THE CHALLENGES THAT SMALL AND MEDIUM ENTERPRISES (SMEs) FACE IN MAINTAINING FINANCIAL RECORDS
A STUDY OF THE TOP 100 SMEs IN NAIROBI (FOR THE FINANCIAL YEAR 2012)

BY
PHILIP MBAE

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA
SUMMER 2015
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A Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA
SUMMER 2015
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University – Africa in Nairobi for academic credit.

Signed: ______________________  Date: ________________________________
Philip Mbae (ID No. 637852)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ______________________  Date: ________________________________
Mambo Gatumo Francis

Signed: ______________________  Date: ________________________________
Dean, School of Business
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ABSTRACT

The purpose of this study was to identify the challenges the top 100 SMEs in Nairobi face in maintaining financial records. The study was guided by the following research questions: How do SMEs receive, generate, record, store, archive and retrieve their financial records? What are the trends in the implementation of a robust financial records management system? What solutions can SMEs implement to address the challenges of financial records storage and retrieval?

The study adopted a survey research design. The population under study comprised of the top 100 SMEs operating within Nairobi. The sample size was a census of all these SMEs operating within Nairobi. The primary data was collected using questionnaires. The questionnaires were distributed to the Head of Finance in the SMEs. A drop and pick method was applied. Then they were edited and analysed by use of Statistical Package for Social Sciences (SPSS) software using descriptive statistics such as mean, percentages and frequency distribution methods. The data were presented in the form of tables and graphs according to the research questions.

On the findings of the study for the first research question on how SMEs receive, generate, record and archive their financial records, the study found out that record keeping and records classification was well known by staff, that files were well documented, adequately labelled, stored chronologically. The study also found out that files were regularly backed up and that staff had knowledge of filing as well as disposal policy of files.

On the second question on the current records keeping trends, the study found out that the SMEs wanted to have standardized record maintenance processes and regular and frequent updates. The study also found out that organizations wanted cost efficiency in storage methods as well as fast access to information which was also compliant with the legal requirements.

Regarding the third research question on the solutions that SMEs can implement in order to address the challenges of financial records retention and archiving the study found out that SMEs highly rated staff training as high importance. Additionally, ease and adequate storage facilities (physical or electronic), adequate staffing and prioritization as well as cost reduction in record managements processes and facilities were also seen as solutions.
Conclusions from these findings of the study show that organizations need to have a records management system. This system should be designed and implemented in a way to ensure that the receiving, generation, recording, archival, retrieval or disposal of records follows a standard process which is guided by organizational policy. Regarding the trends in implementation of robust financial records management, it can be concluded that standardization was seen as being the most valuable. The study also saw the need for organizations to be conscious of the current industry trends in which they are operating and adapt to them to ensure compliance, efficiency and cost savings. For solutions to the major challenges in records management, the study concluded that there was a need to ensure adequate prioritization or emphasis of the records keeping process, ensuring that there is adequate and safe storage facilities, minimizing the cost implications of compliance and storage, ensuring regular and adequate staff training for all employees and having the correct number of staff.

The study recommends that SMEs should introduce standardized records management solutions and adequate training. Management should provide leadership and overall responsibility for records management and put in place adequate, regularly updated processes and cost efficient facilities for storage. Records management should be incorporated in the day to day running of organizations and be a culture for all staff. The study suggests further research on organizations in other industries such as learning institutions, banks and governments which were not included in the current study.
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Research work is more than a notion and involves determination and hard work. It is hardly a one person’s effort and more often requires the input of others. It is a collaborative and consultative exercise. This work would not have been possible without the input of a great team of individuals and the companies who offered their responses and time. The constraint of space, however, limits the mention of them all. Nevertheless, I would wish to extend my sincere gratitude to my supervisor Francis Mambo Gatumo who provided significant assistance and guidance in supervision. His advice was invaluable, his guidance meaningful and timely, and his patience encouraging. I am greatly indebted to him for guiding this research and providing critique as I undertook this work.

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All in all I take responsibility for any errors and omissions.
DEDICATION
This work is dedicated to my wife Christine Kapkusum, who has supported me through it all by prodding me on, to my sons Keith Mwangi and Keane Lakwey who despite their limited understanding of the research, always showed a keen interest in it, to my mum, Beatrice Wairimu Mwangi, a teacher, from whom I learned patience, perseverance and persistence; and to my siblings, parents in law, fellow students, colleagues and friends, all who encouraged me on.
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CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Study

In the course of doing business, most transactions have the potential to develop into a financial record that has to be maintained in some way (Stuart and Bromage, 2010). The maintenance of such a financial record and the way it is stored results in evidence of the occurrence of a particular event (Lin, Ramaiah, and Wal, 2003), which in most cases has a financial implication for the business (Stephens, 2005). In unfortunate cases where an organization fails to adequately keep these records, such an organization may be faced with a daunting task of proving the occurrence of those transactions. This inability to provide evidence of these transactions, that have financial implications, has had numerous legal, compliance and cost implications for corporations, organizations and Small and Micro Enterprises (SMEs). Lack of paper trail has the adverse effect of loss of credibility (Hase and Galt, 2010). External auditors are unable to confirm the completeness and accuracy of financial transactions, resulting in qualified audit reports. Auditors are not only interested in completeness of records but also want to verify that the processing and transmission of data was uniform, reliable and accurate (Stephens, 2005). Investors who would like to invest in such institutions are dissuaded from doing so, resulting in such organizations missing out on potential capital injections necessary for meeting their business growth. These organizations also face compliance challenges with regulatory bodies since, as Wamukoya (2000) put it, without records there can be no accountability.

