Brown, van der Wiele, & Loughton, 1998; Healy, 2010; Kemoni, 2009; Naa, 2013; Nurre, Gunaman, & De-Almeida, 2013; Khayundi, 2011). But from their various definitions, the central point of records management concepts, definitions, and theory are unified.

International Standards Organization (ISO 15489) defines records as recorded information which is either created by the organization, business entities or persons, that is maintained in pursuance of legal obligations or business transactions (Weisinger, 2010).

It was reported that most companies, especially in small scale business, are uncertain about what make up a record (Weisinger, 2010). For the purpose of this study, the researcher would like to argue that, irrespective of format or storage media; paper, electronic, microchips, files, e-mail, databases, discs, flash drives and disks, records are useful information maintained to support business decision making. There are ensuing debates on whether information in voicemail, audiovisuals, instant messaging can also be considered as records (Weisinger, 2010). The classification of these debates becomes necessary as SMMEs need adequate knowledge of what should be regarded as useful information worthy of preservation. Undoubtedly, all documents that is not useful for decision making or further storage for future purpose is not record but can be classified as document.

However, according to Dick, (2011) enterprise documented information becomes records; if it documents business transactions, provides useful information, supports business decisions making, documents actions taken to an enquiries, documents reasons for changing business policies, and business processes (Dick, 2011). The

application of records management principles to the operations of SMMEs is core to its success or failure. While bigger and large businesses in this present age have benefited from adaptability of records management (Chachage & Ngulube, 2006), the SMMEs are yet to tap the same benefits in order to thrive.

### **1.3.1 Small, Micro and Medium Enterprises (SMMEs)**

SMMEs are small, micro, medium enterprises or businesses in an economy. Different stakeholders, as well as economists view this sector as a critical contributor to be considered in promoting more equitable development (Jeppesen, 2005). Though SMMEs is viewed as small businesses, yet collectively they have the capacity to contribute significantly to the overall wellbeing of a nation. SMMEs have the capability to power individual, corporate bodies and nations at large. In the local industries across the globe, SMMEs have within their sphere of influence, the ability to create jobs for varieties of stakeholders and empowerment. Generation and redistribution of wealth is essential, and SMMEs tend to fill this vacuum. This is the ability of the SMMEs to document every transaction from inquiries, services, requisition, supplying, sales, income generation and cash flows. All this information is essential for the businesses to stay afloat. It might be appropriate to say that, SMMEs sustainability may be enhanced if the SMMEs have the ability to be more accountable for every business decision. This may be enhanced through appropriate documentation and records management.

### **1.3.2 The Research Problem**

SMMEs, in an ideal situation, should be able to maintain all records that are created or received in the course of business as evidence of transactions. RM promotes accountability, and documentation of all financial decision. In the developed world

with an advanced economy, SMMEs are reported to be maintaining RM for operation, administrative and legal compliances reasons (Webster, Hare, & McLeod, 1999; Borglund, Anderson, Sirkemaa, Wahlberg, & Sandberg, 2009). Available research findings indicated that, failure rate of SMMEs in South Africa is at 75 per cent, ranking among the highest in the world. Seventy five per cent of application for bank credit by new SMEs and SMMEs in South Africa is rejected. Among the contributing factors to this failure is poor management, lack of access to finance and poor RM by SMMEs. Additionally, most SMMEs are situated in the rural areas, especially in the historically disadvantaged areas; a scenario which poses additional hurdles in fostering efficient business functions.

Study done in Uganda indicated also that most SMMEs seem not to comply with existing records management and legal requirements (Tushabomwe-Kazooba 2006). In South Africa, this study seem to be the first to research explicitly on RM and SMMEs, as several search engine visit returned no available result on this topic. *Mail and Guardian* (2012) reported that 80,000 jobs were created by the SMMEs sector of the economy in January 2011, but declined by 33.3% in the February 2012. Access to finance and logistic assistance were some of the problems identified. It could be said that most SMMEs in South Africa may not be aware of the requirements and administrative importance of records management (RM) in monitoring, and sustenance of businesses. SMMEs in the Eastern Cape cannot be an exception to this. At present there is a lack of sufficient literature on the importance of RM in the sustainability of SMMEs in the Eastern Cape Province. This makes research in this area to be important. The findings of the study may be useful to those involved in the running of SMMEs as well as the policy makers.

### **1.3.3 The Research Questions**

- ❖ What types of records are kept by SMMEs?
- ❖ What infrastructure is used to manage SMMEs records?
- ❖ Do SMMEs in Alice and Fort Beaufort comply with existing RM legal requirements?
- ❖ What are the challenges facing the SMMEs in managing records?

### **1.3.4 Research Aims and Objectives**

The aim of this study is to investigate the role of records management in the sustainability of small, micro and medium enterprises (SMMEs) in the Eastern Cape Province.

## **1.4 Specific Objectives**

- ❖ To identify the types of records that are kept by SMMEs
- ❖ To evaluate the infrastructure for the management of SMMEs records in the Eastern Cape
- ❖ To determine the compliance by SMMEs with the existing RM legal and regulatory requirements
- ❖ To identify the challenges related to SMMEs records practices
- ❖ To make recommendations on how records management may impact SMMEs business sustainability

### **1.4.1 Significance of the Study**

The research findings may be a significant tool to assess SMMEs performances as a major contributor to South Africa economy. The findings may guide policymakers in looking into SMMEs operations in order to ensure businesses comply with records



management regulatory requirements. This would educate them on the tools and procedures to adopt in keeping necessary records of business transactions. Dissemination of findings through public education media may inform businesses to determine their business operation viability, thus ensure sustainability. Maintaining accurate records might increase their chances of access to credit from financial institutions, thus reducing the rate of application turndown.

Awareness of the importance of business records management may sharpen their understanding, and ensure compliance. This may lead to better records management and sustainability of their businesses. It will also contribute to the body of knowledge and inspire research in the area.

#### **1.4.2 Delineation**

The study demarcation was the SMMEs in the Nkonkobe Local Municipality particularly in Alice and Fort Beaufort Towns. The population of the study was limited to the 23 sampled SMMEs in Alice and Fort Beaufort business district. The SMMEs in this context referred only to businesses with the numbers of employees between one to five people for the main purpose of engaging in entrepreneurial activities.

#### **1.4.3 Limitations**

The study sample was sufficient for the study, yet the study was unable to interview all the SMMEs in the Nkonkobe local municipality. This would limit the generalizability of the study. One of the limitations of the study is that little or no study have been done in South Africa specifically on this subject, thereby there is lack of sufficient literature to highlight the Africa context and South Africa respectfully.

## **1.4.4 Definitions of Terms**

### **1.4.4.1 Records**

Records are defined as the recorded information useful for the business transactions. It is information created or received, that is maintained as evidence of business transactions. This involves every declared document that aids smooth running of the business or needed for business decision making (ISO 15489; Dick, 2011).

### **1.4.4.2 Records management**

Records management are defined as the management of recorded information useful for the business transactions. It involves managing created or received records throughout the stages of creation, maintenance and use, storage, preservation and final disposition. These involve every declared document that aids smooth running of the business or needed for business decision making (Healy, 2010).

### **1.4.4.3 Records lifecycle**

Records life cycle is the systematic and coherence pathways records go through since the day of natural existence to extinction. Records life cycle means a movement of records in logical steps from the creation through to its use, storage and retention in active file, transfer to inactive files, final storage and disposal (McLeod, 2005). According to Yusof and Chell, (2000) a record in a lifecycle is recorded information created or received, and maintained in a systematic way as evidence of transaction by an organization, business or person, in pursuance of legal obligations or in the transaction of business.

#### **1.4.4.4 Business life cycle**

The business life cycle entails the developmental stages or phases business goes through from the inception through to maturity phases. The theory hypothesizes that, just as a growing organism, a business enterprise has a different or distinctive life cycle (Jones, 2009; (Levie & Lichtenstein, 2010)

#### **1.4.4.5 Small medium and micro enterprises SMMEs**

SMMEs in the context of this study are businesses irrespective of categories, industries or trade, which employ between one person and five individuals including the owner but not exceeding this specified number frame.

#### **1.4.4.6 Sustainability**

Sustainability is the capability to support or ability to give strengthen or vigour to something or business either physically or otherwise (Hornby, 2012). In the context of this study, it would mean the ability of records management to provide strength/support to the SMMEs in order to function optimally.

### **1.4.5 Organization of the thesis**

#### **Chapter 1:**

Chapter one serves to introduce the study. This covers the background to the study, statement of the problem, research questions, objectives, and significance of the study, delimitation, limitations, the definition of terms, and the study structure.

#### **1.4.6 Chapter 2:**

The literature review: The chapter discusses theories relevant to the study and provides literature on related studies done by various authors on SMMEs and records managements. This chapter also presents a review of literature and an overview of the current situations of SMMEs and their records management as well as the perceived challenges they are facing in managing their business in South Africa.

#### **1.4.7 Chapter 3:**

This chapter focuses on the research methodology. This covers the research approach and design, sampling procedures, data collection methods and analyses that were utilized in the research. An overview of the study site is given.

#### **1.4.8 Chapter 4:**

The chapter presents and discusses analysed data in relation to the research objectives.

#### **1.4.9 Chapter 5:**

This chapter comprises findings, conclusions and recommendations based on the results.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Introduction

The purpose of this chapter is to review relevant literature on records management as it relates to SMMEs. It is an important step in research, as it positions the study in the context of what has been carried out by others and how the similar problem was investigated (Dewah, 2011). Literature review is critically important in that it helps the researcher to premise the study in the broader context of other studies. This provides opportunity to see how previous problems were investigated (Neuman, 2006). This chapter undertakes to examine and review existing literature thought to be relevant to this study. There is also a need to examine available theoretical framework in records management to situate the research. Attempts are made to link the theoretical concept of records management with SMMEs business theoretical concepts.

#### **2.1.1 Economic contribution of SMMEs:**

#### **2.1.2 Developed Nations**

According to European commission (2005) there are an estimated 20.5 million enterprises in the European Economic Area (EEA) and SMMEs provided employment for 122 million people. It is also noteworthy that 93% of these enterprises are SMMEs (0-9 employees), 6 % are small (10-49), less than 1 % are medium-sized (50-249) and only 0.2 % are large enterprises, and nearly 20 million of

these enterprises are established within European Union (European Commission, 2003; Lukacs, 2005).

In the member states of Organization for Economic Cooperation and Development (OECD), SMMEs represent over 95% of enterprises in most countries and generate over half of total private sector employment (Lukacs, 2005). Research in developed countries further affirms the importance of SMMEs to overall economic sustainability, as 81% of all employment was generated by this sector. For example, Japan economy is mostly powered by SMMEs and the average enterprise employs nine staffs (World Bank Group Investment, 2005).

Research by World Bank (2012) shows that in the United Kingdom (UK) the Department of Trade and Industry statistics estimated in 2003 that there were 3.75 million active businesses in the UK, of which 99% fell under SMMEs ranking. Out of these 3.75 million businesses, only 31,000 businesses have 50 or more employees. Therefore, SMMEs are crucial to the UK's economy. This importance of SMMEs to their economy was clearly demarcated by the fact that SMMEs accounted for between 44 -66 % of the UK employment, and around 60 % of the GDP (UN, 2005). For other countries SMMEs economic contribution breakdown is as follows; United States 99.7%, Sweden 99%, New Zealand 98%, Germany 95%, Finland 98%, Canada 99.7%, and Austria 99.5% (UNCTAD, 2005). The importance of SMMEs cannot be overstated as a driving force (Mahadea & Pillay, 2008) as well as contribution to the Gross Domestic Product (GDP) (Brink, Cant, & Ligthelm, 2003). It was stated that, SMMEs contributed 50.3% to employment ratio in United States, and 40% of the total GDP. SMME employment contribution in Sweden was estimated at 60% and 57% to its GDP; while Germany had 70% to employment and 57% to its GDP (Fortin, 2005).

The above statistics have a relationship with records management. Records management is regarded central to the overall performance of businesses in the developed nations. The SMEs and SMMEs are given attention due to their economic contribution to the economy of each country. In 2009, the European Union sponsored full research specifically into the records management of SMEs in Europe (Borglund, Anderson, Sirkemaa, Wahlberg, & Sandberg, 2009). The studies carried out in different countries in Europe looked into the records management practices of small scale businesses. They focused on the value of records management in SMEs. The studies also intended to establish how well the small scale businesses in Europe comply, and meet the minimum records management standard requirements as set out by ISO 15489. It could be argued that the developed nations are aware of the importance of SMMEs to their economic leverage and also the importance of records management to the stability and performance of the small scale businesses. The above insight is further buttressed by the study carried out where 300 small scale businesses in England and their records management practices were examined (Webster, Hare, & McLeod, 1999). The study did reiterate the importance of records and small scale businesses in the developed nations. Researchers explicitly studied SMEs records management stating some of different types and format of records maintained by these businesses. In Australia, as part of the quality control measure, businesses were engaged in a comprehensive training package. The training services for businesses include records management competency standards (Picot, 2001).

### **2.1.3 Developing Nations**

In Latin America SMMEs contributed significantly to job creation, with vast majority (80-90%) of companies categorized as micro enterprises (Lukacs, 2005). This was

further corroborated by the United Nation reports on Trade and Development (2005) which reported SMMEs contribution to Brazil economy at 99.2%, employment 66.8% and total contribution to GDP of 60%; Chile 99.1%, employment contribution was 52.7% and GDP 37.1%; Columbia 92.1%, and GDP 33.3%; Peru was 99.1%, 52.5 contribution to employment and 36.1% to GDP; In Uruguay SMMEs contributed 96% to the country economy with 57.9% to employment and 39.7% to the GDP (Fortin, 2005; UNCTAD, 2005). The rest of the developing nations would be covered under Africa.

#### **2.1.4 Africa**

In Africa, the size of SMMEs is the most commonly used yardstick especially since turnover is rather complex criterion as incomes are not widely distributed. In the Africa continent there have been several studies carried out on SMMEs. However, the concept of records management in relation to SMMEs has not been studied according to the researcher's knowledge. This is due dearth of research data on the subject especially in Africa. Available studies such as Okello-Obura, (2012) and Okpara, (2011) mentioned records management in passing as one of the major challenges confronting small businesses in the continent. Nonetheless there is no literature on any study to show explicitly what has been carried out in the continent on SMMEs and RM. This informs the researchers' stand point that not much has been done to investigate this domain. The study here in presented is upheld by the researcher as a relevant research on SMMEs and RM as it purports to shed new light and contribute valuable insights to the relevant bodies of knowledge.



### **2.1.5 South Africa**

In South Africa, the role of SMMEs in the economy is crucial as it has been estimated that 90% of the country workforce is employed by this sector (Biekpe, 2010). The significance of this to the GDP is further stressed by the fact that the tertiary economy production (manufacturing businesses turning raw materials into finished goods) depend on some of the SMMEs goods and services for their own lines of production. They are therefore regarded as contributors to their growth as well (Biekpe, 2010).

This is supported by the research carried out by Ntsika, (1999) and Statistics SA, (2000) Global Entrepreneurship, (2001) that primary economy sector of South Africa dependent on SMMEs contribution to the economy was 28.5%. Contribution to secondary economy was estimated to be 65% and South Africa tertiary economy dependence on SMMEs products and services for its production was estimated at 68.1% (Berry et al., 2002).

The primary economy constitutes various business sectors of the economy engaging in harvesting products from the earth or such others associated with raw materials (Rosenberg, 2007). Secondary economy denotes the manufacturing of goods and processing while the tertiary economy embodies the wholesale and retail businesses among others. According to Leach, (2006) and the Treasury Department, (2012) it was estimated that SMMEs contribution to GDP had shown that SMMEs accounted for over 50% of the GDP and employment.

#### **2.1.5.1 Eastern Cape**

In the Eastern Cape Province the ratio of SMMEs exports contribution was estimated at 30.8% in 2006 showing a rise from 23.3% estimated figure in 1994. In 2002 SMMEs employed 68.2% of working population, accounting for 21% of SMMEs total

employment (SMMEs Annual Review, 2002, ECDC, 2012). SMMEs contribution to provincial GDP was 36.1%. About 90% of SMMEs earn up to R5000 per month (Dedea, 2010).

According to the Nkonkobe Municipality report (2013), SMMEs are regarded as major development drivers. The municipality the huge allocation to this business sector in the budget reflected the priority focus to emphasize the position of SMMEs to the overall economic turnaround of the municipality. See except from the budget.

The corporation disbursed R109 million in the review period compared with the previous year's R226 million. Although challenges remain in account management, cash collections on the loan portfolio remained stable at R212 million, somewhat down from the previous year's R219 million. This financing contributed 1,797 jobs to the economy (Mase, 2011).

R109 million disbursed to 451 enterprises, R212 million in loan repayments; 1,797 jobs created R109 million disbursed to 451 enterprises; R212 million in loan repayments 1,797 jobs created. Loan funding disbursed to SMMEs amounts are;

37% of the SMMEs received above R1 million

42% received below R500, 000

21% of the SMMEs received between R500, 000 and R1 million respectively

(Mase, 2011; Eastern Cape Development Commission 2013).

#### **2.1.6 Records Management Return on Investment (ROI)**

Records management plays a vital role in the sustenance of organizations. The role may vary depending on the nature of the organization and nature of the activities. According to Ngulube, (2011) when businesses understand various documentations and their approaches to supporting business functions, it would capacitate them to

choose the most cost effective ones. Records are central to business finance management. This central role of record requires managing the financial records of a business enterprise effectively (Sampson, 2002). Keeping records about financial and various transactions is among the roles records play which are necessary for good business management. Moreover, according Ngulube, (2011) and Makhura, (2005) the under listed are some of the role records play as cost benefits to the business enterprises, records: -

- Function and reduce operating cost
- Support better decision making
- Protect the rights of stakeholders
- Provide evidence of transparency and accountability;
- Contribute to business efficiency
- Promote and facilitate access to information
- Ensure and promote legislative compliance (tax, company safety and health requirements)
- Foster good practices
- Increase productivities and employers and employees performance appraisal and accountability
- Preservation of corporate memory and risks management

Ngulube (2011) highlighted that efficient records management depends greatly on utilization of various document management infrastructure and strategies which ensure;

- ❖ Provision of file cabinet that is not unnecessarily overflowing with records
- ❖ Prevent files and records from littering and gathering dusts
- ❖ Ability to locate files when there is a need for them

- ❖ Creative utilization of business equipment and expensive office spaces
- ❖ Provision of highest business records security
- ❖ Reduced records management overhead costs significantly

It was noted that there have yet to be sufficient literature to measure the cost benefits of records management (Ngulube, 2011). The business needs the abovementioned to empower its competence and efficiency thrust. Particularly, SMMEs need to avoid costly wastage of meagre finance resources. Records also allow businesses to have system or monitor approaches that may be mostly efficient and appropriate for their business operations. It should be noted that, adopting a strategy is commendable; however, there is a need for the required expertise or skill to facilitate practical implementation of records management through technical knowhow.

Record management understanding makes business to effectively manage their businesses, while ensuring accessibility, usability, secure, reliability and authentic evidence of transactions (Ngulube, 2011).

The return on investment of RM will be achieved when business records system lead to improved efficiency and “increased productivities and individual accountability” (Ngulube, 2011). RM functions to help increase productivities, thus instrumental in monitoring the ratio of investment performance, employers and employees’ performance appraisal and accountability. RM also provides evidence of transparency and accountability; and equally functions to reduce operating cost by contributing to business management and efficiency (Ngulube, 2011; Makhura, 2005) and all the abovementioned lead to business return on investment.

## **2.2 Theoretical Framework**

This study adopted life cycle and continuum theories since they deal with the life of a record during its current, semi-current and non-current stages. Records continuum does not limit the exposure and lifespan of records. It provides flexibility for records and records keeper with opportunity to always keep records open whether in the paper or electronic format. The records in continuum model are not restricted and its lifespan is perpetual. Lifecycle states that records irrespective of format go through phases. It means records are created, used, maintained and archived and those without enduring value are destroyed (Chachage and Ngulube, 2006; Yusof & Chell, 2000).

### **2.2.1 The Record Life Cycle theory**

Record life cycle is about the systematic movement of record from creation, active use and non active/archival or permanent stage, it consists of creation, maintenance, use, storage, records retrieval, retention and disposal (Zawiya and Chell, 2000; Dick, 2011; IRMT, 2013). Records lifecycle is at the core of RM as the theory is universally acceptable among professionals as the most integrated and comprehensive approach to RM (Chachage & Ngulube, 2006). This theory signifies the underlying principles underpinning records management, whether in the corporate, business, or at organizational level. This principle is well-established by the International Standard Organization ISO 15489 principle which stipulates that records management life cycle adheres to certain guiding principles. The records life cycle follows various steps; namely, creation, receipts, records capturing processes, classification, filing, and preservation or permanent storage/archiving (ISO 15489). This would allow better arrangement when records created are identified and thus

aid accountability and efficiency. It would equally serve as performance verification of individual employees to ascertain compliance.

The records life cycle relates to all forms of records irrespective of whether the records are technologically or manually produced. According to International Records Management Trust (2013) records management programme has the capability of improvement when records life cycle design is integrated and supported with “systems development lifecycle”. It is not clearly establish that, both paper and electronic records in the SMMEs context basically go through the same stages of; creation, classification and usage, storage, maintenance, retention and disposal (Hoke, 2011). The reason for this is due to the limited study that has been done in this area. This framework (IRMT, 2013) can be compared to a human being – who is born, lives and dies. This study relates the theory to the business operations focusing on the records life cycle from creation/receipt, maintenance and use, classification, disposal/disposition (Chell, 2000). The entire lifecycle is a process and its phases are interdependent on one another. The creation is the process where the existence of records begins. The current phase includes process of records use and maintenance where current records are maintained and it includes all processes of organizing, distributing, storage and updating. The semi-current stage is the process of moving records from its active stage into inactive stage where records are processed for permanent disposal or retention or archive.

The diagram below shows an outline of records life cycle in relation to SMMEs

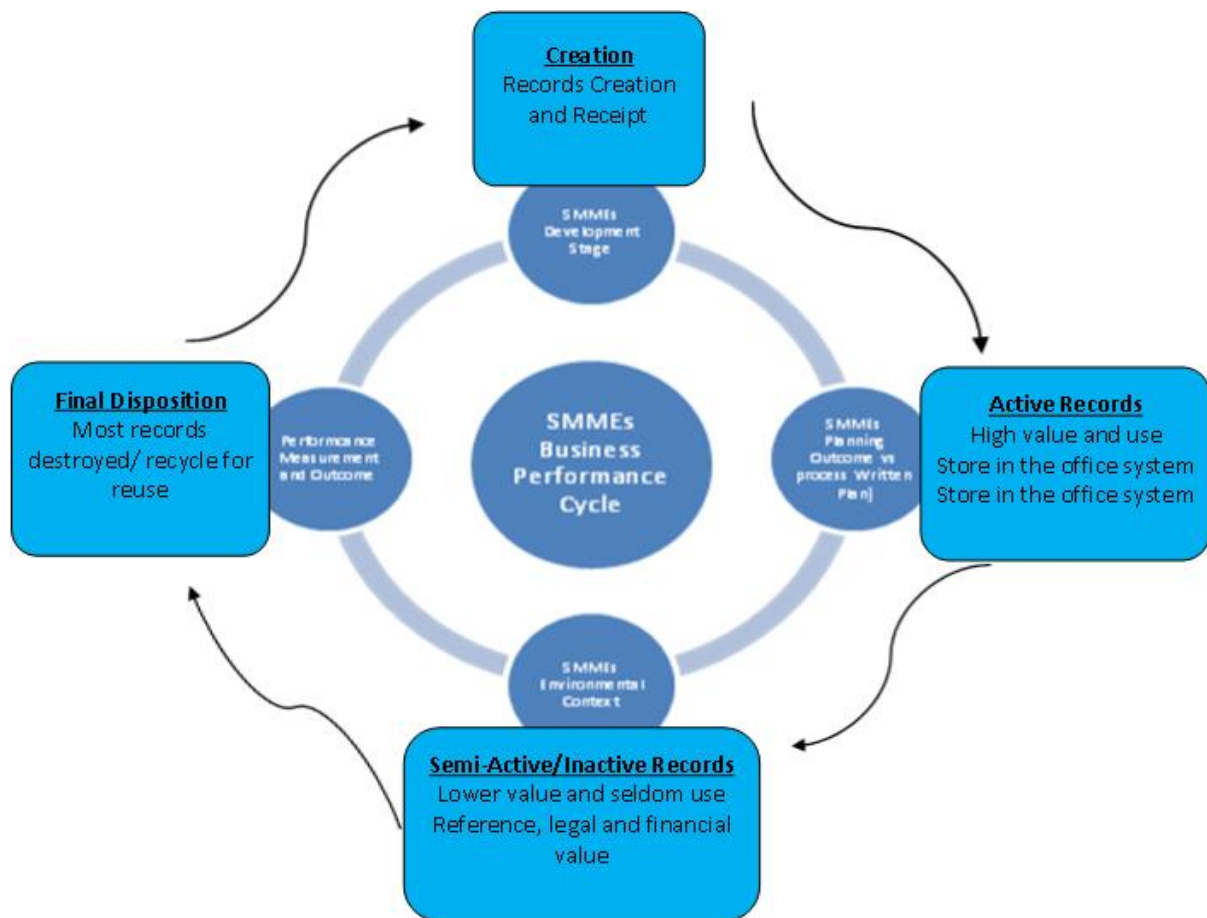


Table 2: Contextualization of Records life cycle to SMMEs lifecycle

(Adapted from: Chell, 2000; Brinckmann, Grichnik, & Kapsa, 2010)

According to Gill (1993) and McLeod (2005) records life cycle is the movement of records in logical steps from the creation through to its use, storage and retention in active file, transfer to inactive files, final storage and disposal.

It is the researcher's view that, though several views have been held about the records life cycle, the main idea is not different. Some authors call it stages, while others identified the same systematic movement of records in different phases. Lastly, the same concept is seen as current, semi-current and non-current; active, semi-active, and non-active stages. What seems most important to note at this stage

is that, irrespective of diverse approaches to records life cycle, it all means the same thing, it goes through phases, stages, and vice versa.

### **2.2.2 The Record Continuum theory**

According to (Chachage & Ngulube, 2006) continuum theory is an express continuing value placed on records life span. The continuum theory was developed and is prominent concept in the Australian recordkeeping professions since 1950s (Cumming, 2010). It has recently enjoyed over twenty (20) years of challenges, debates, endorsement, explanation and advocacies. However, the term “continuum” does not necessarily indicate that this theory is completely separate from lifecycle but a furtherance of the lifecycle theory. This theory allows records management flexibility.

Continuum is applicable to both manual and electronic records. This means that records lifespan is continuous and does not have a limited or ending phase. According to McKemmish, (2001:336) records management processes are not final at any stages, as even records dispositions are cyclical in process and never final. RM is regarded as processes where creation of records is fixing in the context of the social and organizational activities which create it. This involves continuous human interaction and the description of records in continuum involves the detailing of processes that capture the link between the sources of the records from the origin in the context of the business activities (McKemmish, 2001).

Continuum theory places records in the ‘multi-layered’ process of ‘transactionality’ representing many forms of business transaction and activities and ‘contextualise’ refers to the context of creation that is ongoing (McKemmish, Piggott, Reed & Upward, 2005:14). The authors noted the major difference between lifecycle and



continuum that, “each stage of life cycle is conceptualized as a one-dimensional space in which record keeping processes take place. The continuum defines record as multidimensional space. And when records are in any one dimension of the continuum, all other dimensions are present” (Mckemmish, Piggot, Reed & Upward, 2005:151).

McKemmish, (2001:363) argued that, records can have multiple lives in space of time as the contexts that is surrounding the records changes and the records take up new usefulness for a new action through renewing or reshaping of the cycles of creation or disposition

The major position assumed by the continuum model is the multidimensional lifecycle in the cyclical nature of records. This study is based on the life cycle theory to relate to the life cycle of both records and SMMEs in their different stages. The lifecycle concept in the business records keeping context is synonymous with the life cycle of the business operations itself which evolves through different stages of developments.

### **2.2.3 Relevance and Contextualization of the Theoretical Framework to the Study**

The SMME is a business entity, and some of the economic models such as business life cycle could be said to support the relevance of the chosen records life cycle. The reason for this is that business lifecycle theory assumes that businesses also move systematically through phases or stages of growth (Beamish & Giggart, 2010).

Research findings revealed that all SMMEs seem to go through different life cycles (Jones, 2009). Most of the challenges in all these stages must be carefully managed

and overcome for SMMEs to be ready for its next growth phase. According to (Khera & Khera, 2008) SMMEs may go through the following five growth phases; growth through creativity, direction, delegation, coordination and lastly growth through collaboration.

The finding of (Levie & Lichtenstein, 2010) admitted that entrepreneur stages of growth models is the most frequently theorized approach to understanding entrepreneurial businesses growth since 1962. Though the lifecycle phases or business lifecycle theory has had several criticisms, yet, it remained the predominant theory ever used to refer to different stages of business growth. Lifecycle have been continuously published in all spheres of business podia; international business journals, entrepreneurship and theory practice amongst others (Levie & Lichtenstein, 2010).

The business life cycle theory hypothesize that, just as a growing organism, a business enterprise has a different or distinctive growth path as well (Jones, 2009; (Levie & Lichtenstein, 2010). The above comparison was intended to show the relevance of the record lifecycle theory and its similarity to the SMMEs lifecycle. The illustration typifies the same stages of record from creation to disposal stages or termination.

These theories emphasize the importance of RM and SMMEs processes from records and business creation to the end of its life span. These theories are essential in order to understand the role of records and functions in an organization (McLeod, 2005). The theories support sustainability of an organization's transaction, lifespan, and systematic movements of organization's information and records in its entire processes (Zawiya and Chell, 2000; Tough and Moss, 2006; Gill, 1993; McLeod, 2005).

In the abovementioned approaches to records life cycle theory, the most important aspect of the theory is its suitability and application for SMMEs which is seen as business enterprises going through various developmental stages or circle. Businesses go through stages, the different stages help to illustrate the process of transactional activities of the businesses. Consequently the evidential traces of business transactions are records. And this must of necessity be managed to give accurate and complete information to all the stakeholders directly or indirectly linked with the business. In the view of the researcher, the link between this and the SMMEs is the life cycle concepts or theory.

## **2.3 Types of Business Records**

### **2.3.1 Financial Records**

Businesses have various types of records maintained for various purposes and usefulness. Some of these might be to keep track of performances, cross-check market trend or market appraisal. Some of the records might be for future business forecast. There is one thing in common though, irrespective of the business sizes or industry, the function and role of records is the same. Most records serve administrative, financial, sales and marketing purposes. All these are necessary business functions useful for business decision making. The above named records (administrative, financial, sales and marketing records) are some of the types of records also maintained by SMMEs (Webster, Hare, & McLeod, 1999). From the past, the ancient writing mode of records keeping for various businesses and transactions had been the major method of keeping tracks of business transactions, where ribs of coconut leaves; knot and ropes were adopted for various accounting purposes (Henry, 2003). Records keeping which details financial values are

enumerated; amongst those were freight bill, and transportation receipts with well-established business corporation in the ancient Egypt and monetary economy and bank notes (Breisacher, 1961). This became useful for the appraisal of business performance and to sustain their daily business decision making.

The ancient small scale businesses also maintained accurate business records to enable them account for the performances of their businesses (Carmona & Ezzamel, 2006). Clay tablets with pictographic characters were used to record commercial transactions performed by the temples (Schmandt-Besserat, 1982 cited in Carmona & Ezzamel, 2006), and these preceded the earliest found examples of 'cuneiform writing' in the form of abstract signs incised on clay tablets (Powell, 1981:419-20).

Around 3250 BC tokens began to be impressed onto the damp clay envelopes before enclosure. This practice sealed clay envelopes that the internal contents matched exactly the record impressed or incised on the external surface, providing a form of horizontal accountability (Carmona & Ezzamel, 2006). These tablets were kept by scribes, who were carefully trained to acquire the necessary literary and arithmetic skills and were held responsible for documenting commercial transactions. By this finding, it is the opinion of the researcher that records application to the small scales business dated back 2300 BC. These practices ranged from basic accounting and financial records which are referred to in this modern time as daily sales ledger, cash sales ledger, invoices, inventory and suppliers' invoices, amongst others.

### **2.3.2 Sales records**

Sales records management is the systematic movement of all business activities; sales, purchase, cash management, cash sale and cash book, sales ledger, purchase ledger and other financial records through its life cycle. For

the completion of this cycle, all payments using online banking systems, bank statement, credit and debit card statements if applicable, and deposit slips, till rolls must be collated (Ireland, 2013). Invoices, receipts, suppliers' invoices, cheque books must be carefully classified to facilitate a comprehensive execution of the business sales and purchases records life cycle.

**2.3.3 Sales Ledger**

The ability of sales ledger to record/documents SMMEs business sales for each daily, weekly and monthly transactions and the amount of money received for goods is necessary to keep track of sales activities. The ledger also records all money owed by either clients/patrons (customers) which SMMEs might be able to keep monitoring until they are paid. This is a very useful business planning tool especially for determining customers without debt so as to urge those who have the habit of perpetual indebtedness to pay up (Ireland, 2013). This record is easily used to determine and calculate VAT, which could be readily made available to revenue officials at demand.

The table below gives an overview of a typical sales ledger.

Table 3: Model of a sales ledger

Date	Invoice	Customer	Gross	Vat	Net	Date	Payment
	Number					paid	type

**2.3.4 Purchase Ledger**

According to IRMT (2013) it is imperative to establish procedural guidelines for business to ensure quality service delivery, growth forecasting, and sustenance projection using records management guidelines (Healy, 2010). Records enable

complete analyses of completeness of SMMEs accounting details (Maseko & Manyani, 2011).

A purchase ledger is similar to that of sales ledger, but with some variance such as supply and purchase records details instead of sales. Quotation and prices, invoices and suppliers and distributors details, date of supply and total payment, discount received, returned goods prices, and the amounts that are yet to be paid (Ireland, 2013) In the past, the purchases entries were reportedly kept on the tablets as recorded evidence of purchase at the moment of transaction. According to Rivero Mene´ndez (2000:283) cited in Carmona and Ezzamel, (2006), the scribes at the temple or palace were also responsible for recording this type of commercial transactions, irrespective of their volume. These records were written accounts of transactions signed by the transaction parties, as witnesses and binding records (Keister, 1963:371; Chatfield, 1977:5). Keister (1963:371) noted that the stone and tablets served various purposes. Such as the evidence of purchases, receipts, funds disbursement, inventories, sales, partnership agreements and business annulment and other commercial records management and records keeping in that era.

Management processes control, monitoring and auditing in the business activities are some of the benefits that made records management unavoidably significant (Healy, 2010). Purchase ledger RM promotes business values when it is regarded as part of internal business service function (Hughes, 2003).

According to ISO (2001a, b) it could be argued that, effective RM in any business entity would invariably increase businesses return on investment with significant opportunities (Healy, 2010; Ngulube, 2011). And this is further strengthened by several authors who have viewed RM as strategic corporate asset capable of a logical movement from creation to its ultimate disposal in aiding business

accomplishments (Hughes, 2003); McLeod, 2012; Asogwa, 2012; Goldschmidt, Joseph, & Debowski, 2012; Gunnlaugsdottir, 2008, 2012; Külcü & Külcü, 2009; Weisinger, 2011).

Purchase ledgers are an essential tool utilized by businesses to turn around business operations. It is a good tool for business judgement, improvement of strategies, efficient administration, planning and decision-making, and also serves as evidence of business accountability.

### 2.3.5 Inventory Records

There are various types of records involved in inventories management such as, periodical, sales, stock and market inventories. Nonetheless the focus of this study is sales, stock and market inventories. According to Walther, (2013) information about business earnings has a direct relation with value of company's share of stock. And inventory measurement bears directly on the business reported income and slightest adjustment of inventory records management.

Business inventory processes/stages



Figure 1: Sequence of inventory

#### Diagram 1 Business Inventory; Source (Walther, 2013)

From the ancient time of Sumerian business day, Carmona and Ezzamel, (2006) asserted that, there were various records kept as business inventories, such as

notes, sealed envelope containing tokens inside. It could be argued that this practice functioned as personal accounting principle for a steward or debtors as well as inventory system of investment (Carmona & Ezzamel, 2006). According to Smith (2013) constant business inventory analysis is crucial in helping businesses forecasting to circumvent potential losses. Inventory control affects operating costs and overall expenses (Smith, 2013).

All inventories are recorded information about stock flow, sales movement, supply chain and a reflection of market behaviour. But before arriving at a turnover, the allocation of the cost of goods available for sale in between ending inventory and actual cost of goods sold must be determined through the recorded information in the form of inventories (Walther, 2013).

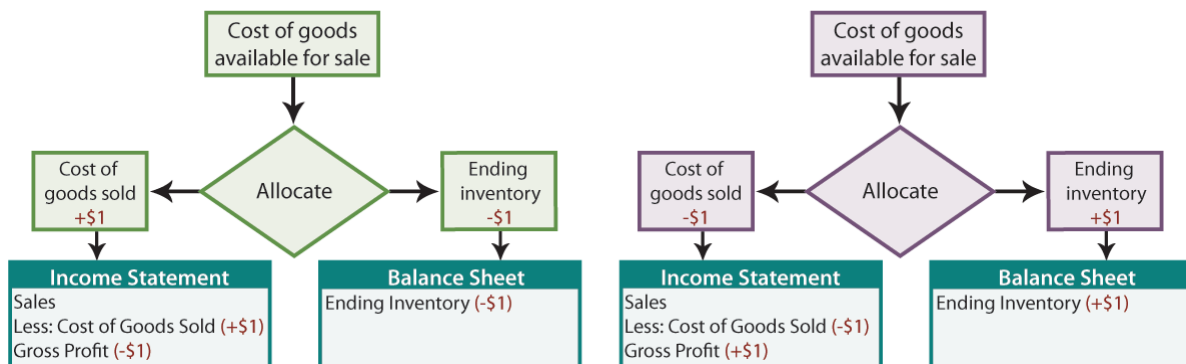


Figure 2: Inventory before and after close of transactions

**Source: Walther, (2013)**

It is understandable that records management as a form of inventory underline one of the benefits/importance of records in the business life cycle. Inventory must be managed to meet current and future business needs. It also empowers the business to retain information covering past, present and would ultimately enable future decisions, in the form of records which document business activities as part of corporate memory (Megill, 2005).



### **2.3.6 Business Vital Record**

Vital records are the most crucial of all a business activities. It gives meaning and rhythm to the tone of business operations. These are records on which the survival and sustainability of the SMMEs or any business entities rely. Such records include certificate of incorporation and licences to practice and all that is required to ensure they stay in operation (Cook and Nixson 2000; Binks, Ennew, & Reed 1992). This type of record is necessary in motivating and detailing a business's need for capital injection from prospective investors. The need to approach financial institutions for prospective funding may arise, but if there are inadequacies in a business's ability to supply this vital record when requested, the risk of inability to secure funds can increase. Transaction and operating costs might be part of most monitoring and screening financial institution willing to grant small loan for business operation. According to Tagoe, Nyarko and Anuwa-Amarh (2005), banks require records for any transaction with business entity. But without this documentation, banks will not have sufficient records and data to manage or calculate the associated risks involved in each businesses (Tagoe, Nyarko, & Anuwa-Amarh, 2005).

### **2.3.7 Important and Useful records**

Important and useful records possess value for only finite period and utility and change with time. The value of such a record is dependent on the existence of other information, and it often gains value in the context of organization administrative needs. Some useful information/records can easily be replaced after a certain period of time unlike vital records which have their value appreciating with time (Megill, 2005:42).

## **2.4.0 Records Infrastructure**

### **2.4.1 Legal and Regulatory Compliance**

Regulatory compliance is crucial to effectively monitor the activities of SMMEs, ensure best practices, and adherence to standard, and ultimately ensure that customers are protected. The legal requirements for compliance recognize records management as one of the prerequisites as it explicitly documents the prescribed legislations. By making sure that businesses are able to provide evidence of transactions in relation to litigation or when required by law to provide such evidence (Weisinger, 2011).

In Britain, data, information and records management are required by legislation for businesses requirement and compliance (Bamford, 2005). The data protection stressed the need to ensuring that business enterprises records are maintained including employees and customers records and that these records are securely stored (Bamford, 2005). He further noted that unnecessary wording are being reassessed for ease of understanding what records, businesses should be filing and keeping in ensuring compliance. According to Thomas (2008) SMMEs are less aware of legislation compared to large businesses. As the findings revealed that only 22% out of over 800 SMMEs surveyed are aware of the compliance issues about keeping up-to-date records including accurate customer information (Thomas, 2008).

### **2.4.2 Regulatory Standards and Requirements**

There are international laws, regulations, guidelines, policies, procedures principles and best practices contained in “document” that is applicable in the business landscape of South Africa as a part of global business destination (ISO, 2001). The ISO 9000 provide platform where records could be used to improve operating procedure and reduce cost. When a business is ISO certified it means that the

company operates in compliance with the ISO guidelines and internationally upheld best practices. When companies are certified by ISO, it means every aspect of business operation records management systems is functional. ISO certification has been proven to be a very powerful marketing tool that proffers competitive advantage mechanisms for businesses (Nurre, Gunaman, & De-Almeida, 2013). Certification also allows customers to know what to expect, thus they get a quality product.

The standards set by ISO 9000 ensure a dependable quality assurance system.

What are the advantages of having a quality system in managing records?

Quality Records Management Systems:

- Ensure consistency in the day to day operations.
- Improve the efficiency.
- Reduce operating cost.
- Minimize unproductive time.

So what does it mean to be ISO 9000 certified? It denotes ability to follow the ISO 9000 guidelines to build a competitive company in a global economy. According to Nurre, Gunaman, and De-Almeida, (2013), Brown, van der Wiele, and Loughton, (1998), and Hughes, (2003) other standards such as ISO 15489, (ISO, 2001a, b) was published in 2001. ISO 15489 also provides impetus for records management metrics in benchmarking a base-line standard (McLeod, 2003).

Several studies such as Healy, (2011); Shepherd & West, (2003); Shepherd & West, (2011) ISO15489-1:(2001); ISA, (2003a); Ma"kinen & Henttonen, (2011); Healy, (2010); Kemoni, (2009) have substantiated the need for standards in the management of records. ISO 16175 principles guidelines and functional requirements for records in business systems set out the functional requirements for the management of information held in business systems. In South Africa, Promotion

of Access to Information Act (PAIA), Small Business Acts 2003, and SARs Act are some of the enforcement and compliance tools.

In South Africa, SMMEs are required by law to keep records of their business transactions (SARS, 2012 online). This enables them to accurately determine which establishment should be paying tax and those to be exempted from paying tax. Maintaining records therefore would enable effective administration and subsequently translate to better service delivery. The finding by Mahadea & Pillay (2008) revealed that 80% of the small businesses response to taxation showed that they are not compliant with basic requirements, as some of the small businesses argued that excessive time is expended in completing records filing. Paper work and records keeping of transaction for this purpose is the role of records management. It could be said therefore that it seems the SMMEs are not probably aware of the implication/role of records management in legal and regulatory compliance. This finding of Pillay was corroborated by the finding elsewhere (Thomas, 2008) where only 22% of small businesses are aware of such legislative framework about records management.

Finally, some of the underlisted points serve as few determinants why compliance of SMMEs with records management regulatory requirements should be viewed as prerequisite by SMMEs as adapted from IRMT (2013) though it is a universal requirement. However, South Africa is part of the international business communities and its records management practices are not isolated from global application.

Among other things Records Management Regulations:

1. Fosters the development of appropriate amenability structures to provide a mandate for effective life-cycle records management in the business.

2. Ensures the support effective life-cycle records management.
3. Ensures organisational planning to maintain organisational structures to support effective life-cycle records and management
4. Ensures the drafting and maintenance of scheme and services for a records class to support effective lifecycle records and business management
5. Can help stakeholders know where to go for more information on management issues, past decisions and ratifications (IRMT, 2013).

To the best of the research information seeking prowess, there seem to be no specific legal and comprehensive regulatory framework targeting SMMEs records management in South Africa. This argument is put forward due to several searches made using combination of various search terms with not relevant return that matches criteria. Although it is noticeable that South Africa Records Management manual issued by the National Archives and Records Services of South Africa is records management standard, little is known about its adoption in the SMMEs sector of the economy.

#### **2.4.3 Policy aimed at SMMEs in South Africa**

“When given a list of more than a dozen promotion programs supported by DTI and its implementation counterparts, Khula and Ntsika, the only program used by more than 10 per cent of SMMEs was the South African Bureau of Standards. For all other programs, both awareness and usage were quite low” (Lewis, 2001).

Unfortunately, records management was rather not covered in the National Small Business Act 1996 and this seem to revealed huge gap in the current legislation. It might not be clear at the moment to ascertain reason for this neglect could mean. But further probing to its reason could be deemed worthwhile in the long run. However, the National Small Business Act, 1996, made provision for the records of

the board responsible for small businesses in South Africa (“proper record of all the financial transactions, assets and liabilities of the council are kept”) but failed to capture provision for how these businesses manage their records. Interestingly, while provision was made for the committee to maintain proper records of all its official proceedings and transactions of the board, no provision was covered for the business itself in terms of its records management whatsoever and subsequent amendment in 2004 was not encapsulated as well. This poses serious regulatory loopholes or supervisory lapses on the promotion of the needed sector to be economically viable.

This might call for urgent reviews of the existing framework. These inadequacies might prove detrimental to business performances and that the penalties are very high. This view was partially held by Hughes references, as illustrated by recent corporate scandals (Hughes, 2003).

#### **2.4.4 Legal and Regulatory Framework**

According to National Archives and Records Services of South Africa (2007), the records management system should have guiding policies within the organization. This should address broad areas of business operation with regards to identification of relevant records, security and safe custody, disposal and retrieval of records. There should be a file plan, which is a systemic documentation of how records are created and arranged, stored to facilitate efficient retrieval (Gilder, 2012) and disposal of records (NARS, 2007). The keeping of records, its classification and objectives is to organize and file these records that relate to business functions and activities of the creating organization. And finally, the discipline refers to the efficiencies in retrieving the records in the context of their original creation in regards

to transactional activities that created them (Gilder, 2012). Despite all the available provisions for records management in South Africa, there is none at the moment directed at SMMEs records management specifically. It is the view of this researcher that there are various governmental agencies responsible for the operation monitoring and different oversight functions. Regulatory framework seems to have failed to capture the inevitability of good records management to facilitate regulatory compliances.

## **2.5.0 Records Infrastructure**

### **2.5.1 Records Management Infrastructure**

Records management requires basic infrastructure. According to the Oxford English Dictionary; infrastructure is the basic physical and organizational structures needed for the operation of an enterprise (Horby, 2010). For this study, using the above definition, infrastructure is considered as basic organizational/business information structure required in managing business records. Such includes personnel, tools and training. According to Munkvold, Päivärinta, Hodne, & Stangeland, (2006) infrastructure is subdivided into two broad categories, technological/processes infrastructure or administrative/implementation infrastructure. The infrastructures in this context are all the attributes of SMMEs activities requiring function-specific applications or processes for handling data, information and records. This could be human knowledge, technology, capacity development or training of individuals handling SMMEs records.

### **2.5.2 Information Technology Infrastructure**

There are various information communication technologies (ICT) available in managing records. This technology utilization is dependent on businesses, organization's members within their work context that would determine sense making

of information technology IT (Boudreau, Serrano, & Larson, 2014). Some of the infrastructures in the business environment include technology deployed in the e-commerce, e-payment, e-banking; and all these activities generate records that require specialists skills adapted in services approaches (Boudreau, Serrano & Larson, 2014). Technological integration of standardized tools includes: integrated content production, storage, distribution, and access/retrieval. There are other tools to support standard “application-independent” content management records formats using technology related to records and information security (IRMT, 2013). However, it could be said that, it seems there is a link between every business and adoption/utilization of one form of technological tool in the business processes and transactions. It can be argued that the business enterprises in the global economy operating in a global village generate huge amounts of data and records. E-commerce, e-banking, e-payment are part of the new order of business activities. Thus, the creation of one form of financial records that might be useful for business decision making across is imperative.