The financial scandals of WorldCom, Enron, Lehman Brothers and American International Group (AIG) served as good examples of what non-compliance and slack in financial diligence can cause (Jennings, 2009; Stephens, 2005). In particular, the Enron-Arthur Andersen affair was proof that a major corporation could be destroyed by acts related directly to records retention and disposal (Stephens, 2005). Proper record keeping therefore should be ingrained into the business processes of every corporation, not just for reporting, but accountability as well.

On the other hand poor record keeping has been highlighted in many studies as reasons why most SMEs fail. One particular study by Tushabomwe-Kazooba (2006) found out that out of the top fifteen reasons for failure of SMEs, improper record keeping ranked at number seven. An audit of record keeping practices of organizations has painted grim pictures of
financial records storage where boxes full or records were being tucked in spaces and being left to mould away (Hase and Galt, 2010). This was clearly evident of a total lack of interest in how the very critical aspect of records management was neglected by organizations.

The use of the cloud for records storage is further complicated by the fact that there could be multiple locations and multiple copies of the same records. The challenges that such a storage system brings to an SME is the limited or lack of control of the information in these records since the SME has narrow or limited knowledge of where these records are stored. Since they are stored by a third party, and in different locations, another challenge is those records legal standing. Thus, by using the cloud, the SME may inadvertently be exposing itself to unwanted information leaks (Pelz-Sharpe, 2009; Stuart and Bromage 2010).

From the daily operations of businesses, and in the course of business, SMEs processes transactions which generate various types and forms of financial records. These records are created, shared, stored, used, (Stuart and Bromage, 2010) received and maintained through a variety of activities and in a variety of forms; paper, electronic or micro-film (Ambira and Kemoni, 2011). Such unprecedented increase in volumes of electronic data, records and information resulting from increasing business transactions has brought its own challenges in records management. The additional requirements of stringent privacy, retention and security requirements further complicates the issue (Henttonen and Kettunen, 2011). Businesses have also evolved and are increasingly processing their day to day transactions in electronic document form from the primary inputs and outputs (Morelli, 2007).

After generation or receipt, these records must be preserved (Wamukoya, 2000). The preservation of these records requires them to be retained for various reasons such as to reflect business process and evidence that transactions occurred (Lin, Ramaiah, and Wal, 2003). Financial records are also retained for information as well as compliance purposes (McLeod and Hare, 2006). These records maintained for information are later used to prepare financial statements of the SMEs. In most jurisdictions, preservation of these records follows the regulatory environment in which a company operates from. Retention of these records faces myriad of challenges such as advancements in technology that result in paperless electronic records. Gantz and Reinsel (2010) observed that an increasing amount of business and administrative records were being stored in the Digital Universe or the Cloud. This has been elicited by corporations changing the way they conduct business by
including the cloud into their record management needs (Stuart and Bromage, 2010). When records are stored in such methods, the SMEs need to be aware which version of that record is the master copy. Additionally, the SME must know if such a record is admissible as legal evidence when needed and also verify if the record is final or can be amended (Pelz-Sharpe, 2009).

In terms of record retention, issues of responsibility have to be taken into consideration, that is; who owns and is responsible for the records, their appraisal and how to solve long-term preservation issues (Kallberg, 2012; Stephens, 2005). Whereas some organizations have archivists, for others, the responsibility to archive the records is left to the employee responsible for the task of generating that record. Traditionally, records management processes have been undertaken by records management staff (Henttonen and Kettunen, 2011). However, with numerous organizations lacking standardization in the form and format of record retention, the responsibility to choose the system of filing and records management remains with the user of that file (Joseph, Debowski and Goldschmidt, 2012). Changing legislation has also shifted the responsibility of records management from one function and person, to part of the internal controls of an organization (Stephens, 2005).

Records retention needs to address the issue of privacy as well. For instance private companies not listed in any Stock Exchange need to keep their financial records private from the public view. The records referring to or about such companies cannot be shared without considering privacy-related regulations (Chun, Shulman, Sandoval, and Hovy, 2010), the same applies to information held by institutions such as hospitals with large volumes of patient records which is highly confidential. Other organizations such as financial institutions have records that carry inherent risks in them (Ambira and Kemoni, 2011) which should be mitigated. Considering that not all records should be stored permanently, organizations are faced with the challenge of determining which to retain and which to destroy.