### **2.5.3 Training**

According to Samuel (1998), training to gain required skill to manage records is important. SMMEs ability to effectively manage their business records are referred to as intellectual business infrastructure (Samuel, 1998). This stresses that ‘holistic business records management operation requires a holistic intellectual infrastructure. According to research findings by Okello-Obura (2012), there is a need for intensive efforts to remedy the current deficiency on training. Training enables means of acquiring recordkeeping expertise for business records management skill. Training the business owner on RM might help the business owners to monitor their business



performances. Okello-Obura emphasized that there is a need for “trained on key skills in records and information management” (Okello-Obura, 2012). It is noteworthy to state that, training of personnel in records management includes ability to create, file, arrange and classify, appraise and ultimately create retention and disposal schedule. The aforementioned, is part of records management infrastructure.

#### **2.5.4 Retention and Disposal Schedules**

From the given records management definition, records management infrastructure consists all physical and intellectual structures. Part of intellectual structure includes records classifications, arrangement or organizing, appraisal, retention and disposal and other structures in the records lifecycle. Records classification, retention and disposal schedules are part of this infrastructural structure. Records management must be seen in the context of business functionalities. Then it becomes a unique selling point for business sustainability. The need for this is the fact that, at the heart of records management is appraisal and retention for preservation. According to Ryan, (2010) stressing the embedding records management into business processes, in the business sector is crucial. However, appraisal is what enables the business to determine what records are useful for preservation and what to be disposed of. When useless records are discarded, nothing seems wrong, because it allows SMMEs to appraise the remaining records in order to arrive at right decision making.

It was emphasized that records management compliance serves as “business hygiene factor” and it would seemed unhealthy for any business not to know when to dispose unused records. Records appraisal should be seen as important to business operations and not an added advantage or proposition, hence the need for business

records appraisal Ryan, (2010). This is because it empowers the business to do what is required at a given time without endless wastage of resources and time. It also has the capability to innovate the core functions and activities of the enterprise (Ryan, 2010).

Retention on the other hand is the process or ability to retain all vital and important records for business decision making. Records management and risk management according to Lemieux (2010) are interrelated. It was emphasized hypothetically, “is records management the management of risks?” However, Lemieux (2010) categorized risks into six phases; strategic, environmental, market, credit, operational and compliance risks, and all of these, except environmental risk directly link business operations and records management. It was emphasized that business organization records and information revolves around these risks and may pose a threat to effective completion of business transactions. If records management is lagging, the aforementioned risks would be obvious and fulfilment of organizational objectives and opportunities will be shattered. In order to avert these risks in business environment, retention of its past and present business documentations must be achieved to ensure successful implementation of business strategies. In deciding which of the business records have outlived their usefulness, or are merely administrative records not worthy of further retention, this decision somewhat comes with risk. Most especially when business records retention is based on business need and not on law (Ryan, 2010). And in the business sense, before there could be any appraisal and retention schedule, the business owner would have been trained to be able to make informed decisions as to what should be disposed of, or able to hire a consultant or records management professionals to identify the needed business records with enduring value.

## **2.6.0 Challenges of managing records by SMMEs**

One of the peculiar characteristic with SMMEs which seems to set them apart from the other bigger businesses is that, there are often inadequate records as evidence of their transactions (Macgregor & Vrazalic, 2008). On the other hand, economic climates, unavailability of collateral, record keeping have been identified as some of the challenges facing small businesses. The investors' relationships with SMMEs go a long way in requiring SMMEs to show certain skills in tackling this business inconsistency (Tagoe, Nyarko, & Anuwa-Amarh, 2005). One of the major challenges also cited in the findings on challenges that are currently facing business operator or entrepreneurs is the fact that, 'most of the entrepreneurs' do not understand the practice of good record-keeping (Mahadea & Pillay, 2008). Their findings further revealed that over eighty per cent indicated that time constraints in keeping records and routine paperwork hinders them most time to adhere to records management of business transactions. Business enterprises sustainability model revealed that increased professionalization and sophisticated information technology, data and records management systems are required.

According to Darby and Jenkins, (2006) it could be suggested that, sophistication meant adoption of technical knowhow or technology to facilitate records management. Okello-Obura (2012) stated that small businesses have no required training in RM, and this is a very big challenge. It would seem that if the basic training in RM is lacking, sophistication would be out of the question. According to Fripp, (2013) recent statistics revealed that globally, it was estimated that businesses would generate and managed in 2011 above seven and a half billion electronic documents. Therefore, sophistication could suggest that, SMMEs would need to

have required skills to create, maintain, and store vital transaction records systematically. It would mean that besides possessing basic RM skill, SMMEs would be required to have technical knowhow to introduce electronic records management systems (ERMS) into their business operations in response to rapidly changing business environments (Fripp, 2013).

This is not a means to suggest that the solution to records management process hinges on sophistication. It could be argued that, SMMEs ability to acquire appropriate skill to manage records is needed first, because, no amount of technological sophistication introduced would produce meaningful results. It could be said that, ERM could not be the solution to SMMEs improved performances without the practice of proper records management (RM). It could not be ruled that SMMEs would of necessity be involved in ERMS for the operations of the future.

According to Fripp, (2013) business operations ineffective management of these records could result into consequences including low or loss of productivity, lack of business direction, decreased efficiency and loss of profitability.

There have been findings indicating varying degrees of lack of required knowledge and professional skill in records management. These challenges are present in the public, corporate and most business enterprise that employed unqualified personnel to act as records managers without being trained as such. According to Khayundi, (2011) systemic literature review was carried out to examine the trend of business environment in South Africa. The findings revealed that most advertisement for the positions of records managers specified below-standards-requirements for engagement. It was revealed that the required knowledge and qualification as advertised for these positions are appalling in terms of professional ethical standard

or requirements. There are obvious gaps on the level of emphasis placed on adequately trained records personnel in the business environments. Okello-Obura (2012) findings also revealed that one of the challenges facing small business is the lack of training in RM.

A study by Kemoni, (2009) indicated that most countries in the Eastern and Southern Africa Regional Branch of the International Council on Archives (ESARBICA) region lack capacity in terms of managing records. Lack of capacity building (training) and unavailability of infrastructure and lack of awareness among records keeping personnel are part of problems and concerns raised. The importance of training SMMEs to engage in proper records management for the survival of their businesses could not be overemphasised. As Fatoki and Van Aardt Smit (2011) also found out that recordkeeping is part of the challenges facing SMEs and SMMEs in South Africa.

### **2.6. 1 Business Finances and Expenditure**

One of the vital roles business records management plays is the capability to enable SMMEs distinguish between personal expenses and business expenditure, when SMMEs adhere to records management standards. But on the contrary, most SMMEs seem not to comply with existing legal requirements (Tushabomwe-Kazooba 2006). Because of the small size and business nature of SMMEs, it is easy for them to spend their business finances for personal domestic use without recourse to business implications. While purchasing business goods, most of the SMMEs might alongside shop for household items, yet for accurate balance sheet, it must be separated. As Tushabomwe-Kazooba (2006) emphasizes the importance of business recordkeeping, it enables small businesses to have accurate information on which to base decisions making.

Maintaining records also enable them assess sales, purchases trend, and other financial analyses. The finding revealed that some business owners were unable to separate their business and family/domestic situations.

### **2.6.2 Security of Records**

Records contribute to both intellectual and operation business core function. They strategically position SMMEs for effective operation sustainability, and accountability. It forms part of core operational principles and value that must be upheld by SMMEs in an attempt to stay relevant in often complex business environment. One of the benefits of securing record is that, it assists businesses in meeting its compliance obligation (Weisinger, 2011; Mahadea & Pillay, 2008). But one of the challenges identified indicated that, over 80% of the 300 respondents in a study within a provincial small businesses agreed that time involved in paperwork and keeping records, particularly in tax returns is excessive.

Records serve as preservers of company assets. However, for records to be accepted, it must be a true reflection of business transactions; accurate and complete, and these must be secured. Good RM systems, practices, and processes are the vital elements that can ensure that records are trustworthy (Weisinger, 2011). Records security ensures the businesses are aware of likelihood of disruption and are prepared to combat it. SMMEs efficiency and preparedness may be largely dependent on their ability to ensure RM security. RM is about being prepared, and being prepared for the unexpected situation in order to adapt without significant losses incurred. No enterprise can foretell the future in any business landscape, but disasters occur on too regular basis, and inability of SMMEs to secure vital records might jeopardize its existence.

An example of benefit of securing records and disaster preparedness was the case of Sidley Austin Brown & Wood LLP (SAB&W). The company had lost all assets, during the September 11 attack in New York, except its offsite records at the Trade Centre which was rescued hours by the offsite records management system. This was useful in aiding recovery after the attack on the world trade centre in New York (Weisinger, 2011).

Various researches have reported inadequacies of business enterprises in keeping track of their business activities (Kinderytè, 2008; Tushabomwe-Kazooba, 2006). As cited by Dick (2011), business security is facilitated by records and good business depends on RM. Without a records management system in place, tracking down the records that document policies, procedures, transactions, and decisions of an organization becomes extremely difficult (Weisinger, 2011). Availability of secured records efficiently enables SMMEs to analyse the business strength, identify weakness, explore opportunities and improve potential of the enterprise through implementation.

## **2.7 Summary**

This chapter discusses economic importance and contribution of SMMEs. It also presents the underlying theoretical framework of RM lifecycle and continuum concepts. The framework was discussed and the justification for its adoption for this study. From the discussion, it was revealed that lifecycle is useful RM theory backed by regulatory framework. Records management requires legal and legislation compliance, infrastructure and personnel capacity for a successful business operation. The next chapter will discuss the methodology that was used for the study.

# Chapter Three

## 3.0 Research Methodology

### 3.1 Introduction

This chapter discusses the research design and methodology. This covers the methodological orientation, design and method that were used to examine the role of records management in the small, micro and medium enterprises (SMMEs) in the Nkonkobe Municipality. The methodology adopted in a research has a central role to play in study. This approach was used by other researchers, in related subjects or fields of study (Munetsi, 2012; Ngulube, 2003; Babbie, 2010; Creswell, 2007).

This study adopted qualitative approach. This approach is important in understanding the people's views, opinions, values, and knowledge of a given phenomenon (Leedy & Ormrod, 2010; Welman, Kruger & Mitchell, 2010; Hales, 2010 & Owens, 2012). Similar study approach was adopted by Munetsi (2011) in studying the digital RM in the office of the Premier in the Eastern Cape Province, South Africa.

The researcher aimed at interpretations and creation of meaning in specific natural settings. This enables the study to look at the social life from multiple points of views and explains how people construct knowledge (Neuman, 2006). The observations from the researcher and data from the subject present valid, richer and more comprehensive picture (Foss & Ellefsen, 2003). The rationale for this is that, it enables the researcher to reach a sufficient conclusion. To strengthen the validity



and reliability of the study, pilot studies were conducted with three of the respondents. The questions were tested and the respondents were asked for feedback. Based on the feedback received, and the researchers' field note and observation, the questions were adjusted.

### **3.2 Research Setting**

The setting of the research was the Fort Beaufort and Alice business environment. The criterion use to select SMMEs in the study was based on the standard definition of SMMEs in South Africa. All SMMEs irrespective of year of operation were included in the study. Selection of those to be studied was based on the number of employees including the owner which should not have exceeded five. Most businesses that fell within this criterion were start-ups, long-time establishment, and businesses from different sector of industries; such as retail, mechanics, shoe manufacturing, beauty salon, fashion designing, and services delivery businesses.

### **3.3 Brief Overview of the Study Area**

The Eastern Cape Province is located on the south-eastern seaboard of the Republic of South Africa GPS [32.7875°S 26.8457°E]. The province has the third largest population, and yet it is one of the historically disadvantaged and second poorest provinces in the country. The majorities of the people living in this area are said to be below poverty level (Ntasia, 2000). Alice is the home of the University of Fort Hare. Except those employed by Fort Hare, a few banks, chain stores, and peasant farming, SMMEs remain the major means of livelihood in the local municipality and most of the people rely on social grant. Predominant language in this area is IsiXhosa, English and Afrikaans. Alice is located on the Kilometer 50

King Williams Town road [32°47'S 26°50'E] coordinate in the province. Nkonkobe Economic Development Agency (NEDA) is located in Alice town and is responsible for assisting the SMMEs by providing the needed training and consultancy services. The establishment of NEDA highlighted the recognition of SMMEs importance to economic turnaround of the Nkonkobe Municipality.

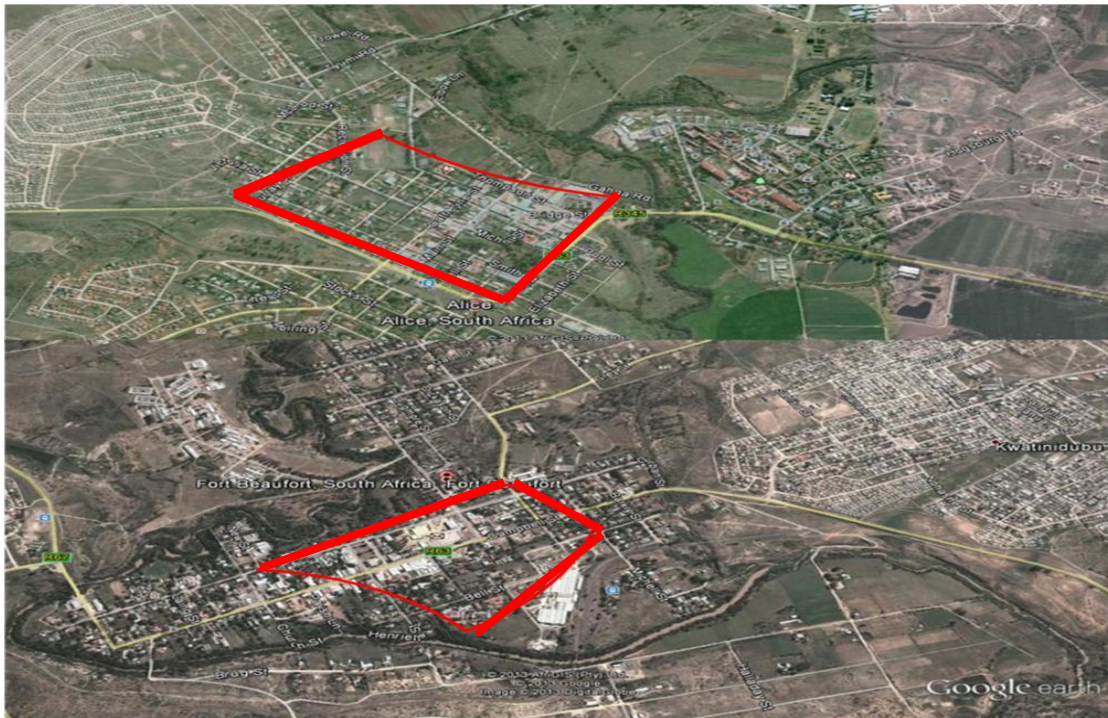


Figure 3- 1: Nkonkobe showing study sites in Alice & Fort Beaufort location; Source – Google Earth

### 3.4 Gaining Entrance

Gaining entry is crucial in any social research setting. In order to establish the predictability of the Nkonkobe business environment, the Nkonkobe Economic Development Agency (NEDA) was consulted. The researcher was later referred to local municipal rate agencies at Fort Beaufort to determine the accuracy of the total SMMEs figures. Being individual owned business enterprises, permission to carry out the study in the SMMEs were obtained from various business owners/managers. Data collection exercise commenced on the 20<sup>th</sup> May, in Fort Beaufort and 25<sup>th</sup> May, 2013 in Alice. The commencement date interval between

the two townships became necessary to enable the researcher cope with the rigour of administration. The effort to get accurate data and ensure ethical standard adherence was not affected due to the engagement of a research assistant. The assistant was trained during the piloting stage of data collection. The research assistant was a final year bachelor student, thus familiar with a research of this nature. However, during the course of the interviews, she assisted basically in an administrative capacity. The research assistant was useful in facilitating language interpretation, and improving accessibility to the SMME due to her proximity to the areas where most of them operated in the environment. Due to the sensitive nature of the SMMEs, gaining access proved difficult as some suspected the study was a government plot to patronize them in order to enforce payment on their businesses in form of dues and business fees.

### **3.5 Research design**

Research design refers to the architectural structure of a study (Lee-Abbott & Mckinney, 2013). It covers the plans of the study, and guides the processes of data collection, sampling technique and rules and its interpretation with underlying convention that enable answers or conclusion to a research problem (Leedy & Ormrod, 2010). This was a case study (Babbie, 2010); (Creswell, 2007) and (Yin, 2009) defined case study as descriptive, exploratory or explanatory analysis of event, people, or group, useful to investigate causation in order to find underlying principles, and it provides;

1. Ability to examine the real problem in its natural setting
2. Understanding of complex situation/phenomenon
3. In-depth understanding of the social phenomenon

#### 4. Real life context (Robson, 2011)

Business manager or personnel responsible for the records keeping were interviewed. To ensure reliability and validity, data triangulation techniques were adopted using interviews and observation (Foss & Ellefsen, 2002; Welman, Kruger, & Mitchell, 2003).

### **3.6 Research Method**

Qualitative research is an in-depth examination of a particular phenomenon or unit of analysis, groups and institution (Babbie, 2010). The study deemed it appropriate to conduct the research, containing multi-cases (Alice and Fort Beaufort) (Durst & Edvardsson, 2012; Welman *et al*, 2010). Case study as empirical inquiry, examines social phenomenon in its real context allowing the understanding of complex issues that might be associated with SMMEs and records management with holistic in-depth investigation (Zaidah, 2007; Robson, 2011; Gerring, 2007; Welman *et al*, 2010; Babbie, 2010). The rationale is that, case studies use interviews, and participant observation among other instruments to gather data from a population too large to observe directly (Babbie, 2006). From the data gathered from NEDA on SMMEs in Nkonkobe, the total number of registered SMMEs on their database was 164. Two major business hubs of Nkonkobe Local Municipality Alice and Fort Beaufort were covered.

### **3.8 Data Collection Methods**

Qualitative research may collect data through case study, in-depth interview, observation, and historical and interactional or personal experiences. The research instrument used for this study was in-depth interview with open-ended questions

supported with observation. The data was collected with interviews and supported with observations. Appointments were booked with the respondents to conduct the interviews in their business premises.

Voice recorder was employed in collecting data accurately. Permission was granted by majority of the participants who consented to voice recording, but to those who were not comfortable with voice recording, it was not utilized. This method of data collection allows the respondents to freely share their knowledge, experiences, conception and thoughts (Leedy & Ormrod, 2010). The researcher could ask any question whatsoever during the interview, and the presence of such researcher enabled observation that could enhance the richness of the data. This system of data collecting in an interview is not without disadvantages. Such disadvantages include;

- lack of validity as means of making sound prediction
- relying on the skill of the interviewers
- subjective judgements and biasness of the interviewers, and
- difficulties in selecting sampling frame, (Leedy & Ormrod, 2010; Opdenakker, 2006).

However, these disadvantages were taken into consideration during selection of samples and sampling technique to be adopted, as explained under validity and reliability of the study. According to Leedy and Ormrod, (2010) amongst the questions a researcher can ask to elicit information to his or her advantage may include the following:

- ❖ Facts – such as biographical information.

- ❖ Respondent's belief – such as belief and perspectives about the facts and ability to even probe further to gather in-depth knowledge about the facts.
- ❖ Feelings – feelings are some of the aspect that could not be measured by any other means but could be observed to determine the course of action of human being at a particular time in relation to a study.
- ❖ Motives – Everyone is driven by something, and this often determines the action or inaction of an individual. An interview serves as a great tool to access these motives.
- ❖ Present and past behaviours – This is crucial as most social scientists would concur that, present actions could be a result of the past ideas, experience or knowledge. For example, most SMMEs owners believed that, past job experiences and knowledge had propelled them to start up their own businesses.
- ❖ Standard for behaviour – for instance, there are things people thinks should be done in a particular way under certain conditions or situations.
- ❖ Conscious reasons for feeling or actions – This has to be considered in determining what is considered desirable or undesirable in certain human engagements (Leedy & Ormrod, 2010). The abovementioned is not without any disadvantages in an interview, as feeling may be subjective and some of the expected standard behaviour may lead to biases, and motives of an individual may not be measured.

### **3.9 Sampling Procedure**

In a quantitative study, the sampling requires randomization where the possibility of each member of the population is known. Randomization is however not necessarily

required in a qualitative study (Flyvbjerg, 2006; Koerber & McMichael, 2008). The study adopted a purposive sampling technique in selecting SMMEs that could supply rich information on various issues pertaining to the operations of the SMMEs. This technique enables the researcher to make judgement on how to locate suitably qualified respondents (Welman and Krugar, 2010).

Purposive Sampling is common with qualitative study, where the researcher uses his judgment to locate and select all possible cases (Babbie, 2010 & Neuman 2006; Leedy & Ormrod, 2010). The researcher was able to locate suitable SMMEs to provide responses.

. Participants were selected according to the following criteria;

1. **Willingness to participate:** This was done according to the standard of social research, to interview the participants willingly, being fully aware of what the study entails (Leedy & Ormrod 2010).
2. **Informed consent:** The participants were diligently informed of their right to participate or withdraw from the study. They all consented, and informed consent formed was utilized (Welman and Krugar, 2010).

### **3.10 Sample Size**

The sample was selected from two towns, Alice and Fort Beaufort. Thirteen (13) SMMEs in Alice and ten (10) in Fort Beaufort formed the sample. The sample sizes in both towns were determined when there was no more new information obtained from the respondent, meaning the interview had reached its saturation. This was consistent with the view that qualitative research using in-depth interview is

appropriate with small sample size (Crouch & Mckenzie, 2006). They concurred that for a researcher to be immersed in the field, establish fruitful and continuing relationship for interview to address research problem, cases less than 20 would facilitate in-depth inquiry to enhance validity. Thus, the total number of the participated sample was not a problem for the study and this approach is consistent with most qualitative studies (Crouch & Mckenzie, 2006; Dewah, 2012; Flyvbjerg, 2006; Gerring, 2007), with more emphasis placed on Quality, Depth, Understanding and Richness of data (Leedy & Ormrod, 2010; Babbie, 2010).

### **3.11 Data Analysis**

The analysis of data in a qualitative study is commonly carried out by reducing the data collected in the form of words to themes, and constructing a framework to communicate the essence and meaning of the data expressed in words. Guided by the study objectives and questions, the data collected was structured into themes. The responses of the interviewees were presented in words and the coded data were presented using tables, frequencies, percentages and words to juxtapose and illustrate the result. This method is similar to the quantitative data that could be coded with specially assigned code and translated into numbers and figures (King, 1994). The qualitative data already coded could then use computerized aids to illustrate and present the qualitative research results.

The coded themes were examined as constructs, and assigned codes. This was done to enable computer aided analysis using the Statistical Package for Social Sciences (SPSS) Software version 2.0.

The following steps were followed in the content analysis, in line with other study and insight from experts in social science studies (Leedy & Ormrod, 2010):



3. Organization of cases details, most importantly, facts and figures arranged logically.
4. Interpretation of individual instances relating to specific words, themes, occurrences, and data examination to gain contextual meaning in relation to SMMEs and records management.
5. Identification of patterns in the data and associated interpretation of themes after scrutiny.

The collected data was checked for completeness and reliability, after which the interviews were categorised into themes. The transcribed data was organized and coded into themes using content analysis, while the collected data was represented in the form of words to express the data collected from the field. However, some analyses were transformed with the use of numerical data, percentages, and figures to interpret and present the findings.

### **3.12 Reliability**

There are three categories of reliabilities; Measurement, Stability and Representative Reliabilities (Neuman, 2006). This is crucial for establishing confidence in the findings (Lincoln & Guba, 1985) and the process of discovering truth through measures that present a reliable result (Mishler, 2000). According to Neuman, (2006) reliability of a study would demonstrate how reliable the method is, the data collected, and the conclusion arrived at in the research to entrench credibility. This way, the study data and presentation of result would have followed prescribed ethical procedures to ensure accuracy of information provided (Neuman, 2006). In the study, this was achieved by capturing the statements of the respondents by means

of recording devices and further transcription to ensure accuracy. Subsequently, some of the respondents were revisited to present some of the information provided for verification, and to confirm whether the collected data were a reflections of the responses.

### **3.14 Validity**

Creswell & Miller (2000) cited in Golafshani, (2002) suggest that validity is affected by the researcher's perception of validity in the study and his/her choice of paradigm assumption. As a result, many researchers have developed their own concepts of validity and have often generated or adopted what they consider to be more appropriate terms, such as, quality, rigor and trustworthiness (Davies & Dodd, 2002; Lincoln & Guba, 1985; Mishler, 2000; Seale, 1999; Stenbacka, 2001). Validity could be subdivided into method validity, internal validity and external validity (Leedy & Ormrod, 2010). Qualitative research approach strives to improve reliability and validity of the process, procedure, instruments, data gathering techniques and analysis. The approaches and measures tend to ascertain validity and reliability while the methods help to establish truthfulness and credibility of findings. The internal consistency in this study was ascertained by the quality of data obtained from the interviewees. The initial interviews data served as a pilot to test the responses and quality of the data in relation to the study objectives and clarity of the questions to the respondents. Interview questions were pretested during these interviews with the respondents in order to assess their knowledge, exposure and experience about the subject matter. Adoption of other research method could have faulted the validity of the result, owing to the composition of the respondent and experience about the research subject.

### **3.15 Ethical Consideration**

Ethical Consideration in research is universal in social sciences and deals with issues of honesty and respect for the right of individual (Welman et al, 2005). Relevant permission to interview and question the respondents was sought. Ethical clearance was obtained from the Higher Degree Committee for data collection and to ensure confidentiality. The Ethical Clearance Certificate stipulated that the highest ethical conduct must be adhered to. The clearance also upheld the need to maintain confidentiality and respect for the right of the respondents. This was taken into consideration as each interviewee was informed of their right before the commencement of the interviews. The consent form was read and distributed to each participant and they were asked to sign the form as a way of showing their consent to the interviews. They were also informed of their freedom to withdraw at any stage of the interview if they did not wish to continue. The interviewees were also informed that all information provided will be treated with high confidentiality.

### **3.16 Problems encountered during the study**

In order to ensure scientific evidences in the natural environment, getting appointments booked with businesses, especially the small scale enterprises working in highly competitive environment, tends to be laborious. There was a lot of appointment cancellation and rescheduling of meetings which extended the overall time spent on the field. One of the particular problems encountered was that the research had to utilize an interpreter occasionally, and this was demanding and time consuming.

### **3.17 Summary**

This chapter has summarised the Research Methodology and Research Design. It included the research approach and justification for the methods adopted. The methodology and research method for this study was also discussed, and the study Settings, Research instrument, Population, Data collection, and procedures were described. The next chapter will discuss the data analysis, interpretation and discussion of the finding.

# Chapter Four

## 4.0 DATA PRESENTATION AND DISCUSSION

### 4.1 INTRODUCTION

This chapter presents the data, analysis and discussion of the findings of the study. The data gathered include information on; gender, educational qualification, and the position of the respondents in the business was part of the biographical data that were gathered. Data was also collected based on the objectives of the study which were;

- ❖ To identify the types of records that are kept by SMMEs
- ❖ To evaluate the infrastructure for the management of SMMEs records in the Eastern Cape
- ❖ To determine the compliance of SMMEs with the existing RM legal and regulatory requirements
- ❖ To identify the challenges related to SMMEs record keeping practices
- ❖ And to make recommendations on how records management may impact SMMEs sustainability

### 4.2 BIOGRAPHICAL INFORMATION OF THE RESPONDENTS

#### 4.2.1. Age Distribution

The findings from the respondents indicated the participants' age group. Nine (39.1%) of the respondents were between 18-30 years of age; nine (39.1%) respondents were between were also between 31-45 years of age; four (17.4%) were between 46-60 years and one (4.3%) respondent was a missing data. This

means that predominant age group in the SMMEs are between thirty and sixty as reflected in figure 4.1. The data reflected that majority of the people engaged in the SMMEs are within the age group and are adults capable of making informed business decisions.

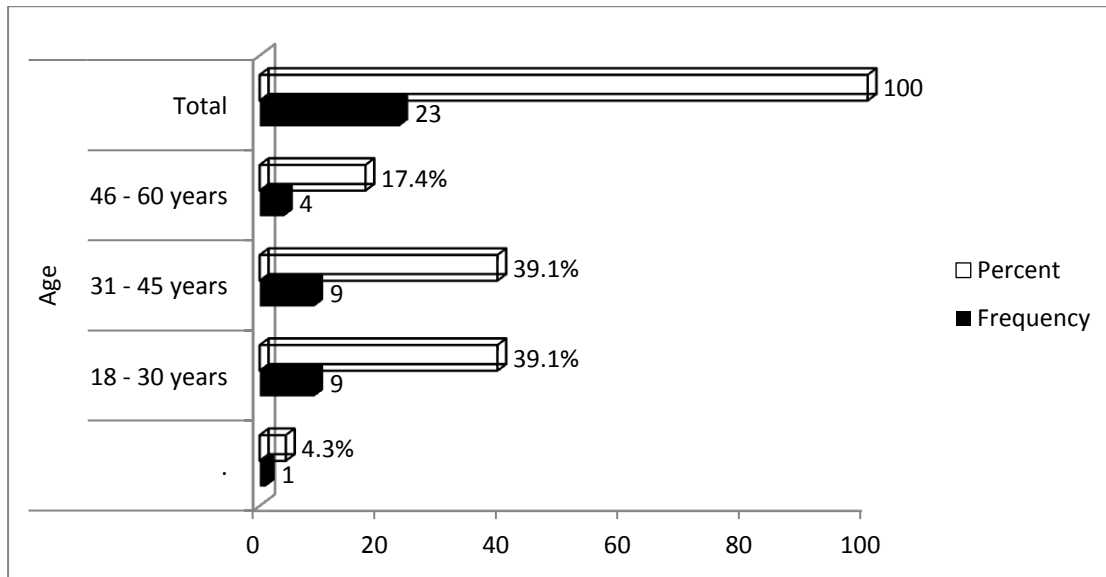


Figure 4- 1: Age Distribution Percentages: n=23

#### 4.2.2. Gender Representation of the Respondents

The gender distribution is important when making a conclusion, the data revealed that out of twenty three respondents, twelve (52.2%) were male while eleven (47.8%) of the respondents were female. The presentation shows that there are more males directly working as either SMMEs managers or owners who are directly or indirectly involved in managing SMMEs activities. The proportions of the gender engaging in SMMEs were almost evenly distributed. This mean that the result might not be reflecting any gender biases, perception or influences. (See figure 4.2)

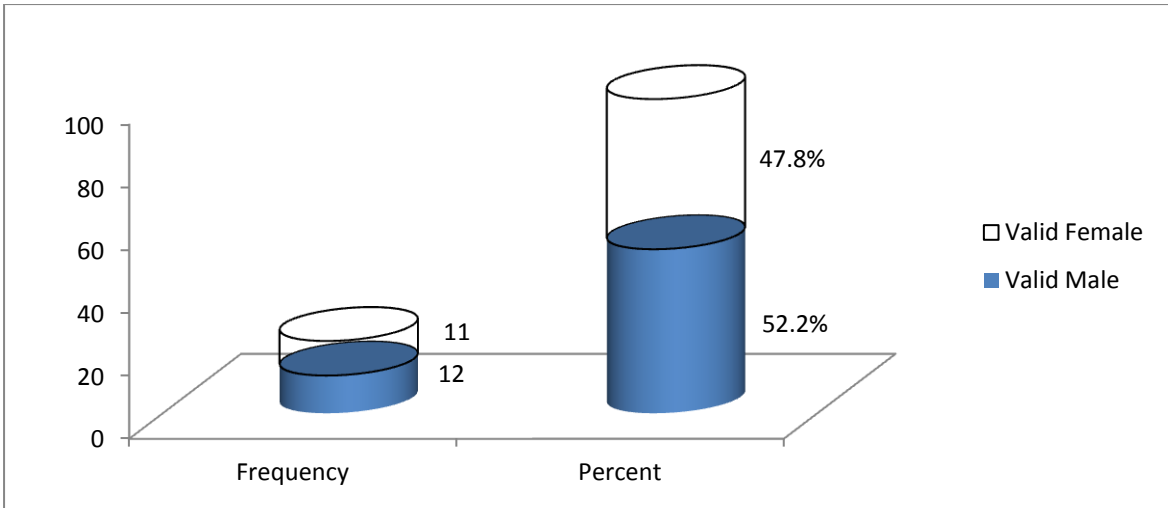


Figure 4- 2: Gender Distribution

**4.2.3 Educational Background:**

The data indicated that majority of the people interviewed (91.3%) of the respondents had one form of formal education. The lower being the primary stage 4.3%, secondary 17.4%, matric/grade 12 39.1%, others 4.3%. However, two of the respondents (8.7%) educational background could not be confirmed, thus form missing data. The figure below (4.3) indicated detail of the educational analysis.

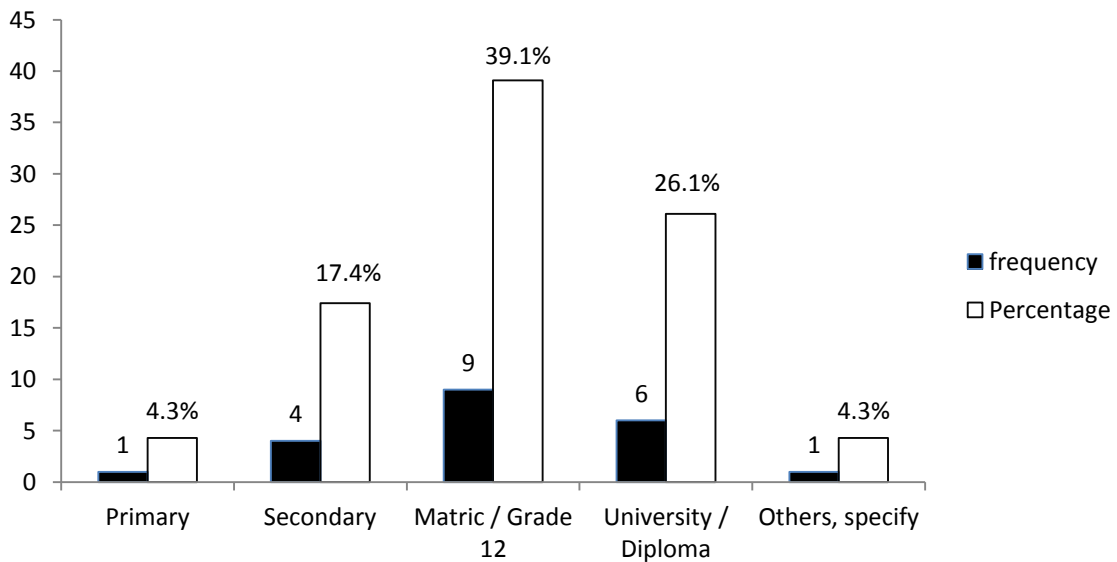


Figure 4- 3: Educational Background

As depicted on the data of the people engaged in SMMEs on activity either as business manager or owner. Educational level might have influenced the ability of the surveyed individuals to maintain records management practices. This is necessary to ascertain whether education exposure of individual probably contributed to the ability of the SMMEs to utilize records management. It is important to have a reflection of the educational background of the SMMEs to determine whether access to education increases the way their records are managed. It might be important to determine if knowledge toward records management have relationship with their level of educational exposure. It may be said that, this influences their experiences and understanding concerning the importance attached to their business and the need to keep records in order to aid business sustainability.

A similar study conducted in Kenya by Bowen, Morara, & Mureithi, (2009) established that there was a relationship between education and SMMEs doing well. The majority of the businesses doing well confirmed that level of education, irrespective of formality or incompleteness, improve their business performances (Bowen, Morara, & Mureithi, 2009).

#### **4.2.4 Business Ownership:**

The respondents were asked if they are the owners of the business and the findings revealed the distribution of SMMEs ownerships in the population. It was indicated that 52.2% of the business are managed by the owners who are responsible for business decision making and records keeping. However, 47.8% are not business owners but are responsible for the management of the business and records management activities. The detail responses are illustrated in (figure 4.4).



**Table 4: Business Ownership**

Business Ownership	Frequency	Percent
Yes	12	52.2
No	11	47.8
Total	23	100.0

Eight of the respondents were the owners of the SMMEs in Alice town and four were employees engaged to manage the business. In Fort Beaufort, four of the respondents were the business owners/managers while five respondents were employed to manage the businesses.

#### **4.2.5 Nature of Business**

The scope of the study focuses on small businesses from different industries such as; Auto Mechanic shop; Footwear Manufacturing; Retailing; Retailing and Services; Saloon; Fashion Designing & Tailoring; & Supermarket.

#### **4.3.1 Maintenance of business records**

The respondents were asked whether they maintain business records. Twenty one (91.3%) of the respondent said yes, one (4.35%) respondent said no, while one (4.35%) respondent did not answer the question.

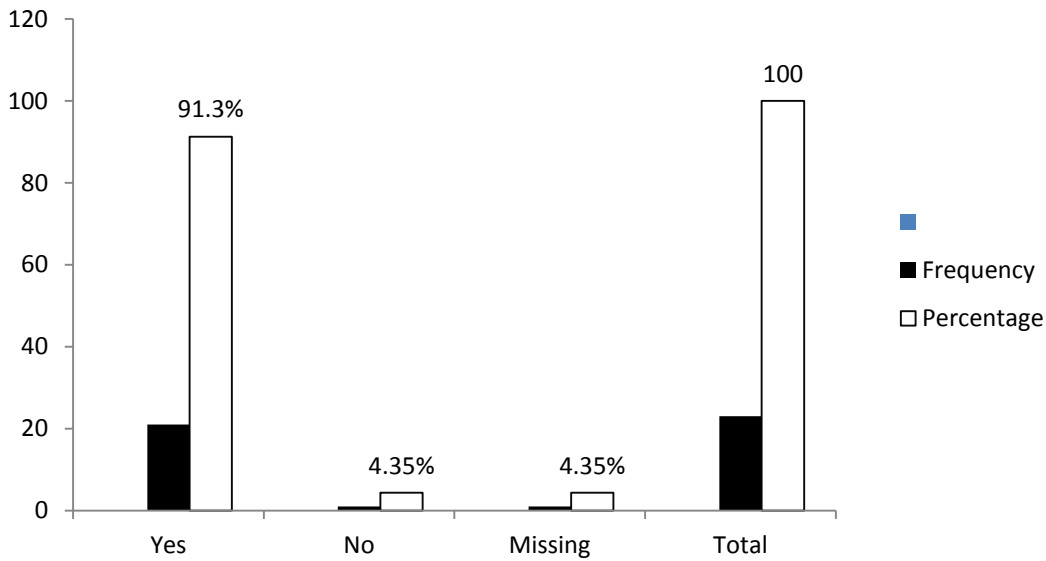


Figure 4- 4: Status of records keeping

Responses from the respondents indicated that twenty-one of them affirmed they maintain records.

The respondents were asked about the type of records they keep. The data below indicates various classifications of types of records that are maintained by the SMMEs in their business transactions. In the course of the interview it was observed that, nine (39.1%) respondents seemed not to have any specific type of records but maintained general documents that pertained to their transactions. Five (21.75%) of the respondents did maintain their invoices, while only one (4.35%) respondent said he has correspondences. Five (21.75%) respondents said to have and maintain their customer details. It was observed that the book where customer's details are recorded also serves as a sales book. One of the respondents was asked the reason for using the same book for the two purposes. It was gathered that, it enables her to know how much each customer spent on each visit to the shop. It is also useful to identify important customers and follow up on them if they have not visited the shop to buy something for a long time, they could call them or make follow ups. One

(4.35%) respondent said she maintains personnel details, especially for salaries and payment related purposes. One (4.35%) respondent has sales figure and purchase orders. Below are some of the respondents' statements,

*It is so good to keep your records separate, to know this one is there and that one is there. And for each month that makes everything easier, you are able to determine from each month how you are doing and that is my own way of keeping records.*

*(First respondent) our records include rent and receipt of shop and it is sometimes used to settle dispute just in case they say we have not paid the amount due. Or if someone steals the rent money, so we will have the record to show that we have paid; though most of my records are in my head;*

*(Second respondent) the type of record that we keep enables me to calculate stock against sales; it is ok if there is enough space, but it is so good to arrange them even according to years as that makes it easy to sort them. Sometimes you know what to do but implement it can be the difficult part.*

**Table 5: Types of Records**

Type of records maintained		Frequency	Percent
1	General documents	9	39.1
2	Invoices	5	21.75
3	Correspondence	1	4.35
4	Customer details	5	21.75
5	Personnel Information	1	4.35
6	Sales figure	1	4.35
7	Purchase order	1	4.35
Total		23	100.0

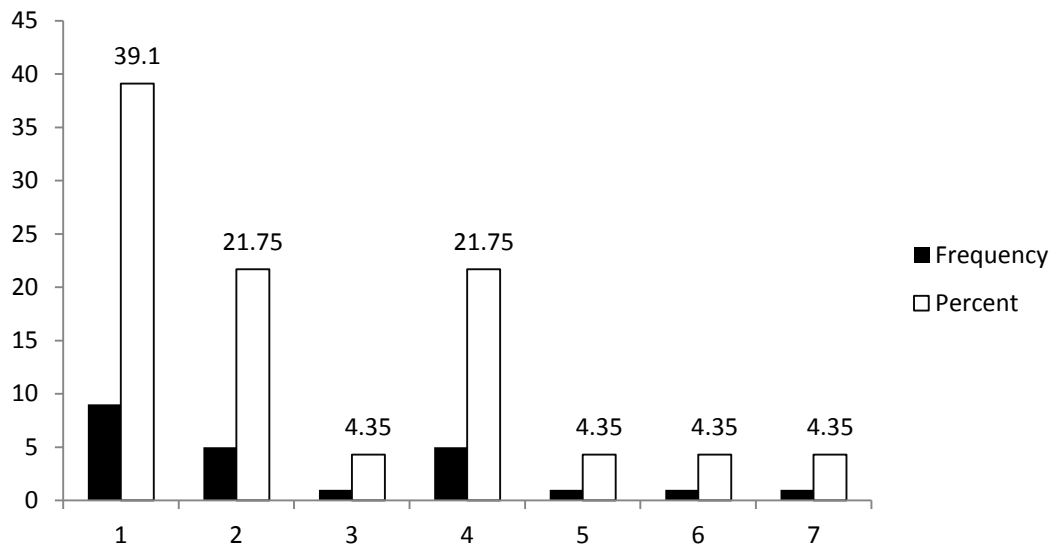


Figure 4- 5: types of records

In the developed countries, the importance of SMMEs as well as their contribution to the economy and employment creation was well documented. It could be argue that, RM plays a significant role in achieving these results. The important functions RM played in helping these small businesses achieve. Their successes were established. It was reported that they observed that RM is important for their business stability and performance (Webster, Hare, & McLeod, 1999).

The findings in Europe also presented various types of records generated and kept by these businesses. These types of records include engineering drawing, technical publications, tenders and quotes, internal memos, visit reports, production reports, purchase orders, invoices, customer details, minutes of meetings and sales figures amongst others. In contrast to what is witnessed among SMMEs in Nkonkobe, the small business surveyed in England had already adopted scheduling and procedures for various types of business records produced. They had procedure for disseminating records; retrieving records, and procedure for records security. They also have procedures for creating, storing and disposing records (Webster, Hare, & McLeod, 1999). The findings by (Borglund *et al*, 2009) revealed that SMMEs in

Europe are aware of the important contribution of the electronic records to the success of their businesses, but the contrary seemed to be the case with the SMMEs in Nkonkobe.

The respondents were further asked if they think records are important to their businesses. Twenty one respondents answered positively and stated that keeping records does contribute to their business success, while one respondent was not certain. The statements below were some of the remarks made by two respondents about the importance of managing the records to their business.

*I have been keeping records since I started my business and it is important for my business. Record is very important, but I might have replaced some of the sales book, but if a book is finished, I don't throw them away. It is useful for business, but I just replace it with another sales record when one book is full".*  
*"That record is important; I put them (sales records) in the house, though sometimes I misplace some of it.*

*I have a sales book and receipts, and stock book and they are important. Sometimes, when people are helping; I count my stock but when I am alone and too tired I don't count them, the records are very important.*

Following the above question, it was identified that the majority of their records are mostly sales records. A follow up question was posed to those who said they were keeping records to determine the contribution of the success of their businesses. On this part they were asked to indicate the level of their perceived contribution of RM. They were to do this by choosing the appropriate scoring represented by these adverb options:

1. Definitely
2. Considerably
3. Fairly

Ten (43.5%) of the respondents, believed that the sales records they are keeping definitely contributed to the success of their businesses and another ten (43.5%) people said it is considerably contributing to the business success. While only one (4.3%) chose fairly contributing to the business success and two (8.7%) were regarded as missing data as two of the respondents did not choose any option.

See the responses on records contribution to business success in the figure 4.7 below.

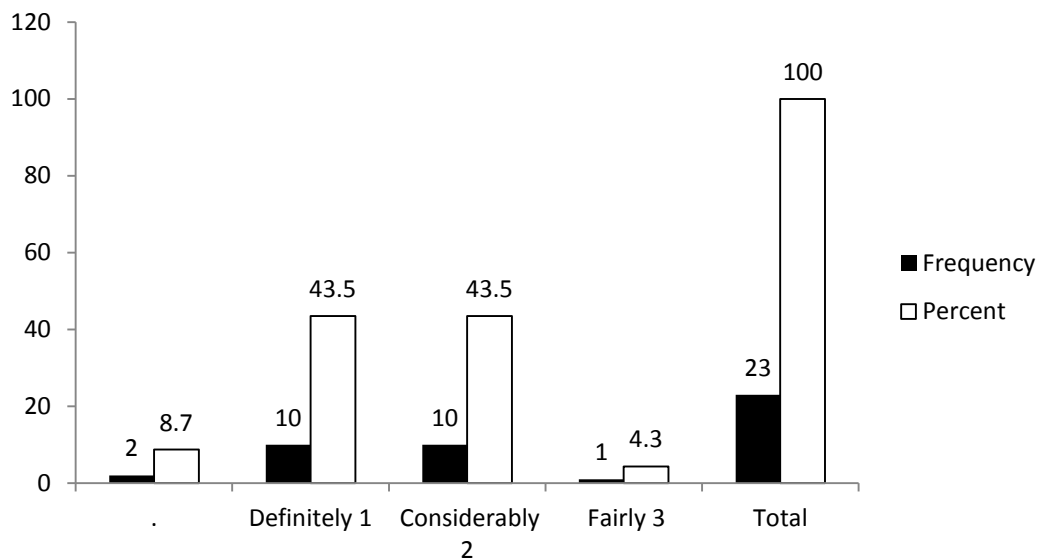


Figure 4- 6: Degree of sale records contribution to business success: n=23

Below are comments from two of the respondents from the field notes.

*(First respondent comment)*

*When I was making enough sales, I had people selling for me, and since they are the ones selling the 'market' they have to keep records of what they have sold. And sometimes I am not there with them, but when they have shown me*

*the things they have sold, that is ok, but now, since I am the one selling the goods, all the money I am making goes into my pocket, I do not keep (sales) records of the business like I use.*

*(Second respondent comment)*

*You know, sometimes I want to look back at the time of the year in the previous years to see how my sales are and business performance, and compare market and sales whether I am doing ok or not. Then I know if it is like this, it is ok and normal, but if the figure is not the same then I know something is wrong, so that I can try and find out.*

The following responses from four interviewees are some of the opinions that show how the respondents regarded the contributions of keeping sales records to their business operational success.