After records have been stored, occasionally there will be need to retrieve them for various reasons such as payment of invoices, internal or external audit or ascertainment of some information. Retrieval of records should be easy and straightforward and this can only be so if they have been stored in a systematic manner. SMEs should therefore ensure that retrieval of these records follows a systematic and authorized manner (IRMT, 1999).
According to ISO 15489-1:2001, records management is aimed at; setting policies and procedures, assigning responsibilities for records management at various levels within the corporation, setting best practice standards, processing and maintaining records in safe and secure storage. It is also concerned with implementing access policies, implementing a records retention and disposal policy and integrating records management into business systems and process. Additionally, assigning, implementing and administering specialised systems for managing records as well as providing a range of services relating to the management and use or records need to be done as well.

The Value Added Tax Act of Kenya CAP 476 describes the records that need to be maintained by SMEs. These include copies of all sales and purchase invoices and credit and debit notes issued in serial and chronological number; copies of customs entries, receipts for the payment of customs duty or tax, details of the amounts of tax charged on each supply made or received; VAT account showing the totals of the output tax and the input tax in each period and copies of all stock records kept (VAT Act, 2013, Cap 476). For purposes of financial reporting, SMEs need to produce financial statements that reflect the facts from the records they keep. The Kenya Income Tax Act requires that businesses keep records of all receipts and expenses, goods purchased and sold and accounts, books, deeds, contracts and vouchers that are adequate for the computation of tax (Income Tax Act, Cap 470). In addition to the above records, SMEs need to maintain other records such as local purchase orders, delivery notes, goods received notes, bank statements, assets registers, statements of titles and ownership such as title deeds and log books.

A Top 100 Mid-sized Company has been defined as “one which ranks ahead of its peers in terms of revenue growth, profit growth, returns to shareholders and cash generation and liquidity. A Top 100 Mid-sized Company has succeeded in progressively growing its market position in the industries in which it operates and over time, this growth has translated into both returns for its shareholders and a fairly sound financial position.” A top 100 company is one that; has an annual turnover of between seventy million to one billion Kenya shillings, has audited financial statements for at least the last three financial years, is not listed on the Nairobi Securities Exchange and is not in the banking, insurance and consulting industries (Kenya Top 100).
It is with the intention to achieve the above objectives that SMEs should aim at proper record keeping by developing records retention and archiving systems (Joseph et al., 2012). SMEs that adopt such a system will be able to avoid compliance risks that would arise from non-conformity with the legal and statutory requirements to retain records.

### 1.2 Statement of the Problem

Record keeping should be a straightforward activity that follows a definite well flowing and predictable process. Records have a flowing life cycle which starts at generation and ends at disposal or archival. This process follows a generally standard method where records are created, maintained by proper storage, either physical or electronic methods, and retrieved for two main purposes; to dispose them according to their disposal requirements, and to access them for reference purposes. For these steps to be relied upon, they must ensure efficiency and security of the records. The records must also adhere to the legal requirements that guide the method in which they should be created, stored, disposed or archived and how to retrieve them when needed. When organizations don’t have well detailed processes to guide this records management, they may end up failing in one way or another, thereby potentially creating avenues for non-compliance (IRMT, 1999; Hase and Galt, 2010; Lin, et al., 2003).

Generally, once records are identified as archival, conservation measures were undertaken and the record was labelled appropriately and housed fittingly. With the right environment, such records would retain their integrity and be usable for many years (Lin, et al., 2003). However, in practice, records management has not been emphasized and adequately implemented. In a study conducted to determine the implementation of records management practices, it was found out that organizations lacked records management systems (Hase and Galt, 2010). This challenge of lack of records management system is caused by several elements.

Evolution of technology causes data to be compromised (Coombs, 1999, Morelli, 2007). For example, when employees in the same organization use different versions of computer software. The storage media itself creates another challenge. For example deterioration of storage media like magnetic tapes (Betts, 1999) or obsolete media which is not capable of more than thirty years of storage and retention (Lin, et al, 2003). The other risk organizations face in storing data in the cloud arises from the limitation of the cloud since you don’t have
to know who you are dealing with or who is dealing with your information (Stuart and Bromage 2010).

SMEs managers also need to know exactly how data is disposed of, and how that can be verified (Pelz-Sharpe, 2009). They also lack formal systems, structures and procedures (Orobia and Byabashaija, 2013) that guide records storage. SMEs face another challenge of lack of commitment and financial and manpower resources to allocate to record keeping efforts (Lin et al., 2003). Records recovery plans seem to be missing as well since majority of them do not have well documented and laid down policies and plans.

SMEs are also faced with the issue of staff resourcing and training. Research has shown that humans tend to adopt the option that requires the least effort (Zipf, 1949), thus employees in SMEs will tend to use systems that require the least amount of effort on their part to maintain financial records. The Sarbanes-Oxley Act requires that “a company’s financial records must be complete, true and accurate, accessible, retained in accordance with the law and good faith, and fully usable in support of any audits, investigations or other regulatory requirements” (Stephens, 2005: 99).

For Kenyan firms, records are guided by the Income Tax Act, Cap 470 and the VAT Act, Cap 476. The Income Tax Act, Cap 470 requires any person carrying on a business to keep records of all receipts and expenses, goods purchased and sold and accounts, books, deeds, contracts and vouchers which in the opinion of the Commissioner, are adequate for the purpose of computing tax (Section 54A,(1)). Such records shall be kept for a period of not less than ten years after the year of income to which that book of account or document relates (Section 55.(2)). Additionally, the VAT Act, Cap 476 states that such records can be physical or electronic and must have certain information such as date, tax amount and details of products or services offered and identify the supplier and recipient. Businesses dealing with stocks must keep stock records as well (Sections 43(1 & 2)).

Despite all this information being readily available and accessible to all SMEs, it is apparent that it has not been fully utilized. SMEs have shown weaknesses in financial record management (Shahabi, Hosseinpour, and Soheila 2014). The SMEs may could either not be aware of the full legal requirements as far as records maintenance is involved. They may also be aware of requirements but partly compliant on the regulations due to the cost of
compliance. (Shahabi, et al, 2014; Maseko & Manyani, 2011). Thus, there is a gap between the requirements of the law and the actual records management by the SMEs. This could be as a result of the SMEs not having a well designed and implemented system of records management which leads to weaknesses in records acquisition, recording, retention and disposal as per legal requirements. This study seeks to find out how SMEs can address and overcome these challenges.

1.3 Purpose of the Study
The purpose of this study was to address the challenges SMEs face in establishing and maintaining a records management systems which fully comply with all the legal requirements.

1.4 Research Questions
The study was set up to answer the following three main questions:
1.4.1 How do SMEs receive, generate, record, store, archive and retrieve their financial records?
1.4.2 What are the trends in the implementation of a robust financial records management system?
1.4.3 What solutions can SMEs implement to address the challenges of financial records storage and retrieval?

1.5 Significance of the Study
The study is aimed at establishing an effective records management and archiving system for SMEs. The benefits that accrue from this study are numerous and are useful to the following:

1.5.1 The SMEs
The study will help SMEs develop within their processes record retention and archiving systems that will comply with the legal requirements of the countries in which they operate. Since the solution provided will not be any country specific, it will be customizable by any SMEs without limitation of geographical borders. Some SMEs have operations in more than one country, therefore it is not possible to only apply requirements of a particular country, and thus this study will give them a framework for developing a system that works across the borders.
1.5.2 Kenya Government and other Relevant Bodies
The study will highlight the challenges SMEs face in interpreting and adopting the legal requirements of governments and other relevant bodies such as those designing policies on records management. The results of the study will highlight challenges that SMEs face in complying with legislation and policies related to records management. The study will come up with recommendations where it is necessary for these legal authorities to amend their requirement due to issues such as duplication of requirements or ambiguity and difficulty in interpretation of the requirements and statues.

1.5.3 Scholars and Researchers
The scholars and researchers who would like to debate or carry out more studies on records management will find this study useful as a basis of carrying out more studies and research. The study will serve as reference point for researchers interested in finding more solutions to the record management challenges.

1.5.4 Outsourced Records Archivists
Some SMEs outsource non critical functions such as storage of records, both physical and electronic to third parties. This study is therefore beneficial to these third parties engaged in provision of storage services who will have a better understanding of their roles and responsibilities. In addition to the value add that they will receive, these third party storage managers also have an opportunity to share insight on improving record management processes.

1.6 Scope of the Study
The study focused on the Top 100 SMEs operating within Nairobi. Thus, the limitation to be suffered will be that the results from the study will span across SMEs in different industries and sizes implying that what some may consider as challenges may not apply to others. It is felt that such an approach will generally capture all the variables that affect records keeping from a broad perspective. This is based on the fact that despite having their main operations in Nairobi, these SMEs provide services and products within the entire country as well as outside the country. Therefore, a broader conclusion could be made to cover all SMEs which will adopt the conclusions to narrow down to their specific needs from the financial period 2012.
1.7 Definition of Terms

1.7.1 Record
A record is information created, received, and maintained as evidence and information by an organization or person, in pursuance of legal obligations or in the transaction of business (ISO 15489-1 2001, p. 3).

1.7.2 Financial Record
A financial record is defined as a records resulting from the conduct of business and activities relating to financial management (IRMT, 1999).

1.7.3 Record Management
The field of management responsible for the efficient and systematic control of the creation, receipt, maintenance, use and disposition of records, including processes for capturing and maintaining evidence of and information about business activities and transactions in the form of records (ISO 15489-1 2001, p. 3).