- *It enables you to know what you are doing;*
- *I must know how much I use and during the month, I use my own idea about records;*
- *Record is important to business, 'it is like natural ability of a natural plant';*
- *Record is important in a business, but because of lack of education we are not able to manage or know the best way to keep them;*

Nineteen (82.6%) of the respondents emphasized that, it is important to keep these records to help them to know what they are selling and how much they are selling, and whether they are making profit or loss. One respondent indicated that it was also important for them to know how much has been paid for rent of the business premises.

The statement below shows a respondent's remarks;

*At that time when my business is still doing well, I use to rent movies to people. When you rent a movie, the records help me to write customer name, where you are coming from 'house address, when you are returning the movie, the rent and the deposit the customer made for the movie is document in a record.*

*Should the owner try any funning prank, it enables them to defend themselves against unwarranted argument or conflict.*

According to Ngulube (2011) the ability of organization to understand various approaches to utilize vital roles RM play in supporting business functions would give them power to make the best use of it. Sampson (2002) also stated that keeping records about business finances and different transactions is part of necessary roles records play in ensuring efficient business management. From the response gathered it can deduced that SMMEs perceived RM to be important to their business success to a certain extent.

However, it could be said that, the few identified records kept by this business is not sufficient as a whole lot more is neglected. According to Ngulube, (2011) some of the importance of managing business records includes; function to reduce operating cost, support informed and better decision making, provided evidence of transparency and accountability, contribute to business efficiency, foster good practice, promote and facilitate access to information and preserve corporate memory and risks management. Without adequate management of SMMEs records, some of the aforementioned benefits would elude the small businesses.



The respondents were further asked for their reasons for choosing particular types of records. Six (26.1%) of the respondents believe they are familiar with this type of records and that explained the reason for using it for their businesses. Two (8.7%) respondents believe the way they are managing their sales records with customer details are cost efficient as the same book is used for different purposes which include; recording customer details and transaction, cost of services and types of service received or good purchase. The other two respondents believe that is only what they can afford or have access to. But the majority 11 (47.8%) respondents could not specifically give any answer and thus were categorized as undecided. Their responses are illustrated in figure 4.8 below.

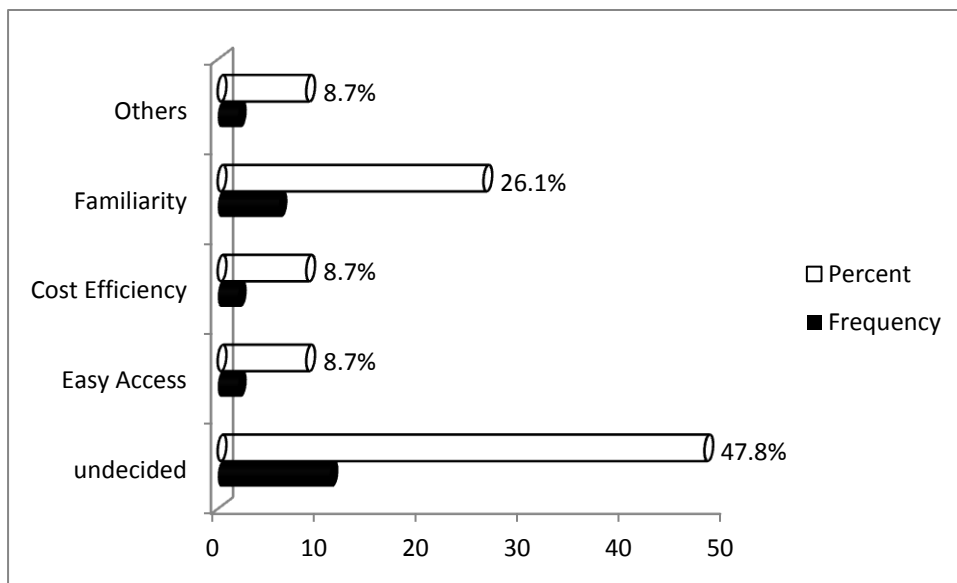
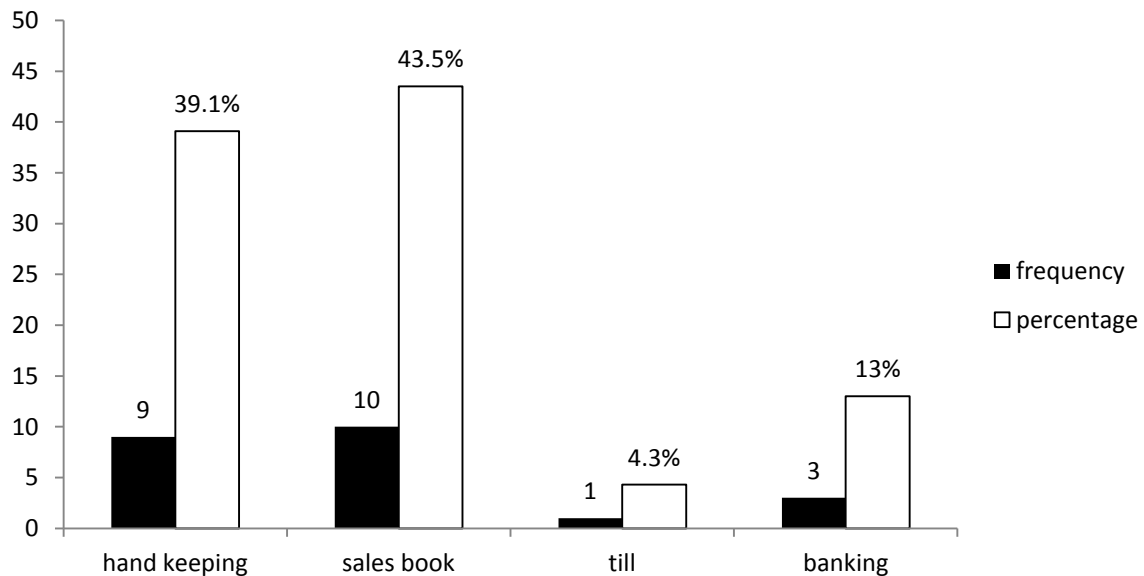


Figure 4- 7: Reason for preferring a type of records systems for business operation

### 4.3.2 Managing Financial Records

The SMMEs were asked how their financial/sales records are handled. The findings below indicate what resources are available for the management of their businesses to maintain cash records operations. Nine (39.1%) respondents have no specific cash records to monitor their spending pattern and keep their money at hand to enable them to immediately meet needs like settling of debt and buying stocks. Ten

(43.5%) respondents utilized sales book while one (4.3%) respondent has a till, and three (13%) respondents' indicated the use of banking systems and services for this purpose. The details are presented in figure 4.9 below.



**Figure 4- 8: Question on how financial records are generated and managed**

In the data gathered from the respondents, not so much clarity is expressed on the means of financial records management that the business owners or managers use. Cash at hand may not necessarily manage as there might be lack of documentation for its disbursement. This might encourage utilizing business capital for personal and domestic purposes. This is contrary to what was reported in the ancient times in Egypt. Financial recordkeeping is not a new practice in small business. Ancient writing mode of keeping these various businesses transactions records had been adopted. The methods of keeping track of business transactions records include; ribs of coconut leaf, knot, and ropes were adopted for various accounting purposes (Henry, 2003). In ancient Egypt, financial records are values that were maintained; amongst those were freight bill, and transportation receipts with well established businesses (Breisacher, 1961). Around 3250 BC tokens and damp clay were all

reported as means of financial recordkeeping with incised impression (Carmona & Ezzamel, 2006).

#### **4.4.0 Infrastructure**

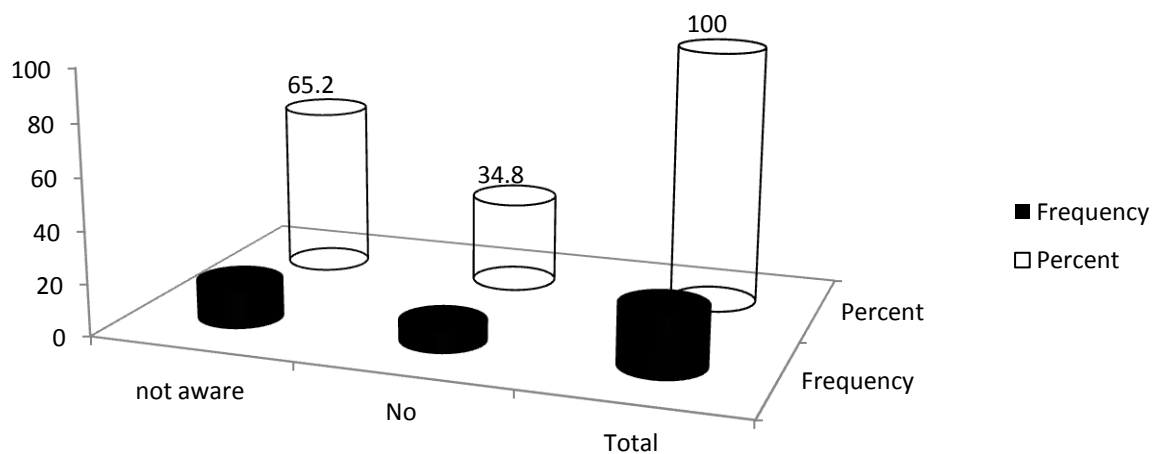
##### **Introduction**

Infrastructure defines business operation ability of the SMMEs. Infrastructure is defined as the basic system and services, physical or organizational structure such as record policy and training needed for the operation of an enterprise (Concise Oxford Dictionary, 2013; Hornby, 2010; IRMT, 1999). Therefore, from the above definition, a system refers to records structure, organization, arrangement and classification. Records classification plays an important role in sorting records according to value of importance to business operation. And the arrangement of records facilitates easy retrieval of the needed records in the process of carrying out business decision making. "Physical" in the context of records in this study, refers to those tools that facilitate documentation and records management, such as file and filing cabinets, books, electronic devices and computers. Organizational structure could involve the hiring of records manager to take care of business records management, oversee formulation of records management policy, supervise and provide training for member of staff. It could also be to facilitate the adoption of appropriate tools for records management to aid efficiency and business sustainability.

##### **4.4.1 Records File Plan**

It was necessary to find out whether those who are keeping records have knowledge on how their records are arranged and stored. Efforts were made to elaborate and explain the term file plan and its usefulness. The respondents were asked if they

have a file plan system. The findings indicated that fifteen (65.2%) said they are not aware what a file plan is. Eight (34.8%) respondents said, they have no file plan and their responses showed that they are not maintaining any file plan. These responses were further confirmed by the researcher’s observation, as it was discovered that a majority of the respondents have not been using any file plan.



**Figure 4- 9: Question on Records File Plan**

File plan is a basic building block in the entire composition of records management. The file plan serves as work flow blueprint that aids records movement from creation to final disposition. The essence of a file plan is to enable efficient arrangement and storage of information contained in the records in order to facilitate effective retrieval and disposal.

#### **4.4. 2 Records Classification**

The respondents were asked about the classification of records they are maintaining in their businesses. Three (13%) respondents said, their records were classified as sales books. Five (21.7%) of the respondents said their records were classified as receipts as indicated in the distribution on records classification. While one

respondent identified and classified her record as a stock book, another respondent said she has an inventory. One (4.35%) respondent said that her records were classified as business inventory and another (4.35%) respondent's records were classified as business reports, and documents for lay-by records were classified under others. See the distribution of classification in figure 4.11 below.

Table 6: SMMEs Records Classifications

Classifications of records generated	Frequency	Percent
uncategorized	11	47.85
Sales Book	3	13.0
Receipts	5	21.75
Stock book	1	4.35
Inventories	1	4.35
Business Reports	1	4.35
Others, please specify	1	4.35
<b>Total</b>	<b>23</b>	<b>100.0</b>

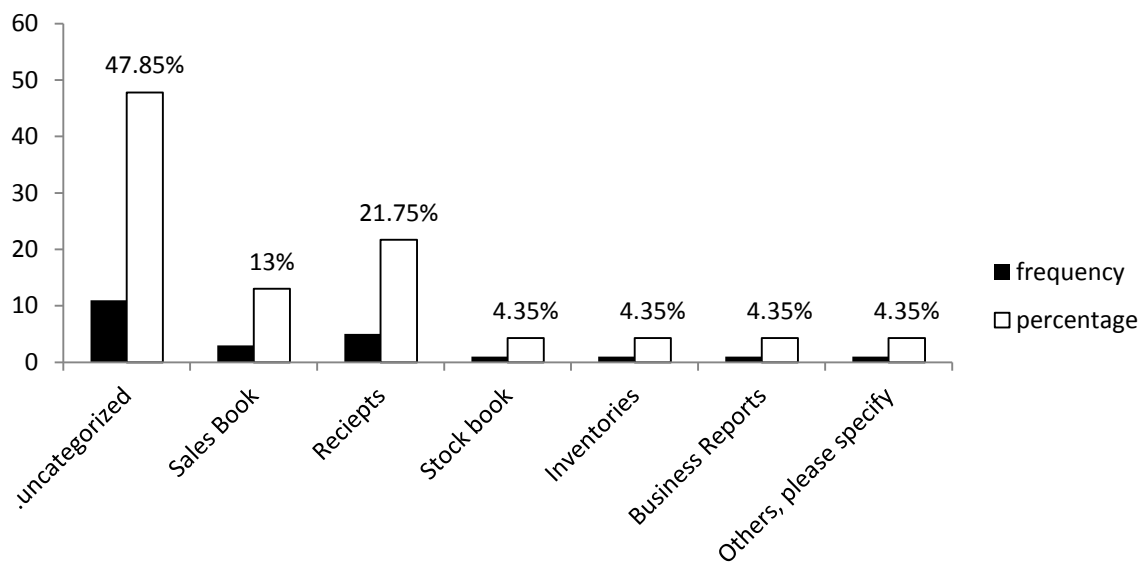


Figure 4- 10: SMMEs Records classification: n=23

The findings from the study indicated that SMMEs probably do not see any reason why their business records should be classified. When records are not organized or arranged, there is risk of inefficiency, lack of traceability and difficult access. It was

observed that, it was difficult to identify SMMEs records classifications due to the ways the records were piled together in some instances. Other respondents' records were not made available for the researcher. But it could be argued that the SMMEs lack records classification knowhow.

The respondents were asked if they think it is important to separate their records. The question was posed to them to explore their thoughts on the importance of separation of invoices from receipts, sales books from stock books, purchasing order from inventories and business reports from general correspondence. The ability to identify these various business records would enable businesses to take informed decisions regarding their business activities. Twenty two (95.7%) of the respondents indicated incapacity to separate their records.

*It is not that easy to able separate the records. I usually use the same record for my sales and stock book.*

Records classification enables ordering of various types of records generated. This practise is helpful in arrangement and description of business records.

The researcher observed that, they were having difficulties in classifying their business transactions records. Only three respondents allowed the researcher to look at some of their records, and it was observed that, invoices and receipts were mixed up, thereby not being easily classifiable. Also, payment slips were not clearly demarcated.

According to Webster, Hare, and McLeod, (1999) there are numerous ways business records are classified in the companies. In England, some of the records classified by the small businesses include quality assurance documentation, system and

programming documentation, in-house training materials, process data and test certificates amongst others. This is contrary to what is found out in Nkonkobe, as the SMMEs do not have knowledge of records classification and most probable due to the fact that, they are not aware of the importance of classifying records according to the transaction value of these records and value to support the business decisions, legal, administrative and fiscal activities of the businesses.

It was also identified that, the most common ways businesses classified their records is through their value within the organization. The importance of these classifications is to use the records “value to support legal, administrative and fiscal functions of the organizations” (Webster *et al*, 1999: 288). One of the reasons why classification is important is that it aids easy retrieval of the information especially in the context of transactional activities that produced it at original creation (Gilder, 2012).

#### 4.4.3 Training

The respondents were asked if they have any training in records keeping. One (4.3%) respondent said answered positively, twenty (87%) of the people answered negatively, while two (8.7%) did not respond.

The findings below present responses from 12 business owners and 11 managers.

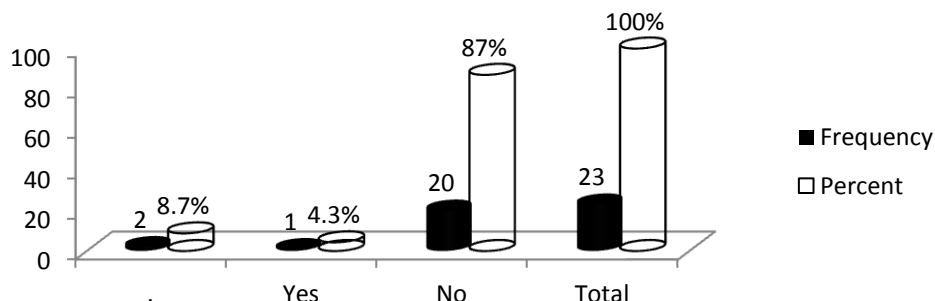


Figure 4- 11: training on records keeping; n=23

In emphasis to the above data, one respondent said that, *all the employees look after their business records and none of them have any training.*

Another respondent said, *I have an idea and knowledge on how to manage records.*

Training in managing business records helps in supporting decision making. This is important in order to establish whether SMMEs owners or managers responsible for the operation and running of the business have received any training in keeping records of business transactions. It was observed that, the knowledge referred to was not specifically in records management as a discipline but concept from accounting principle which gave her a clue on what records management meant.

The findings revealed there is a need for concerted efforts in training business managers in basic records management skills. In the literature, records infrastructure were those physical and organizational tools and structures that aid business operation smooth running such as tools, policy, training, (IRMT, 1999), amongst such were tools, training, and policy. Intellectual infrastructure includes arrangement and organizing, classification, filing systems and retention and disposal schedules. According to Okello-Obura, (2012) it appears that SMMEs lack of training in records management is hugely affecting their businesses. Training provides professional overview of the required knowledge that helps SMMEs to explore current practice. Anderson (2007) and Khayundi (2011) indicated lack of emphasis placed on job specification for a trained records manager in some organizations. Requirement in most advertisements for the position of records management personnel failed to emphasize need for a trained and qualified person to handle RM. The study reported that most business organizations would specify criterion below the qualifications in records management as selection requirement. The implication of this is that, when



employers form the habit of employing unqualified or untrained persons to handle business records, it exhibits a lack of importance which should always be attached to records management that is supposed to be handled by trained personnel. This was consistent with Okello-Obura, (2012) who identified that small businesses lack appropriate training and skills in managing records.

The respondents were asked if they thought it was important to receive training on how to manage records. The majority of the respondents said they think

*It is important, because if someone could show them the better ways of managing their records, it would empower them to better look after their businesses the proper way.* The responses given below were gathered from two of the interviewees:

*(The first respondent) "it is important; because we have lay-by and we use the records to monitor that lay-by progression (how much have been paid, what is left to be settled, we are only using our idea to write what is happening, if we can learn other better ways through training it will be better".*

*(The second respondent) "it is better for me but there is limited knowledge about how to manage the records, and there is no chance but it would be better to be trained while in the shop because there is no chance to go out; if somebody can train me better I think it would be very good for my business and I would be in a position to do my books in a better way."*

The researcher observed that those who have demonstrated little knowledge about keeping records used ideas cultivated from their educational background. This might have taught them the importance of maintaining records. It appeared that none of people interviewed either (SMMEs owners or employees) have received any training

on how to manage records. It could be argued that one of them are having any idea of what it requires to set up a records management programme. Yet, different types of records in business organizations have diverse benefits and economic importance. In South Africa, SMMEs seem to be lagging behind in training on RM. It appears that, the SMMEs might continue to have problems related to a lack of sound RM systems especially if those who are running SMMEs are not trained in the basic records management.

#### 4.4.4 Records Storage Location

The respondents were asked about the location where they store their business records. Nine (39.1%) of the respondents could not specifically give details of locations where their records are stored. One of the respondents said, she has a filing cabinet where the records are located. Another two (8.7%) respondents said, they have drawers for keeping and storing their business records. One respondent has a file, and another three respondents pointed under their tables as the location where their records are kept. Five (21.7%) respondents said their records are at home and the other two (8.7%) respondents said the records are located in the cupboard of the sales clerk. See figure 4.13 below

**Location where records are kept**

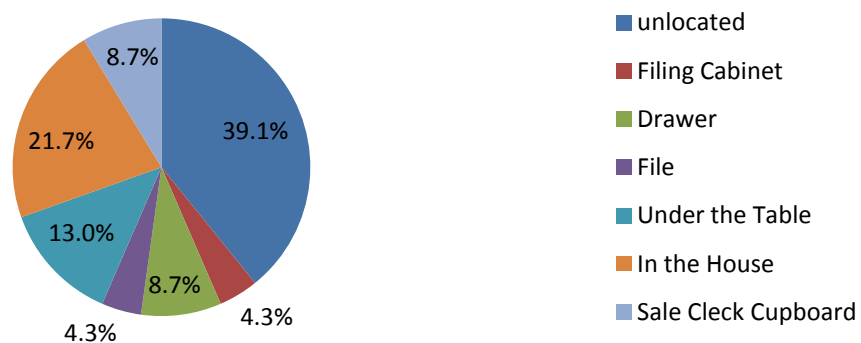
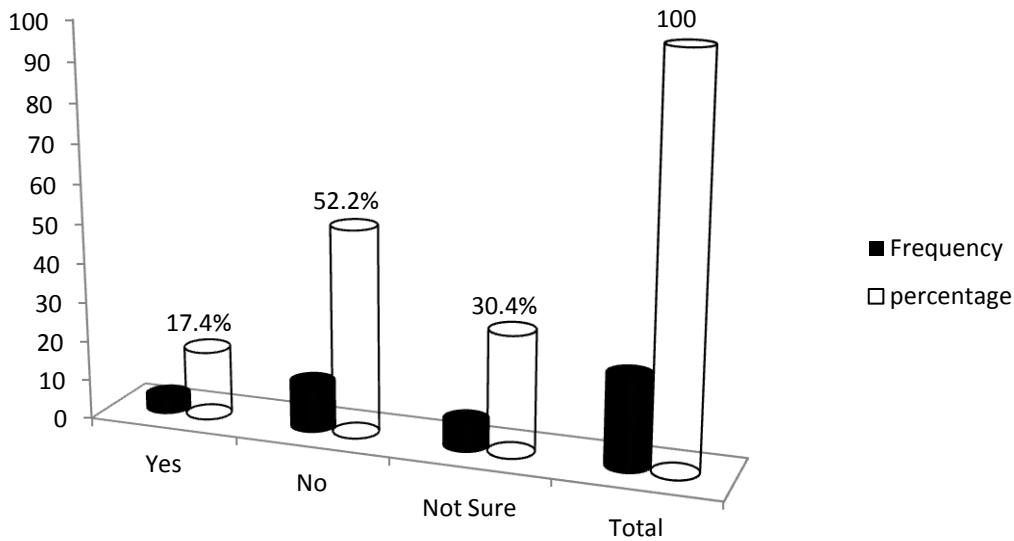


Figure 4- 12: different locations where records are stored

The data on where records are stored and located above indicates that only 4.3% of the sampled SMMEs have a filing system for keeping records. The location of records is crucial to business decision making. One of the vital role records management plays is to enable effective communication of past and present business decisions and facilitate quick access to the records. Records must be retrieved in an effective and efficient manner in time and as and when needed. Records kept at home might be a little safer from the intruding and unauthorized people and clientele but the records might not be reachable to make crucial business decision in the course of business transactions.

The data further emphasises the challenges associated with SMMEs as corroborated by Okello-Obura, (2012) findings. The study revealed that those entrusted with the managing the business are not accountable in terms of maintaining appropriate records.

The respondents were asked if they have any systematic way of keeping records. Findings revealed that twelve (52.2%) could not confirm that they have adopted any systematic way of records keeping to support their operations. Seven (30.4%) respondents were not sure if there is any systemic way of managing business records. Only four (17.4%) said they have ways of maintaining records for the major business records generated. See figure 4.14 below for detail distribution of responses.