1.7.4 Top 100 Mid-Sized Company
A Top 100 Mid-sized Company is “one which ranks ahead of its peers in terms of revenue growth, profit growth, returns to shareholders and cash generation/liquidity. A Top 100 company has succeeded in progressively growing its market position in the industries in which it operates and over time, this growth has translated into both returns for its shareholders and a fairly sound financial position.” (Kenya Top 100).

1.7.5 Cloud
Cloud is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (for example storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction (Mell and Grance, 2011).

1.8 Chapter Summary
This chapter presents the introduction to the record keeping challenges that SMEs face. The first chapter is divided into six main sections. Section one and two gives the detailed background and overview of these challenges, section three describes the problem faced by the SMEs, section four describes the purpose of the study, the research questions are given
in section five, and the significance and scope of the study explained in section six and seven. The definition of terms is indicated in section seven. The next chapter presents an overview of the literature review according to the research questions.
CHAPTER TWO

2 LITERATURE REVIEW

2.1 Introduction

The literature review entailed studies that have been carried out on records management. The framework of the review was guided by the research questions which were: How do SMEs receive, generate, record, store, archive and retrieve their financial records? What are the trends in the implementation of a robust financial records management system? What solutions can SMEs implement to address the challenges of financial records storage and retrieval?

In their study, Hase and Galt (2010) found out that records management was an essential part of business process that added value to it and recommended that such a system be embraced by all SMEs. Many SMEs have adopted the guidelines provided by the International Organization for Standardization standard 15489 (ISO 15489) in designing their records management systems.

Existing literature has also addressed requirements of records maintenance such as retention and disposition schedules. Organizations have various retention periods assigned to different types of records held in their custody (ISO 15489:2001). For instance, records may have a retention period or two, three and five years. Instead of having a system for each of the years’ they can all be aggregated into a five year retention period. The ISO 15489 standard is commonly used by organizations as a point of reference when designing and implementing their records management systems. It provides practical guidance for the development of records processes and controls, and addresses the development of key recordkeeping tools like classification schemes, glossaries and record retention schedules. It also provides guidance on managing paper-based or electronic records (Joseph et al., 2012).

Despite its good intentions, ISO 15489 has faced criticism that it failed to provide guidance to users on how they could develop or implement the tools it referred to. According to Joseph et al., (2012), the standard did not include guidance on implementing change management, or on how senior management and employee support could be elicited for successful records management implementation (p. 60). Organizations thought they could read the standard and adapt it just like that to their processes. However, since the standard was not a “how-to-do” guide, these organizations faced implementation challenges.
During the development of record management standards, the two main record management policies were based on paper and electronic records at that time (Joseph et al., 2012). This was also a period where records management was placed on records managers and archivists who had the overall responsibility of maintaining all records. (Anderson, 2007). With the explosion of types or records and creators, there is need to relook at the management of records in order to adapt them to incorporate these new challenges.

2.2 Storage, Maintenance and Retrieval of Financial Records

2.3 Storage and Maintenance

The rapid changes and advancements in technology have brought records management challenges to SMEs. Evolution of technology has been highlighted as one of the main challenges impacting electronic record keeping (Coombs, 1999). With the advancement of social media such as Facebook, Twitter and LinkedIn, SMEs have new sources of records generated from online sources which create digital records (Luyombya, 2011) and a new record keeping media and records definition. This is because the data stored in these media is not in their direct custody and control and is stored in non-document formats (Joseph et al., 2012).

Morelli (2007) published a paper that was based on literature review that highlighted problems of using metadata to file electronic documents as well as the problems of using a purely functional filing scheme. In his paper, he observed a dissonant association between growth and management of records. He averred that whereas growth of records had increased exponentially, practices for managing them have not evolved in parallel with this growth. Electronic records are virtual and their management systems must be differentiated from those of managing physical paper records. The Sarbanes-Oxley Act captured the challenges from information technology by identifying that financial data frequently resides in multiple applications and storage repositories. From these multiple sources, the data needs to be consolidated in order to prepare final financial statements (Stephens, 2005). This such storage of information in different repositories presents a challenge since old data may be used instead of the latest information which could be residing in a different locations.

Lowry (2013) published a paper that highlighted a study that sought to review the level of records management functionality in new or planned court case management systems and how they performed integration of records management components into ICT. The study
was conducted within the years 2009 to 2011 and covered Kenya, Uganda, Tanzania, Burundi and Rwanda Judiciary Departments. The findings of this study showed that some organizations seeking to use technology for records management had a skewed focus. Their focus was on improvement of infrastructure, mainly the purchase of hardware and software. However, they really did not know how having digital records would actually improve record keeping (Lowry, 2013).