**Figure 4- 13: Systemic way of managing business records?**

This is important to determine that records generated by the SMMEs should be managed using an established approach such as systematic movement of records in its lifecycle from creation through disposition. It was observed that, the respondents were not sure what records management is, and could not identify any specific ways of keeping records. Ability to adopt a systematic approach to managing business records would mean that the SMMEs have the capability to process business transactions record from creation to its final destination or disposition.

#### **4.4.5 Records Security**

The respondents were asked about the security of their records. Six (26.1%) respondents were categorized “undecided” as they could not provide answers to the question. Four (17.4%) respondents indicated that their records were secured; two (8.7%) respondents said their records were not secured, while eleven (47.8%) respondents were not sure of the security status of their business records. As one of the respondents rightly pointed out;

*“We are even scared and afraid of the records we have in the shop since the Shoprite stores and supermarket burnt down just like that and everything vanished. Since then we are putting some of our records, shop rent receipts and other important documents at home and keep the remaining ones in the bank”.*

The illustrations in figure 4.15 sum up the responses about the security of their business records.

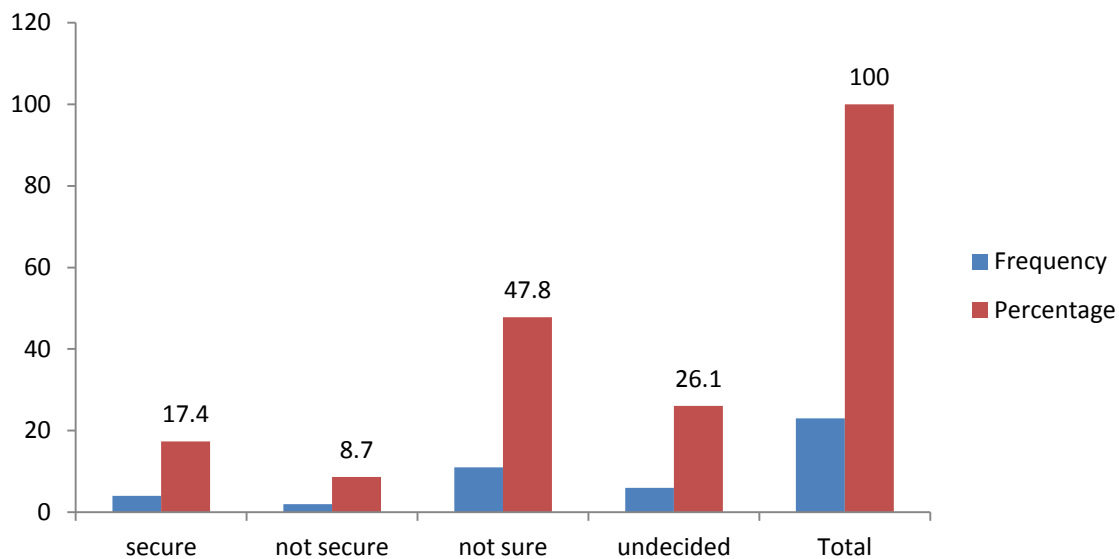


Figure 4- 14: Records Security

The researcher observed that, it seemed that, some of the respondents who said their records were kept at home and those with their records in the shops seemed not to have any knowledge about securing their records to prevent data loss should disaster strike.

The respondents were asked how secure their business records are against unauthorized access and disaster. The responses were coded into categories from the responses gathered from the interviews. The findings revealed that, two (8.7%) respondents had restricted access, which meant that not everyone can access their

information. Five (21.7%) responded indicated that only a few employees are responsible for the records and are the same who have access to the while seven (30.4%) respondents had no responses, and nine (39.1%) respondents said that their records are open to all the employees. See figure in 4.16.

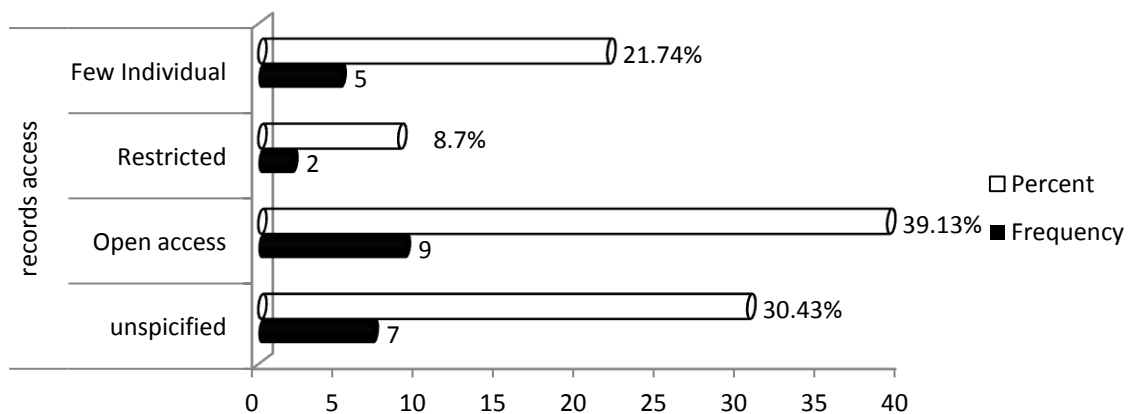


Figure 4- 15: Records security and accessibility

It was important to know whether there are measures to secure business records, controlled access and prevent data loss in cases of disaster. Respondents seemed unsure about the security nature of their records. As it was observed by the researcher, a majority of the respondents' records are in the shop where two or three businesses are co-sharing a business space. It seemed other business owners could easily gain access to these records, except where there is high degree of trust. It was noted however, that the other shops were in different trades, as they were not in the same line of business. Suppose there is fire accidentally ignited by one of the other shops sharing the same space, it could result in a great disaster and loss of value records and information. According to Weisinger, (2011) the future is unpredictable, and disaster could strike anytime. The attack on the world trade centre in New York in 2001 was a typical example where other businesses lost everything. Sidley Austin Brown & Wood LLP (SAB&W) was able to resume

operation just hours after the attack (Weisinger, 2001). The same cannot be said about the SMMEs in Nkonkobe. Making available records secure would enable SMMEs to efficiently analyse business strength and identify weaknesses in order to improve their potentials.

The researcher wanted to find out what the respondents thought about record infrastructure. Respondents were asked about their thought on the usefulness of records management infrastructure. Initially they were unable to determine what infrastructure comprises as discovered during the pilot study. The researcher explained what records infrastructure meant before they could express their opinion. The researcher explained to the respondents what constitutes records management infrastructure.

They were therefore asked to comment whether they think infrastructure are important for their businesses. All the respondents except one said the records infrastructure was important for their business operation. The other respondent did not comment on this question. One out of the twenty-two respondents said;

*“This is important because it would enable me to do things differently with expertise and this would contribute to the business performances.”*

Answers were presented with different options; very high, high, low, and not aware, accordingly. Eight (34.8%) respondents had no idea about the importance of records management infrastructures and could not choose any option and they were categorized under “uncategorized” (figure4.16). Four (17.4%) respondents said they were not aware of infrastructure importance. Three (13%) respondents choose high, and one (4.35%) respondent chose low. However, seven (30.45%) respondents

believed that record management infrastructure are important to their business records management. Figure 4.17 illustrates the findings in details.

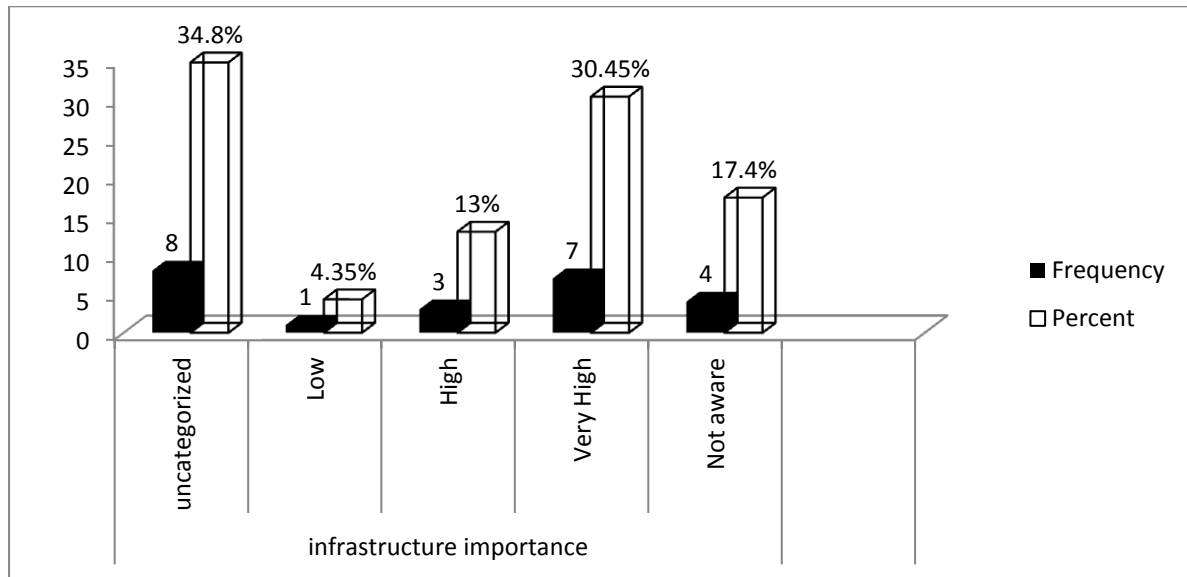


Figure 4- 16: RM infrastructure importance to SMMEs

It was discovered from the above data that, though most of the SMMEs believed that records infrastructure is important to their businesses, it seems that, they are yet to benefit from its full potential and usefulness. One reason that might be cited for this is the fact that, a majority of SMMEs have not fully incorporated the adoption of business records management in their businesses. It seemed obvious that they lack training to be able to execute their business record keeping, thus reducing the appreciation of usefulness of RM infrastructure quite difficult. This view is substantiated by the finding that eight respondents are unable to identify any suggested options in identifying RM infrastructure importance and four respondents indicated that they are not aware.



### 4.5.1 Legal and regulatory framework compliance

Respondents were asked if their businesses were registered. Nine respondents gave positive responses, and six respondents said their businesses were not registered and eight respondents indicated that business registration was not necessary. Eight (34.8%) respondents said their businesses are small so, it is not necessary to be registered. Six (26.1%) respondents indicated that their businesses are not registered. The remaining nine (39.1%) respondents said their businesses are registered. See figure 4.18 below.

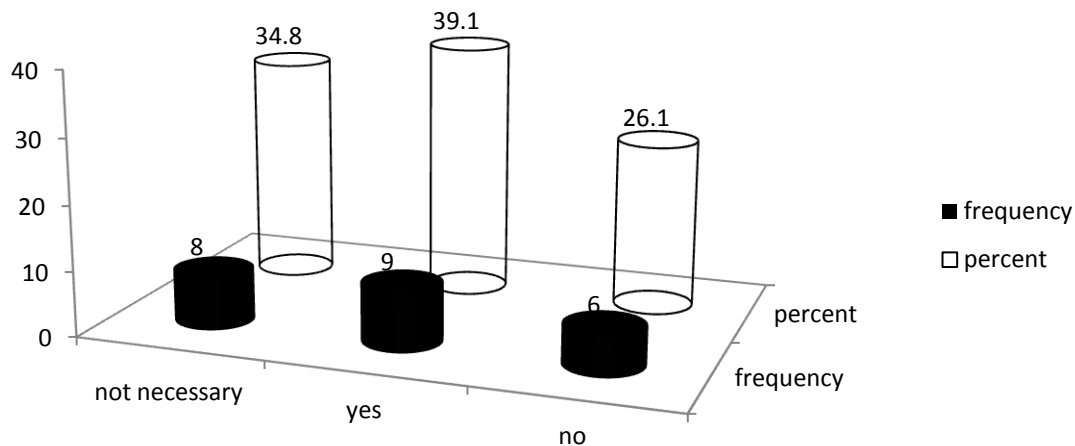


Figure 4- 17: SMMEs Compliance n = 23

As a follow up question research subjects were asked why they have to be registered. It was important to determine whether this was seen as a good business practice, or it was due to regulatory compliance as required by law.

Below are some of the responses from six of the SMMEs owners/managers.

1. *"I just register out of my own free will".*
2. *"When you start a business, you have to register; it is for my business protection".*

3. *“For protection of yourself and the business”*
4. *“I personally registered my business because it is very important and most importantly when you are going to the South Africa Police Service (SAPS) you must be registered”.*
5. *“It is part of requirements”*
6. *“Most of the times the department of Home Affairs disturbs foreign business owners so it is for business and individual protection as well as fulfilling requirements.”*

Compliance helps in adopting standard ways of maintaining business transactions records. This is crucial for creation or receipt, transmission and usages, storage, indexing, retrieval, control, retention and final disposal of the records. One of the respondents believed registering his business would protect him against the legal implications of running an unregistered business. It is believed that it gives legal recognition to the owner and the business entity. Another respondent saw business registration as a legal requirement.

The compliance of businesses according to the findings of Webster et al. is strengthened by legal and regulatory requirements (Webster, Hare, & McLeod, 1999). The findings of Chachage & Ngulube, (2006) indicated that, compliance with legislation and standard of records management has an impact on the processes of record management. Business records should be managed in order for them to be able to comply with legal and regulatory requirements. Chachage and Ngulube (2006) citing Marobella (2005) referred to compliance as the ability of businesses to promote accountability of all transactions and activities in relation to standard requirements and ethical standards.

The researcher wanted to find out whether the respondents are aware of the fact that keeping records is a legal requirement. The responses were categorized into three categories based on their responses after the interviews. The first group of eleven (47.8%) respondents showed unawareness that records management is part of business operation requirements. The second category of respondents was made of four (17.4%) entries. These indicated that they were aware that they were required by legislation to be compliant and to maintain business records especially for tax purposes. The other eight (34.8%) respondents said that they are not aware of such requirement. This implied that SMMEs have not been sensitized about the legislation and various requirements in this regard. SARS, (2013) require every business to maintain records of transactions. This is used as yardstick to verify those who are supposed to be paying tax and those to be exempted from tax.

#### **4.5.2 Records management legal and regulatory requirements**

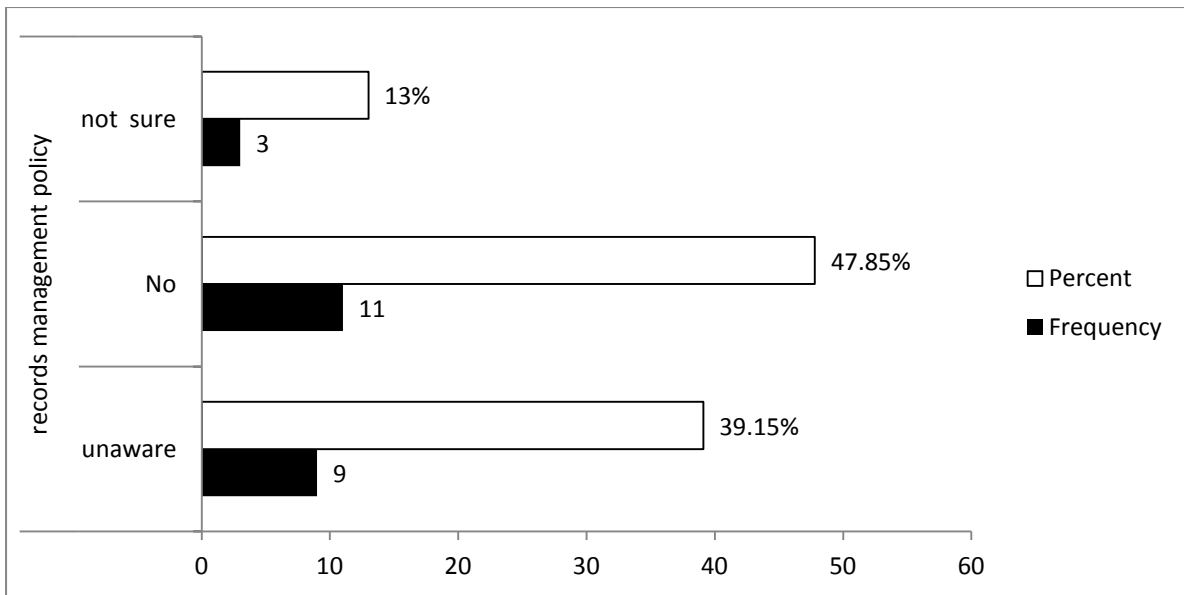
The respondents were asked if they are familiar with requirements of records management as set out in various legislations or guidelines. The findings revealed that none of the respondents were aware of such legal requirements. Fifteen (65.2%) respondents said they were not aware of any legal and regulatory requirements, and eight (34.8%) respondents, could not respond to this question. From the above responses, the inability of the SMMEs to recognize the legal requirement of records management would only mean that, they are not able to benefit from its potentials such as;

- enabling informed decision making,
- meeting legal requirement,
- assist in finances documentation and management,

- preservation of corporate memory,
- optimised function and reduced operating cost
- protecting the rights of stakeholders
- provision of evidence of transparency and accountability;
- contribute to business efficiency
- promotion and facilitation to access to information
- ensuring and promoting legislative compliance (tax, company safety and health requirements)
- Fostering good practices (Ngulube, 2011)

#### **4.5.3 Records Management Policy**

The respondents were asked if they have a record keeping guide. Out of the twenty three respondents, three (13%) were not sure whether there was a records management policy or not. Their responses were based on the fact that, they are only managing the businesses and are not the owners. However, they were certain if there was any, they are not making use of it. Eleven (47.85%) respondents said they do not have any records management policy while nine (39.15%) seemed completely unaware of a records management policy. But they eventually acknowledged the absence of such policy in their daily business operations.



**Figure 4- 18: Records management policy**

The researcher observed that though the responses are different, it would seem appropriate to say that, the respondents have no business records management policy. This is important as any business turning over above five thousand rand a month ought to have RM policy as institution specific document.

This result conformed to the findings of Ngoepe & Van der Walt, (2009) which show that part of challenges in the organizations regarding records management in South Africa includes non-compliance with statute and policy as indicated by absence of RM policy. Records management policy helps frame the actions of organizations. In South Africa, National Archives and Records Service Act 2000 number 2 as amended in 2003 encapsulates the guidelines to be adhered to in the entire life cycle of records. Respondents are expected to have stated guidelines of how their business information and records are created, received, maintained, and stored including access and retrieval procedures (Chachage & Ngulube, 2006).

The respondents were asked if they have received any assistance either from private entities or governmental bodies in identifying business RM requirements. Their responses indicated that, none of the respondents received assistance in identifying

RM requirements. Their responses indicated that they have not received any assistance. A majority nineteen (82.6%) of the respondents pointed out that they have had no training or assistance whatsoever, while four (17.4%) respondents could not confirm any training and assistance received.

It could be argued that lack of support to ensure compliance could be a contributing factor to some of the problems facing these businesses which might lead to dwindling performances. Findings presented by Bauer (2012) indicated that 80,000 jobs were created by the SMMEs sector of the economy in January 2012, but declined in February to 24, 000. This illumines the negative impact of lack of RM practise among SMMEs to monitor business performances among a host of challenges facing this sector.

As follow up question to verify their initial statements as it may be probable that they might have received such assistance, it was imperative to visit the NEDA office during the pilot study. The visit yielded findings showing that the NEDA had been conducting some training program for the SMMEs. It was important to verify if RM was part of these training. Questions were asked to establish if Small Enterprises Development Agency (SEDA), Nkonkobe Economic Development Agency (NEDA), or any other organization had conducted seminars, workshops, on RM. Though it was not reported in the literature that these agencies were responsible for training the SMMEs, it would be of interest to know whether the functions of these organizations have encouraged policy compliances of the SMMEs. In the pilot stage of the research, a visit to NEDA revealed that MTN Foundation, in partnership with the municipality was a product of corporate social initiative that house NEDA.

## **4.6.0 Challenges**

### **4.6.1 SMMEs Records Management Challenges**

There were various challenges identified as confronting SMMEs in Nkonkobe especially the interviewees regarding records management. It was observed that most of the SMMEs managers are not educated on maintaining business records. These businesses do not have facilities to enable them to manage their records appropriately. It was also observed that all the interviewees lack training to be able to function optimally in their businesses. This was mentioned by the respondents earlier, confirming that they do not possess the required skill to manage their business records. One of the observed challenges facing the SMMEs is the fact that, they have no idea of the law and requirements and this might make it difficult for their compliance status. One of the observed challenges was the inability to have an established purchases records management. Some of the respondents keeping sales records are lagging behind in utilizing inventories records management. The challenge they face however is that, without these records, they are not able to check the trend in market price fluctuations and inflation. The researcher observed that, only two respondents were able to keep record of staff payment while on the other end performance records were not maintained by the SMMEs. This might be necessary for monitoring performances of the employees and for conducting performance appraisals for individuals and businesses as a whole.

### **4.6.2 Purchase Records and Purchase Ledger**

Unfortunately most of the observed SMMEs in Nkonkobe do not have purchase records and none of them has any purchased ledger as observed. Most of their purchase transactions are carried out on business need basis to buy some of the missing items already sold. As explained by one of the respondents, "*I don't make*

*any purchase ledger or have any purchase records. I only buy what is sold and use it to replace what is not available”.*

### **4.6.3 Records of inbound and outbound cash flow**

It was observed that one of the major challenges facing SMMEs is how to maintain cash flow and keep proper records of the cash movement in and out of the business. The inability of the SMMEs to maintain an established cash book and its management could only be translated to mean an absence of financial records management. However, the creation, and maintenance of business information would enable SMMEs to keep track of market performances. Storage and systematic disposition of records is central to the overall wellbeing of SMMEs and this seemed lacking in their current business.

### **4.6.4 Sales ledger**

Sales ledger is a tabular way of keeping track of sales performances and sales figures verifications. (See table below).

<b>Date</b>	<b>Invoice</b>	<b>Customer</b>	<b>Gross</b>	<b>Vat</b>	<b>Net</b>	<b>Date</b>	<b>Payment</b>
	Number					paid	type

However, the SMMEs were not even aware of such a structure so beneficent to exploiting opportunities that spawn business growth and sustainability. This enables the SMMEs to separate their business finances from personal expenses. And without abilities to create such a ledger, create file plan, sales records management could not be properly achieved. However, there are few exceptions as was expressed by a respondent from the interviews;



*“I hire an accountant who helps me to manage financial aspect and who helps me with claim forms SARS which is a lot of benefit. I get a lot of refund instead of paying more”. We need to keep monitoring business performance because the rent we pay on the shop is too much, the financial records we maintain is the only way to monitor performance of each month sale”.*

This situation is like what Hase, (2011) referred to as lack of consistencies in the approaches and lack of classification of records, whereby individual and businesses devise their own rules and systems. This means that there is no standard in the implementation of their business records. It leaves the SMMEs staff with limited understanding of business accountability for business records management.

It was further observed that almost all the respondents do not have inventory books except two. And none of them seemed to have any personnel records. Personnel records could contain such information as residential address, payment and salary structure, performance appraisal and absenteeism notification. This is essential for decision making of any entrepreneur. It could be very helpful to exonerate SMMEs should disagreement ensue between the employees and the employers.

#### **4.6.5 Summary**

This chapter has presented the findings of the study. The interviews were coded into themes and were presented with the use of adverb to express the interviewees' responses. Graphic data representations such as, charts, tables to present collected data have also been used to present the findings. The result discussion was aligned with the study aim of investigating the role of records management in the sustainability of small, micro and medium enterprise (SMMEs) in the Eastern Cape.

The study objectives equally guided the presentation of the findings to identify the types of records that are kept by the SMMEs. These were:

- To evaluate the infrastructure for the engagement of SMMEs records
- To determine the compliance of SMMEs with existing RM legal and regulatory requirements
- To identify challenges related to SMMEs records practices
- And finally, to be able to make recommendations based on the abovementioned.

The research objectives guided the discussion so as to examine the importance of RM to SMMEs and its role in leveraging records management in SMMEs' businesses. Types of records and their perceived benefit by SMMEs were probed, and general SMMEs RM situations were assessed. For example, there are various routes taken by the SMMEs in keeping records, whereas the managing aspect is completely absent. Yet one exception exists where one SMME engaged the services of external "consultant" to deal with the issue of its financial records to satisfy SARS requirement. Therefore, it appears few may have recognized the importance/benefit of filling appropriate information as business records. There is a sign that, fewer SMMEs may have an idea about obligation to maintain business records and management, but lack the capabilities to do so. The next chapter discusses the conclusions of these findings and recommendations based on the findings.

# Chapter Five

## Conclusions and Recommendations

### 5.1 Introduction

The main aim of this study was to investigate the role of records management in the sustainability of small, micro and medium enterprises (SMMEs) in the Eastern Cape. The study was carried out in Alice and Fort Beaufort towns. This chapter presents the summary of the findings and conclusions based on the research questions. The study sought to answer the following questions;

- What types of records are kept by the SMMEs?
- What infrastructure is used to manage SMMEs records?
- Do SMMEs in Alice and Fort Beaufort comply with existing RM legal requirements?
- What are the challenges facing the SMMEs in managing records?

### 5.2 Types of Records kept by SMMEs

There are various types of records kept by the SMMEs. From the data presented in (figure 4.8) 21.7% of the respondents maintained invoices/receipts. Without the ability to maintain invoices, it might be difficult for the SMMEs to accurately monitor market price fluctuation and raise cost of goods and services. Only one (4.3%) respondent has business correspondences, five (21.7%) customer details, 4.3% personnel details, 4.3% for sales figures and purchases, 39.1% records could not be specifically identified and classified (see figure 4.8 for details). The reason was that, some of the records are mixed up as business transactions documents. It is

important for business owners to be able to identify and keep records which are crucial to their business survival. The composition of the records mentioned established that only 4.3% represents sales figure and purchase records, and 21.7% represented invoices (see figure 4.15). From the observations, the condition of small business handling and management seemed almost opposite what was reported in the developed nations. In contrast the findings of this study, the developed nations SMMEs maintained several types of records such as;

- Policies
- Invoices; Sales figures; purchase orders; tenders/quotes
- Correspondence
- Customer details; Personnel/staff information
- Minutes of meetings; reports; internal memos
- Technical publications; Engineering drawings
- Visit reports
- Production reports amongst others (Webster, Hare, & McLeod, 1999)

The SMMEs generate various types of records that support business functions and effective company management. According to the findings of Webster, Hare and McLeod, (1999) in England, some of the records held by small business in supporting operations includes; quality assurance documentation, in-house training materials, production reports, process records, and tests certificates. None of these records were identified in the records composition of the SMMEs in the study.

### **5.3 Infrastructure to manage SMMEs records**

The findings established that there is a dearth of adequately skilled human resources who can competently handle RM work in SMMEs proficiently. This is denying many SMMEs the opportunities to benefit from the return on investment. As established by the respondents in the interviews, they lack basic knowledge of RM. This finding is consistent with the findings of Okello-Obura, (2012) that these businesses lack required training in RM. There is a need for intensive efforts to examine the low level or lack of business records management competence. The SMMEs business environment is not an exception in this case.

Hughes (2003) stated that RM unavoidably serves as a promoter of business values. RM is viewed as internal business dynamic function that enables service delivery through infrastructure (Hughes, 2003). According to Samuel (1998) training in records management may provide SMMEs with ability to effectively manage their business records. This is central to their survival and sustainability. It may be possible that the cost of this training might be too expensive for the individual SMMEs, but agencies and private sector could organize such enlightenment campaign and training. This is capable of redressing the current appalling RM condition witnessed in the SMMEs. As proposed in the training of RM professionals, short courses and training for skills development in RM might go a long way. Rather than educating SMMEs, there is need for training aimed at introducing RM skills into the SMMEs for effective operation (Katuu, 2009). There seems to be a huge gap between the SMMEs in the developed world and those SMMEs in South Africa. For instance, in the developed world, the various types of records that were maintained by these businesses include vital, important and administrative records (Webster,

Hare, & McLeod, 1999). The records that were maintained by these small scale businesses were meant to assist them in various operations and decision making processes. The findings revealed that some of these records were maintained to fulfil administrative, fiscal and legal obligations of the business (Webster et al, 1999). The same categories of the small businesses in the developed world have moved dramatically towards the adoption of electronic records management for business operations (Borglund et al, 2009). The findings revealed that, the businesses acknowledged the importance and contribution of RM in business and its value for successful operations.

#### **5.4 Compliance with Legal and Regulatory Requirements**

Irrespective of size, SMMEs are regarded as legal entities. Therefore, it is mandatory that they are compliant with relevant legal, statutory and regulatory requirements. As indicated by some of the respondents;

*“we keep records because of the law” sometimes the police may check your shop and ask you for some papers, such as registration and certificate”; “the people from SARS always want to check your records and if you do not produce it, you may be in trouble, so in order to protect yourself, keeping record is very important”*. It was identified that, some SMMEs in South Africa fall within the SARS tax bracket regimes. The total annual turnover of business enterprise in the country would determine whether the enterprise is liable to pay tax or not.

According to Webster and Hare (1999) SMMEs keep records as part of compliance requirements. It is required by law that all businesses must maintain adequate and sufficient records that document evidential values of their transactions. McDonald (2003) stressed that compliance with regulatory framework is core to RM in any

organization. There are national and international bodies and agencies responsible for ensuring compliances; International Records Management Trust (IRMT), ISO, National Archives and Records Service legislation. For example, (NARS) functions under the auspices of the Promotion of Access to Information Act (PAIA).

According to the aforementioned legislative framework, there remains little to be seen in the compliance level of SMMEs. It appears the compliance and regulatory provision failed in regards to standardization of SMMEs and their RM approaches. This is consistent with the finding of Tushabomwe-Kazooba (2006) which showed that most SMMEs seem not to comply with existing legal requirements.

It is extremely difficult if not completely impracticable to measure SMMEs compliance level with the RM standards. All the respondents actually confirmed that, they have any knowledge or received any guidelines on how to manage business records. One might suggest one probable reason for this lackadaisical state of RM in the SMMEs. It may be due to how they were classified as informal business with no adequate monitoring and evaluation systems. Consequently, it appears they lack real monitoring thus no enforcement against non-compliances. Those SMMEs that said they are keeping records, have inadequate knowledge and information on how to maintain it. Most of the people interviewed and observed might be facing risk of business mismanagement due to their inability to file records that are necessary for handling business decisions. It is needful to say that, there remains little to be desired in the way SMMEs are maintaining their records.

## **5.5 Challenges in managing records**

There are various RM challenges identified in this study affecting SMMEs such as; inability to identify and manage records in its lifecycle; inability to have file plan,

arrangement and description of business records; lack of knowledge and skill in records management amongst others, and these are consistent with the finding of other studies (Okpara, 2011; Khayundi, 2011; Okello-Obura, 2012). To identify the challenges related to SMMEs records practices, the engagement with the SMMES yielded insights into their perceived challenges. As observed, the researcher identified that; awareness of the importance of RM among the SMMEs is very low. They were not really sure of the importance or benefit they might attain in appropriately managing business records. RM training is important and obviously this is lacking in the small scales businesses. It was often reported how big businesses use RM to enhance decision making. Some of the benefits of RM system include the ability to help businesses generate return on investment ROI. This is usually achievable when records management is utilized to play its role in the business operations. The same could not be concluded in the light of the above mentioned.

Some of the under listed benefits or return on investment according to Ngulube, (2011) and Makhura, (2005) revealed some of the associated cost benefits of RM to the businesses which are:

- Enhance function and reduce operating cost
- Support better decision making
- Protect the rights of stakeholders
- Provide evidence of transparency and accountability
- Contribute to business efficiency
- Promote and facilitate access to information
- Ensure and promote legislative compliance (tax, company safety and health requirements)



- Foster good practices
- Increase productivities and employers and employees performance appraisal and accountability
- Preservation of corporate memory and risks management

A Majority of the respondents indicated that they lack knowledge in managing records. The remaining seven said they were not trained on how to manage records but were able to keep records due to what they have been exposed to while studying at school. When they were asked if they would have loved to be trained, they indicated it would have been good for their businesses. They however indicated that they have never received any support either from private or public entities directly or indirectly either on RM or any other business aspects.

All records maintained by the SMMEs are in paper form and thus confined to only one way of keeping records in this technology driven market environment. Other forms of media to maintain and keep records might need to be exploited by SMMEs to their advantage.

From the observation, some of the respondents might be having difficulties in managing financial records since RM includes this record as well. The financial records management point of view, SMMEs might not be equipped on how to manage financial records and this might be viewed as less desirable in a global market economy. According to Chiware and Dick, (2008) it is important for SMMEs to get available help and advice on improving their management of financial record. The study established that, SMMEs are not able to maintain or establish demarcation in their personal finances and business spending as most of them indicated they keep all their records together. It was established that the selected SMMEs do not have proper inventories, some have purchases and sales records but

these remained unmanaged. Records management involves systematic control of all processes of records life cycles, from creation to final disposition. There seems to be difficulties for SMMEs in identifying vital, and importance of business records in South Africa. The developed world recognizes some of the important merits of RM. This is evidenced by all kinds of business records that SMMEs in the developed economies keep (Webster et al, 1999) and their abilities to tap the value add of electronic records to their business operations (Borglund et al, 2009).

## **5.6 Recommendations**

In line with the research findings and conclusions the following recommendations are presented.

Government should look into the policy that would strengthen the operation and sustainability of SMMEs in South Africa. The policy should enable SMMEs to enjoy the same formal recognition that the bigger industrial sector enjoyed. This would be a major profile boost for the SMMEs from the currently categorization as informal business sector.

The newly created Ministry of Small and Medium Enterprises should look at the policy that would enhance assistance to the SMMEs by formulating policies suitable and “tailor-made” to the need of SMMEs sustainability. The ministry should be able to explicitly formulate guidelines for SMMEs RM. A policy and legislative framework that would take into account records management by SMMEs in line with international best practices. This would encourage accurate documentation of business transactions that would be useful to monitor business growth as well as compliances.

In spite of their sizes, there is need for SMMEs to benefit from the potentials RM offers to businesses. Effective decision making hinges on the quality of transactions records. This serves as memory bank which enables a total recall. It is therefore recommended that awareness and training is needed to enlighten this very important sector of the economy on the need to keep proper business records. By so doing, their level of compliance would be increased. Subsequently, mismanagement of business funds and utilization for non-business purposes might be addressed as well or at least reduced drastically.

The government agencies responsible for the supervisory activities; department of trade and industry DTI, small enterprises development agency SEDA, and Nkonkobe economic development agency NEDA should intensify their efforts in assisting SMMEs in this regard and extend business support scope beyond disbursing funds.

The training of SMMEs should consist of how to manage sales ledger and other financial documents. Records classification and file plan should be one of the major aspects of their training in order for them to actually benefit from basic skill of records management. However, despite these discrepancies in the way SMMEs handle their records, there is a thing that can be done to turned things around as proposed by Katuu (2009). This can be accomplished by training the SMMEs while on duty, or organize short crash training.

According to Katuu (2009), on the job training facilitate impartation of introductory education and training in records management. The availability to impart skill into the SMMEs would improve their capabilities to manage business records. The needed skill would enable creation of file plan necessary for business operations.

The classification of various types of generated and received records is recommended. This would be improved, and this might improve business decision making. Furthermore, this would encourage them to be able to set up records retention policy.

According to Webster et al, (1999) small businesses in the developed world have established retention systems for various types of generated and received records. The systems categorise records according to their enduring values. The retention periods range from under a year to ten years depending on the associated value of the records. For records with administrative value, the retention period is shorter, while all their vital and important records are preserved for a longer duration and in some cases permanently (Webster et al, 1999).

It is recommended therefore that SMMEs in South Africa should incorporate and implement this strategy which has proved to be beneficial for business operations in a long run. SMMEs and relevant stakeholders should converge to promote systems in establishing functioning RM programmes. This would help SMMEs, and guide them through steps in creating, maintaining, use, storage, appraisal and disposition of records. This is imperative for SMMEs in South Africa as it will position the sector to keep pace with the rest of the world in terms of business records management.

### **5.7 Area for further studies**

There is a need for an extensive research to probe further into the affairs of small business and come up with a records management model that might be useful for this sector of the economy. Having taken into consideration the unique composition of the major stakeholders, most of the people are engaged in these sectors for various reasons and circumstances. How to get to those without formal education

might be a point to take into special account when developing this model. The uniqueness of SMMEs in South Africa could be further studied to develop user friendly automated machines that could assist in maintaining most vital business records. Building system customized to cater for SMMEs special needs could be achieved, and the researcher would propose that this be carried out using service oriented design architecture. Based on the study, view models are design to give insight for specification requirement suggested for further refinement, (see appendices for details). It is proposed that due to the fact that, there is no sufficient coverage specifically on records management and SMMEs, more survey might be required to further elaborate these findings in developing countries such as South Africa.

## **5.8 Summary**

This study had been able to establish that records management is not the same as merely having some data on the piece of paper, but rather a process that resembles that of a child, through growing and development and eventual death. This is the same processes for business and records. There are misconceptions within the SMMEs as to what constitute having document and maintaining records or managing records. The overall sustainability of SMMEs is not dependent only on the injection of cash, but adequate monitoring and documentation of all activities and utilization of this information for better decision making would enhance business sustainability. There is a need to train SMMEs on the essence of business records management.

## **5.9 New Proposition**

### **5.9.1 SMMEs support environment**

The objective of these recommendations and propositions aims at designing new systems that could make it easier for various SMMEs to achieve their operational objectives and ultimate organisational goals. It explains technical and social functions of rules and how implementation and execution of these rules could be made possible to aid compliances. It is probable to improve SMMEs performances when implemented. The researcher has designed a model for SMMEs support environment. It is envisaged that implementing this model would enhance and promote rule governance behaviour between the various stakeholders. The activities diagram (figure 5-2) describes the high-level process in the creation and modification of legislation i.e. (small business Act). This model is adaptable and applicable as well to other legislations nationally and internationally. The essence of this diagram is first, to model the processes that are crucial in any given legislative process relating to SMMEs. This may allow regulatory agencies, policy makers and systems developers to check the requirement specification applicable to the SMMEs and design a system that is capable of enhancing implementation and promoting compliances. The implementation would guide the behaviour of SMMEs to be rule compliant, and governed their behaviour. It would also guide the policy makers to make policies suitable for SMMEs needs. This design covers the activities of the three stakeholders; SMMEs, the policy maker and the ministry responsible for the creation and implementation of any Act relating to the SMMEs.

The study identified three stakeholders central to SMMEs. When the legislation has been created or amended by the policy maker, for example, DTI (or other agencies) will be responsible for impact analysis of the modified legislation. The essence is to

monitor the suitability for the SMMEs instead of applying or trying to implement rules that are not meant to serve this sector of business but other bigger businesses. This legislation will be interpreted in the form of specifications for implementation and this will be operationalized to support this new changes. See the model below (figure 5-2) on how the systems would operate without overlapping of duty. It eases execution of policy which would also be easy for the SMMEs to understand. This model could be useful for policy implementation, records management compliances when included in the new Act without recreating a new model. The essence is to create a business services model with a flexible (Boer & van Engers, 2013) support environment.

When the new implementation of requirements by SMMEs is mandatory, (whether due to new legislation or amendment) execution of this new policy will be pilot tested where the staff members will monitor the implementation and give feedback to the Minister/or the policy maker. If there is implementation problem with this specification (legislation) the policy maker will be notified to review. See appendices for the remainder of the designs. The models give systems developers full insights into SMMEs operations and serve as architectural design for SMMEs requirement specification. This would guide against one size fit all system designs for SMME as the design is tailor-made using service oriented design approach. All the models are easy to understand, and it is briefly explained as part of the study recommendation. The researcher is confident systems developers and specialists would find the design explicit and interesting as universal modelling language tools was used for the entire designs. The design is intended to help stakeholders to be able to visualize some of the critical processes that could be taken into consideration. The design helps in creating services specification for possible future automation and

business process design/redesigning for SMMEs suitably tailored to address the needs and inimitabilities of these businesses.

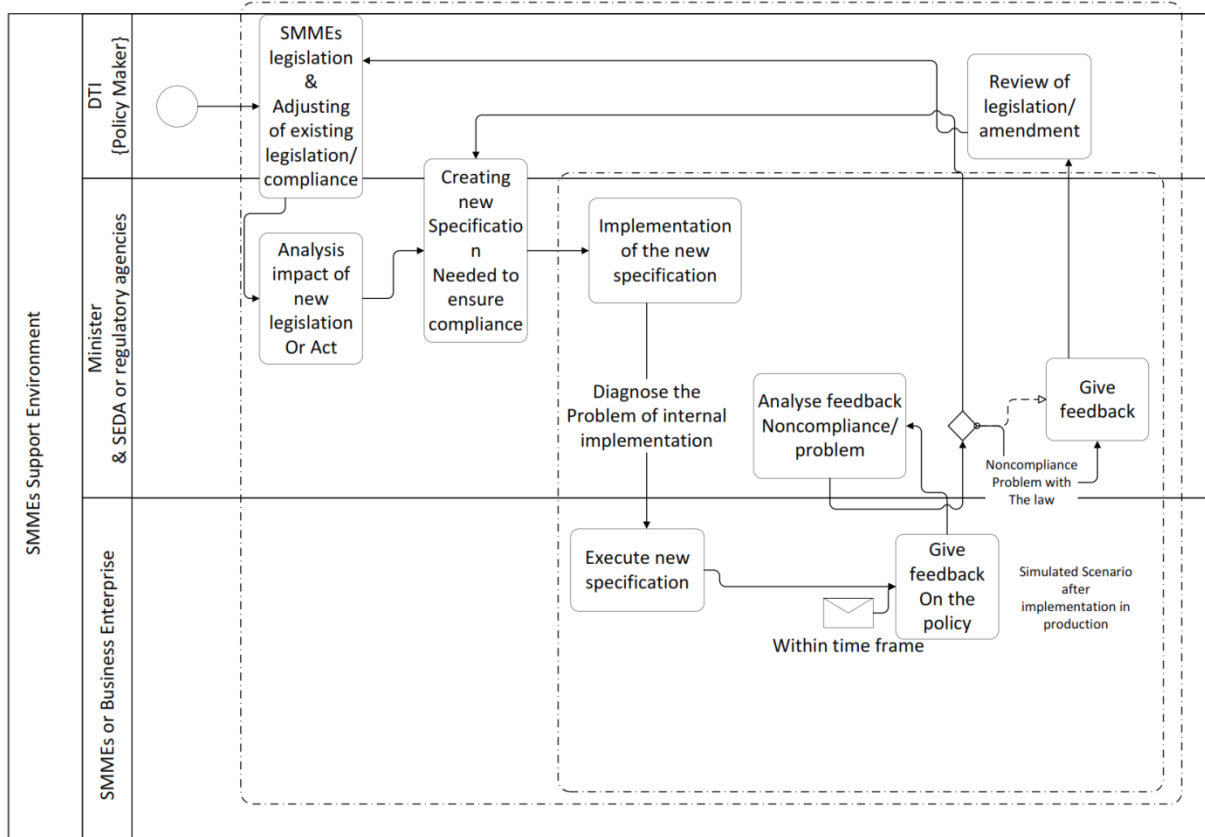


Figure 5- 1: SMMEs Support Environment



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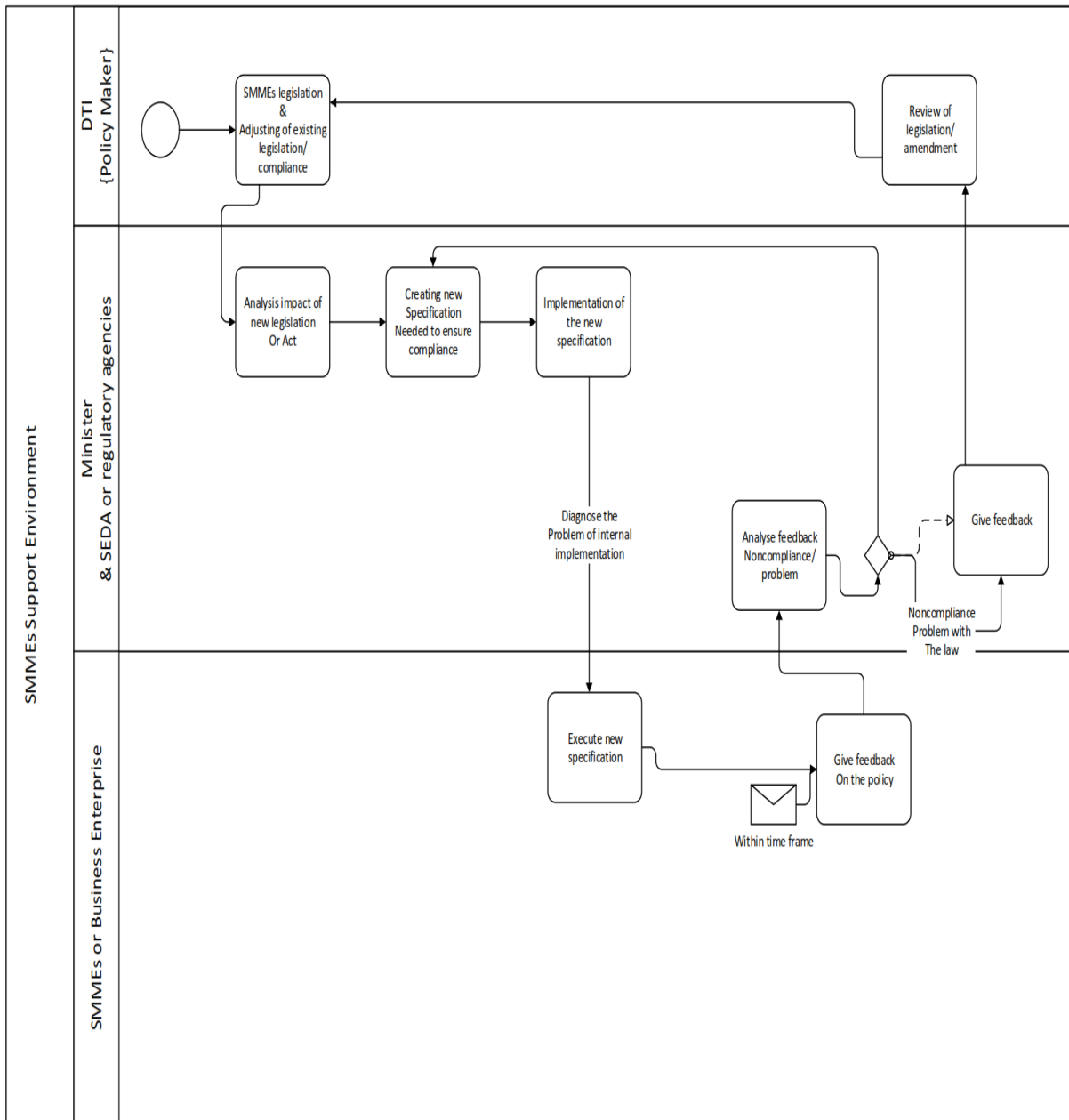