Mnjama (2003) noted that emphasis of implementing information systems for record keeping at the expense of paper based records keeping was among the reasons for failure of records keeping. Electronic storage of data requires that such data be easy to access. In order to do so, the data needs to have metadata which describes its author, title, creation date, number and classification scheme terms (Joseph et al., 2012). According to Joseph, Debowski and Goldschmidt (2012), the primary purpose of metadata is to enable information search and retrieval. Citing Jones and Skelton, (2008: 82), Joseph, Debowski and Goldschmidt (2012) further added that metadata was important in the management of the complete lifecycle of records as they bind each record to the “context of its creator and the business activity that creates it”.

Further, metadata are important to the management of electronic records as they ensure the “authenticity, reliability, integrity, and usability of a document as a record”. Desirably this record keeping task needs to be simplified and automated where possible (Joseph et al., 2012). Capturing accurate metadata attributes for documents can be influenced by factors including how much time and care is taken during the process of assigning and recording these terms (Morelli, 2007).

Organizations that have online financial systems such as Enterprise Resource Planning usually have “live” financial information online, while a back-up is kept in other storage media. Lack of management of these two systems may result in one media, especially the back up being outdated (Morelli, 2007). Use of advanced record keeping methods are expected to result in shorter lead times to access records with expectations of less than forty eight hours to retrieve them expected (Stephens, 2005).
2.3.1 Changing Roles and Processes

Studies have shown that past poor performance and scandals in organizations, the need for standardization and the emphasis on management becoming has caused organizations to cause a paradigm shift rethink about more of owners and responsibility takers for records management has resulted in search for focus on considering data and information as key and part of the strategic processes of organizations. This has resulted to reinventing for the roles of record managers, causing them to be merged with those of archivists (Asogwa, 2012). This has also resulted in shifts to reduce middle management positions and delegating more responsibility to individuals and teams. These teams are flexible and within work groups that use simple tools to meet the business purpose of the organizations (Asogwa, 2012). Traditionally, records management was about keeping files in boxes, however, it now includes risk assessment as an integral facet (Stephens, 2005).

New payment methods such as mPesa, Airtel Money, Pesapal, Jambopay and Yu Cash have been embraced by businesses especially in Kenya. These payment methods are used both to receive payments as well as make payments by businesses. Since these transactions are conducted using mobile phones, traceability becomes a challenge. How does a customer prove payment in case a message is deleted or a mobile phone is lost? In the business, who has access to the mobile phone with these transactions and what are access rights and restrictions in place to ensure that only authorized people get them?

In order to enhance efficiency in operations, SMEs have been embracing Enterprise Resource Planning in order to ensure that all transactions are processed from one system. This has the added benefit of ensuring that all records are processed and stored in the same place (Trimi, Lee, Olson and Erickson, 2005). As cited by Trimi, Lee, Olson and Erickson (2005) Gupta (2000) summarised the advantages of using Enterprise Resource Planning as; enabling a business to improve data management, enabling order processing and tracking; customer relationship management; preparation of financial and accounting records; reduction in errors; provision of more accurate and efficient inventory management in real time; and a more efficient human resource management. This however can only be achieved when the many risks involved in Enterprise Resource Planning implementation are either reduced or mitigated (Trimi et al., 2005).

Outsourcing has two obvious advantages to the organizations that choose to do so for their records keeping. These two advantages are cost reduction and risk mitigation. The transfer of
physical records from the business to an agency results in reduction in occupied space, which is a direct saving on space renting, cost of maintaining that space and the physical infrastructure necessary to keep the files and records. The other advantage is the risk mitigation. Moving the storage to a third party reduces the risk of records loss from fires, damage from environmental causes such as water. Many organizations that provide third party storage facilities have installed adequate measures to ensure the integrity and quality of data in their custody and therefore organizations that outsource this activity benefit from it.

2.4 Trends in Records Maintenance

2.4.1 Responsibilities Allocation and Training

Studies of the Public Company Accounting Reform and Investor Protection Act (2002) confirm that top management of organizations, starting from the CEOs, have responsibilities when it comes to records management. The Act mandates them to consider records management as an integral function which should be incorporated as part of internal controls of their organizations (Stephens, 2005).

Record keeping is adequately covered by legislation in that particular county in which an organization operates from. For business related transactions, such legislation is implemented through Acts of Parliaments which have created relevant laws. Much of these laws have specific time requirements that dictate that SMEs maintain records such as financial records in specified formats for a minimum set period. For instance, the revised VAT Act of Kenya, Cap 476, requires financial records to be maintained for at least five years (VAT Act, 2013, Cap 476).

In their case study, Hase and Galt (2010) encouraged organizations to incorporate records management into their business processes and strategy. According to Hase and Galt (2010) organizations need to train their staff on the requirements of record keeping. Training on its own should not be emphasized, but the ability for the trained personnel to be able to use the skills and knowledge acquired from such training to successfully implement adequate records management systems. Once they acquire experience, they need to further progress into research based approach to work in order to add value to their work related tasks (Anderson, 2007).