Figure 6- 2: Non-compliance scenario support environment

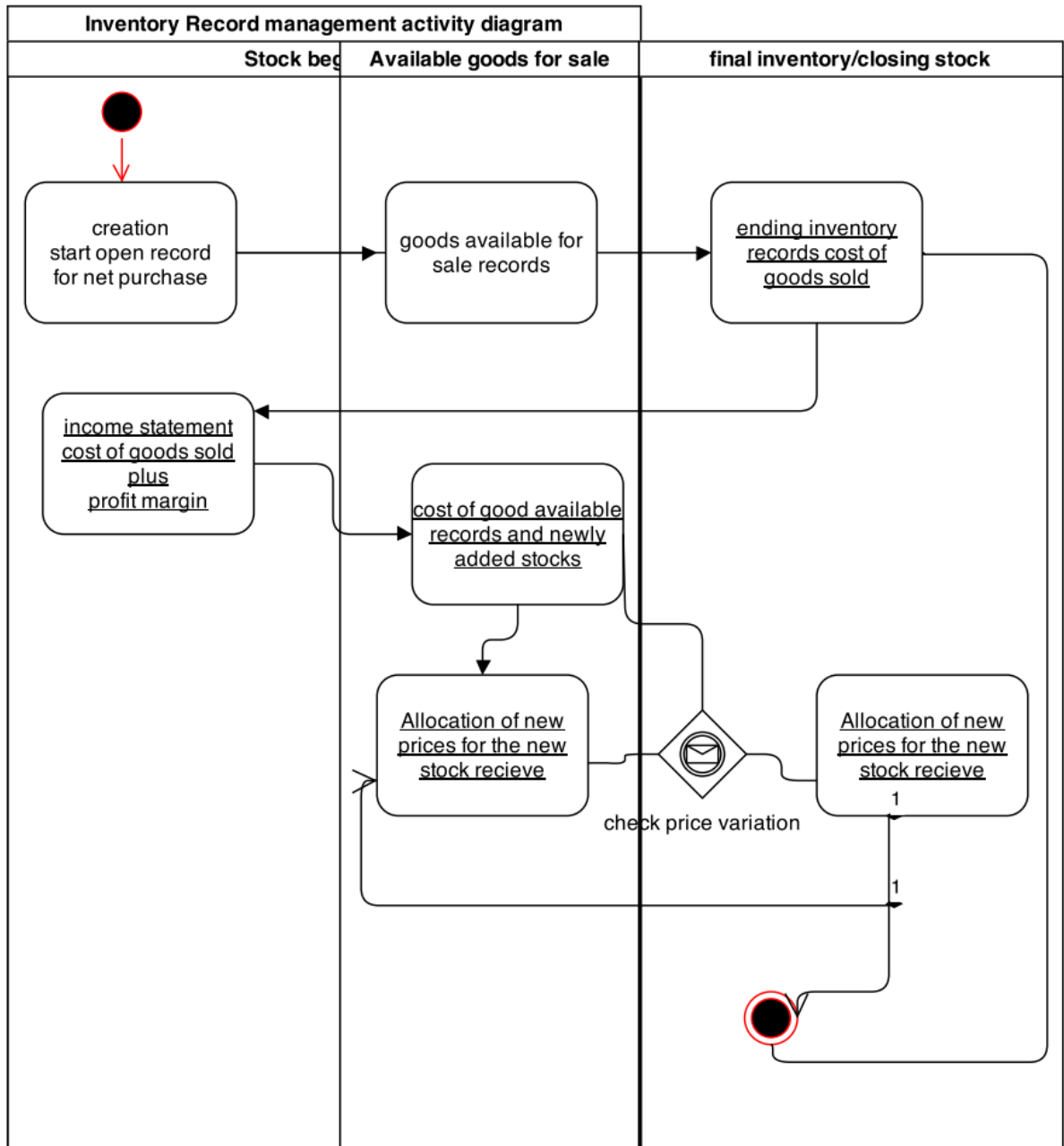


Figure 6- 3: SMMEs inventory process

**Services Model**

In the service model, the envelop sign denotes those vital and confidential business information and records, and the time model signifies the time frame a certain action such as the period time a records should stay in the active state would need to be specified, and periodic appraisal according to the file plan and retention and appraisal schedule. The tools used for this service model are the universal modelling

language tools. The diagram describes different services which assist the SMMEs during transaction process. The creating and maintenance services are combined due to the fact that the design is meant for SMMEs and not big companies, otherwise, this could have been separated. However, this service helps to create and maintain useful business information and records without necessarily processing document of no enduring business value. This service could check which information SMMEs need to provide and checks if the documents fulfils the requirements for classification. The filling and scheduling services will assist the SMMEs in classification and filing processes, while the evaluation services would be suitable for records appraisal using the retention schedules. And finally, messages services will help the stakeholders to touch base on the business policy (see the time model and envelope diagram below) in the message service after evaluation determines when it is time for a record to be moved from active to semi-active stage, and non-active stage respectively and based on the confidentiality of the vital information in the records determine basis for permanent storage as business archive or disposition.

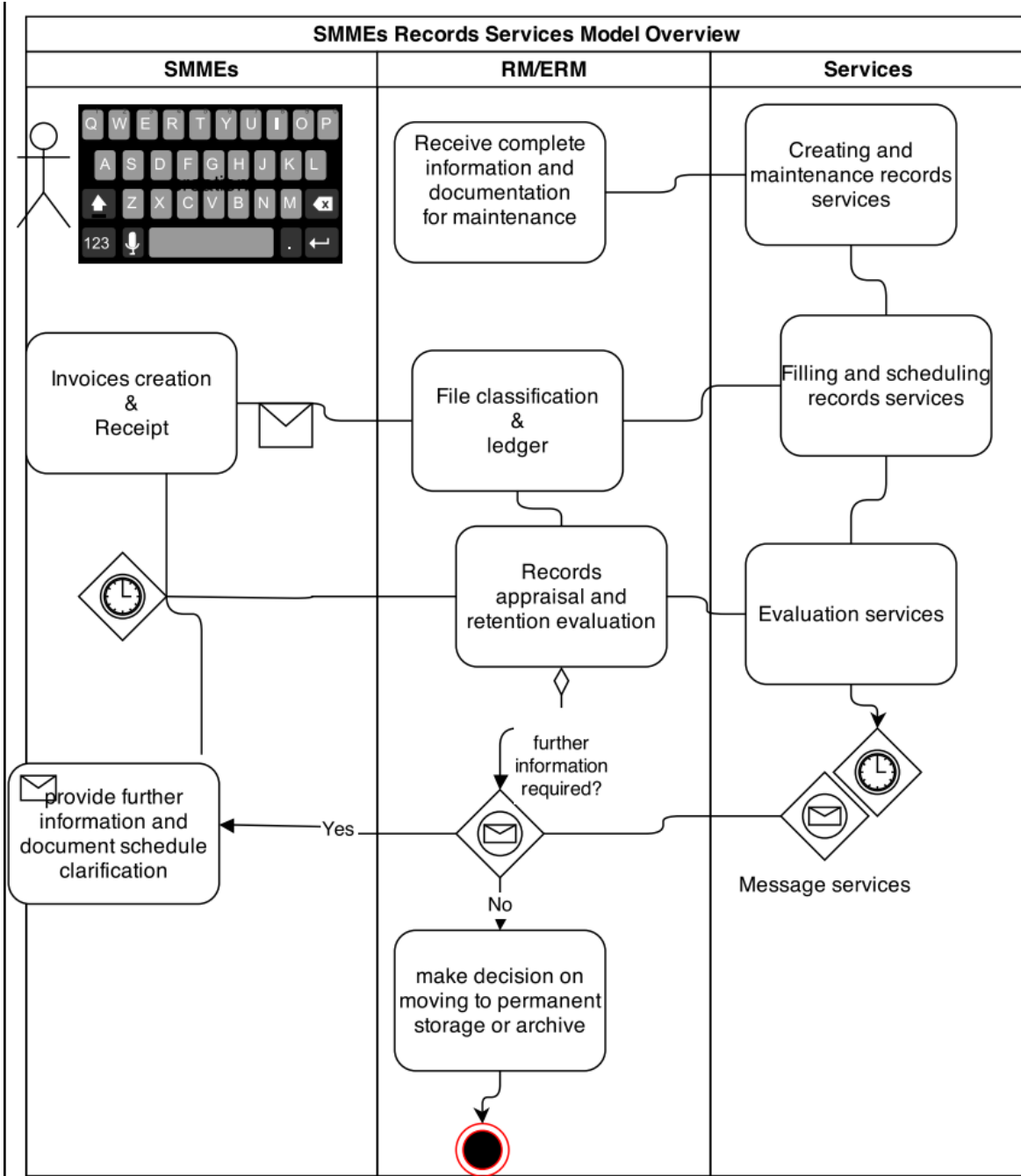


Figure 6- 4: SMMEs Service Model overview



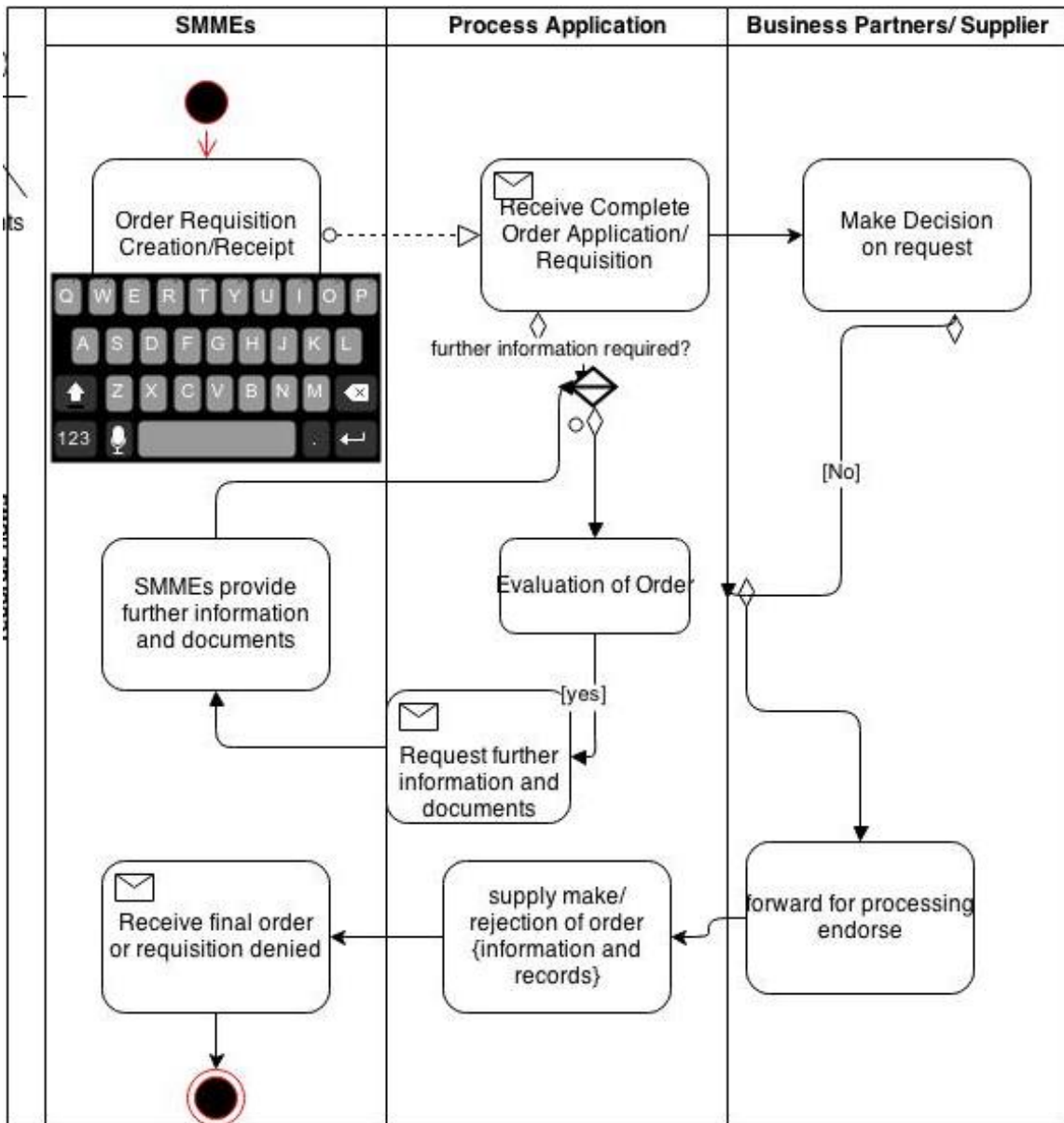


Figure 6- 5: Generic Model adaptable for SMMEs goods and sales management processes

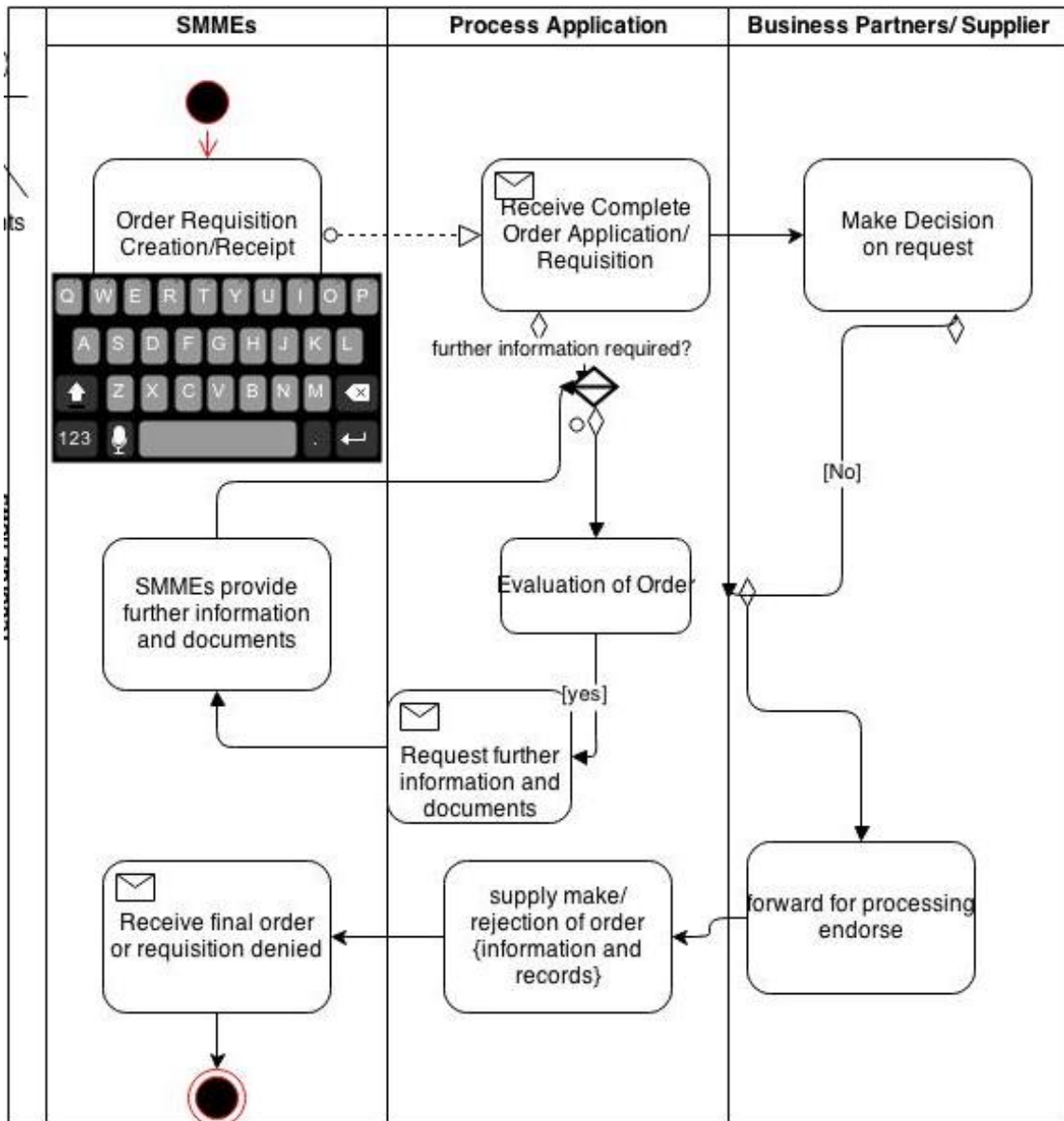


Figure 6- 6: Generic model adaptable for marketing processes

## Rule Repository

In South Africa, it seems that the SMMEs have not been seen as part of the main stream of the economy and majority operate as informal businesses. Creating a unified model that could incorporate various rule, legislation, and requirement will enable better governance from the authorities and compliance from the SMMEs and invariably better performances due to rule governed behaviours. There are various bodies and international organizations that are involved in making law, legislation,

policies rules that affect the conduct of business organization including the SMMEs in the developed nations and probably put in practice in South Africa in the near future focusing on the SMMEs in the main stream economy. However, due to the fact that, various organizations have different working policies and languages/concept there is need to create an ontology to manage these terms and different concepts which will enable SMMEs understand ability to apply this working rule in order to be able to comply. The rule repository design by this study is represented using universal modelling language (UML) class diagram to define the breakdown of law into specification. This specification makes it easy for all these organizations/legislative bodies to have a common working rule suited for SMMEs business environment. And it could be further translated into several working instructions showing the relationship type between these stakeholders. The specification for law and legislation has many relationships within this framework because many laws/legislations and regulation can be in many specifications while working instruction is usually made for one process. The diagram below is entirely self-explanatory except the aspect on level of hierarchy. The level of hierarchy refers to the different source of international laws, IRMT, and different categories of national laws such as, Acts; legislation and rules within South Africa, which are legally binding the relationship of all the involved parties.

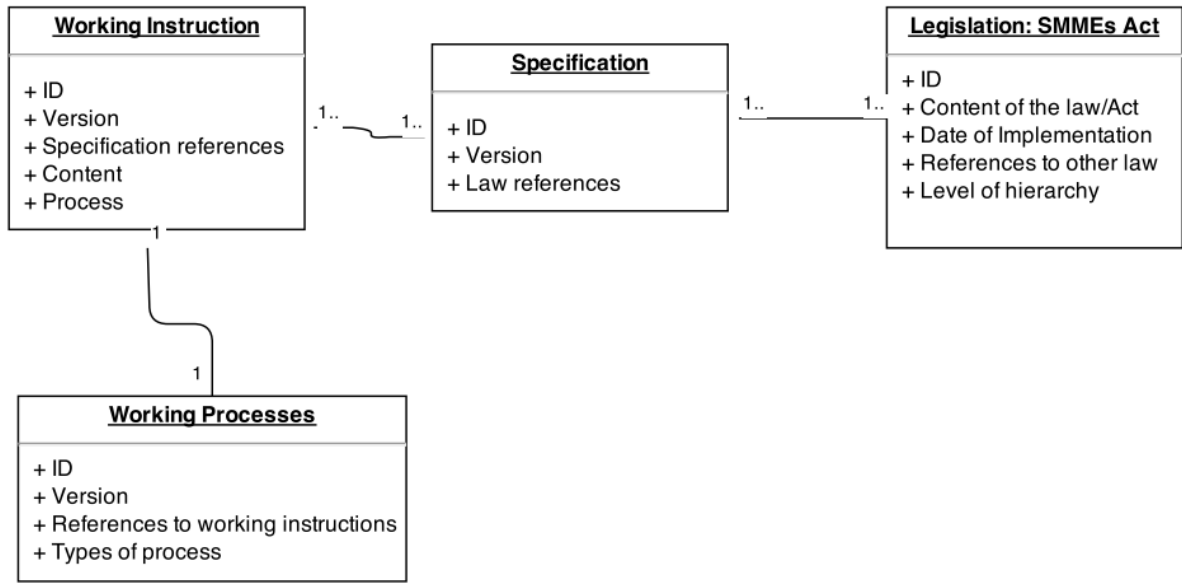
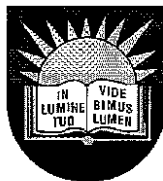


Figure 6- 7: Overview of UML Class Diagram for the rule repository



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### ETHICAL CLEARANCE CERTIFICATE

Certificate Reference Number: KHA041SAJI01

Project title: **An investigation into the role of records management in the sustainability of small. Micro and medium enterprises (SMMEs) in the Eastern Cape: A study of Alice and Fort Beaufort towns.**

Nature of Project: Masters

Principal Researcher: Patrick Ajibade

Supervisor: Mr. FE Khayundi

Co-supervisor:

On behalf of the University of Fort Hare's Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the above-mentioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

Please note that the UREC must be informed immediately of

- Any material change in the conditions or undertakings mentioned in the document
- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research

*Figure A.32 Ethical Clearance*

The Principal Researcher must report to the UREC in the prescribed format, where applicable, annually, and at the end of the project, in respect of ethical compliance.

**Special conditions:** Research that includes children as per the official regulations of the act must take the following into account:

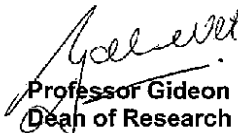
Note: The UREC is aware of the provisions of s71 of the National Health Act 61 of 2003 and that matters pertaining to obtaining the Minister's consent are under discussion and remain unresolved. Nonetheless, as was decided at a meeting between the National Health Research Ethics Committee and stakeholders on 6 June 2013, university ethics committees may continue to grant ethical clearance for research involving children without the Minister's consent, provided that the prescripts of the previous rules have been met. This certificate is granted in terms of this agreement.

The UREC retains the right to

- withdraw or amend this Ethical Clearance Certificate if
  - Any unethical principal or practices are revealed or suspected
  - Relevant information has been withheld or misrepresented
  - Regulatory changes of whatsoever nature so require
  - The conditions contained in the Certificate have not been adhered to
- Request access to any information or data at any time during the course or after completion of the project.
- In addition to the need to comply with the highest level of ethical conduct principle investigators must report back annually as an evaluation and monitoring mechanism on the progress being made by the research. Such a report must be sent to the Dean of Research's office

The Ethics Committee wished you well in your research.

Yours sincerely

  
Professor Gideon de Wet  
Dean of Research

09 December 2013

*Figure A.33 Ethical Clearance page endorsement page*



**University of Fort Hare**  
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**Research questionnaire**

I am a Masters student (MLIS) Library and Information Science at University of Fort Hare Alice. I am conducting a case study research on the role of records management in the sustainability of SMMEs: a study of Alice and Fort Beaufort Towns. Your participation in this research is sincerely appreciated and you are free to ask any questions concerning anything you do not understand. Information that you will be providing will not reveal your identity or jeopardize your safety, and you are free to withdraw from the study anytime you wish without any consequence.

**Section A: Biographical Information.**

1. Age

20- 35 years	
36-50 years	
51-65 years	
66-80 ears	

2. Gender

Male		Female	
------	--	--------	--

3. What is the level of education attained

None	
------	--

Primary	
Secondary	
Matric /Grade 12	
University degree/diploma	

4. Are you the Business Owners? Yes  No

5. Nature (type) of the business: .....

❖ What types of records are kept by SMMEs

1. Do you maintain any business records? Yes  No

2. What types/categories of records are created, received and maintained by your business?

Categories of records maintained	Sales book	
	receipts	
	Stock book	
	Inventories	
	Account/ledgers	
	Correspondence/Emails	
	Business Reports	
	others	

3. Do you think the records are important to your business? Yes  No

4. Do you think your records, (1) Definitely, (2) Considerably, or (3) Fairly contribute to your business success?

5. What is your reason for choosing this types of your records:

6. Why do you think this type is the most suitable for your business

Easy access  cost efficiency  familiarity  others

7. How do you manage your financial records?



❖ What infrastructure is used to manage SMMEs records?

- 8. Does your organization have a file plan system
- 9. How do you classify your business records?
- 10. Do you think it is important to separate your records?
- 11. Does the person responsible for your records have any training in records keeping? Yes  No
- 12. Do you think it is important to receive training on how to manage business records? Yes  No
- 13. Where are your records located?
- 14. Have you any systemic approach of keeping your records?
- 15. How do you organize or arrange your records?
- 16. What is your perception on the importance of separating your records
- 17. Do you have any systematic way of keeping your records?
- 18. What is your records security status?
- 19. How secured are your business records against disaster?
- 20. What is your perception on the usefulness of these infrastructures to your business operations?
- 21. Rate your level of infrastructure importance for your business?

Infrastructure importance	Very High	
	High	
	Low	
	Not aware	

❖ Do SMMEs in Eastern Cape comply with existing RM legal requirements?

- 22. Is your business registered? Yes  No

a. Why do you think your business should be registered?

23. Are you aware that keeping business records is a business requirement?

24. Are you aware or familiar with standard for records management in? (i.e. SMEs Act)

Yes  No

25. Have you any records management policy (record keeping guide)

26. Have you receive any external assistance in identifying your business records keeping requirements? (i.e.) Yes  No

27. Have you received any assistance or training from NEDA or SEDA?

Seminar  Workshop  Publication  Others

Thank you

P Ajibade

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