Staff training has been confirmed as being critical for the successful implementation of records management (Wamukoya, 2000; Osmundsen, 2013; Hase and Galt, 2010; Anderson,
Training of employees leads to expansion of understanding of requirements. Learning takes place in and because of the environment, and is at the same time the process as well as the result of the process (Osmundsen, 2013). The kind of training advocated for records management transcends further from the structured class approach. It should be lifelong learning meant to impart skills that will last for as long as an employee works in that organization as well as building a skillset (Anderson, 2007). Successful training should make consideration on whose needs are met. In addition to meeting those of the organization those of the support stuff, whose daily duties will be part of the records management should be met as well. This will ensure their buy in thus enhance long term commitment (Hase and Galt, 2010). Staff training should go a further step of informing relevant staff of what is expected of them. Inadequate understanding of the requirements can lead to misinformation which would lead to emphasis being place on either the wrong records or wrong methods adoption. In order to avoid this, follow up should be done to ensure that what has been taught is what is implemented.

2.4.2 Development of Policies

Studies have shown that in the absence of policies to guide organizations on proper records management, management used their positions as well as the lack of policy to perpetuate financial fraud and other irregularities (IRMT, 2004; Asogwa, 2012). From this conclusion, it is generally conceded that policies and procedures that ensure that management directives are carried out (Stephens, 2005) have a positive effect in influencing ethical behaviour in management decisions and actions. With the increasing pressure for management to improve their performance, the pressure to conduct earnings management is enhanced. Acting from a natural human instinct to take advantage of lapses, it is no secret then that management may openly fail to implement policies which may bring to the open their inadequate work ethics.

Morelli (2007) states that “poor e-filing is so widespread primarily because organizations have failed to provide any satisfactory corporate policies and procedures for filing” (p. 19). Whereas such laxity cannot always be blamed on deliberate actions, lack of policies in itself may be an indication that the organization so affected has slacked in an important aspect of its operations. By failing to put in place an activity that may prevent future compliance issues, the organization opens itself to scrutiny and other related legal compliance challenges (Maseko & Manyani, 2011). Deciding which records are to be kept
and for how long, or which records should be destroyed or archived are critical decisions to be made by any organization (Okello-Obura, 2012).

Case studies in Kenya, Uganda and Tanzania, demonstrated that the failure to identify records management issues at the high level of policy resulted in failures to address records issues in system design and development (Lowry, 2013). Such an eventuality results in policies that do not adequately address the issues for which the policies were designed to do. Non-involvement of relevant stakeholders in designing the policies could be linked to this failure as well. Only involving managers and not the people responsible for managing the records results in creative ideas on improvements being left out. Policies need a bottom up approach since challenges faced by the staff implementing them should be cascaded up to the people generating the policies.

2.4.3 Knowledge Management

Existing research has shown that due to their nature, Mid-Sized organizations usually face the challenge of continuity in records management during periods of employee turnover and/or long term absences as the small staffing level does not allow for an immediate replacement (Durst and Wilhelm, 2012). Droege and Hoobler (2003) additionally concur that such organizations face further challenges since knowledge of files and processes may be in the minds of the employee who is leaving the organization. And due to their small sizes, and lack of resources thereof, the workload of maintenance of the records is usually assigned to another staff member, in addition to their existing workload (Durst and Wilhelm, 2012). This has the obvious negative effect on that employee’s motivation and morale, due to the impression that the employee is doing additional jobs other than what he was employed to do.

Additionally, some Mid-Sized organizations are owner managed where such people play a central role in managing and influencing the culture of these organizations. Since organizational culture trickles down from top management, the employees at the operations side actually learn from the actions of their seniors. This could be taken as a form of informal training which includes learning from the experience of others. By falling to have a proper system of knowledge transfer, Mid-Sized organizations may be setting a precedent which will later cause challenges in records management if not addressed.

Further focus on knowledge management can be gleaned from the case study on records management performed by Hase and Galt (2010). They found out that lack of proper
knowledge management has resulted in undesired behaviour. This was evidenced by staff who had little understanding of accountabilities that they may, or may not have, for records management. Employees were also found to be extremely diligent in keeping irrelevant records, which could be blamed on lack of knowledge on the part of the employee to know what to keep. There was also duplication of effort in many areas due to lack of sharing or knowledge and the lack of consistent approaches and systems that meant records auditing or enforcement, and regular disposal, had been impossible.

With the increasing competition in the business world, managers are more so focused on enhancing their performance. Strategies such as being competitive, winning key deals, managing a lean and vibrant organization, focus on both the bottom line as well as top line and the over emphasis on cost cutting has shifted business focus. As a result, the areas that have no direct impact in performance improvement end up with less effort on them with the risk of being forgotten or even relegated.

2.5 Challenges in Records Maintenance

SMEs face a myriad of challenges when it comes to records keeping. These challenges could be within the SMEs themselves or from outside. In their paper, Joseph, Debowski and Goldschmidt (2012) studied three key paradigm shifts that were likely to change the scope and management of organizational records, namely: technological developments; changing user expectations with regard to managing and accessing information; and the requirement for greater transparency, compliance and accountability by organizations (p. 58). Adding to these three challenges, others are discussed next.

2.5.1 Cost of Record Keeping

Existing literature agrees that business transactions result in increased records and as a result costs of keeping these records consequently increase (Kahn & Silverberg, 2008; Luyombya, 2011; Asogwa, 2012; Morelli, 2007). Aside from the costs arising from the maintenance of record keeping, SMEs can also face legal costs for non-compliance with local legislation (Joseph et al., 2012; McLeod and Hare, 2006; Maseko and Manyani, 2011)). If an organization is not able to corroborate the availability of important documents, they can face expensive legal challenges. Such a case happened as cited by McLeod and Hare (2006) in ZyLAB (2002) when a large media company lost a legal case. According to Kahn and Silverberg (2008) SMEs can also incur legal costs for prematurely destroying evidence
during litigation. Not having adequate retention and disposition programs is also a risk (Joseph et al., 2012).

A study of the Uganda Public Service noted that majority of its records were paper based replete with publications including newspapers (Luyombya, 2011). Keeping such voluminous data, some of which was not necessary resulted in occupation of unnecessary space and resultant costs. In some instances, reluctance to dispose records led to offices being congested with old records (Asogwa, 2012). Organizations that don’t have an organized records maintenance process are faced with additional costs of storage since increase in both physical and e-documents continues to increase often without any corresponding increase in business benefits (Morelli, 2007). For electronic records, different users may file the same document in more than one location resulting in additional storage capacity requirements, hence additional unnecessary costs (Morelli, 2007). Costs for records keeping in Tanzania’s court registry were assessed as high due to colour coding that was being done to easily identify the files (Lowry, 2013).

Businesses want to use systems that improve data recording and storage. The use of Enterprise Resource Planning enables them to achieve this goal. However, installing an ERP system does not come at a low cost. Implementation costs which include software, hardware, installation consultant fees, and in-house staff for installation are the initial costs the organization has to grapple with. Additionally, once implemented, where specialists are needed, there will be costs of staff to operate the system as well as training costs for users who will be operating the system (Trimi et al., 2005).

Some costs of improper data recording and keeping may not be easily visible, and never so in financial statements. This is because they are incidental rather than direct. For example, as observed by Hase and Galt (2010), the lack of consistent approaches and systems meant records auditing or enforcement, and regular disposal, had been impossible. This combined with rudimentary storage and duplication or efforts meant that since each employee had devised their own suitable filing system, that appealed to their unique styles, future access to data would be a challenge. Thus, a lot of time would be spent accessing files, and more time determining which of the accessed files was the most updated and relevant. The cost incurred here in terms of time spent could be enormous, only that it is neither computed nor
accounted for. These are the costs associated with inefficiency and inconsistency (Hase and Galt, 2010).

2.5.2 Challenges of Outsourcing
Organizations may opt to outsource the records management systems to an independent data management company. However, this comes with its own challenges. Outsourcing means that the business’s data are in the hands of others. Such an arrangement results in risks such as service failures; confidentiality failure; and performance issues (Trimi et al., 2005). When the records management function is outsourced, an organization will have to operate with the uncertainty that one day, the outsourced company may decide to discontinue product features that the business was relying on. Since the firm providing outsourcing services does so to more than one business, they may unintentionally give information to the wrong client, thus leaking sensitive information (Trimi et al., 2005).

When the technology used to access the financial data, factors beyond the outsourcing organization as well as the one to whom the service has been outsourced to changes, or experiences disruption, this may cause business interruption. For example, if access to that data relies on the internet, any connectivity issues to the internet may lead to business disruption due to system downtime (Trimi et al., 2005).

2.5.3 Lack of Knowledge
The requirements specifying what records to keep are mostly stated by the regulatory framework of a country. Since these differ from county to country, each corporation should study the guidelines provided for their country and design procedures to suit the requirements. For instance, in Kenya, the VAT Act requires every taxable person to “keep records written up-to-date of all transactions which may affect his tax liability” (VAT Act p. 89). Details of which records to be kept (p. 122) as well as duration and language (p. 123) of the documents are also indicated. However, are the document keepers aware of this legislation? Mnjama (2003) confirmed this was not the case when he stated that professionals expected to keep records were ill trained. Asogwa (2012) also augmented Mnjama’s concerns that absence of rules and guidelines for what should be kept and for how long was prevalent in corporations was prominent. With lack of clear guidance, SMEs would rather keep all the records they have irrespective of the resultant consequences of such an approach.
In his study Luyombya (2011) noted that although Uganda Public Service had facilities for creating and storing information electronically, these facilities did not enable their agencies to manage digital records effectively as a corporate resource (p. 141). His conclusion was based on the responses of managers who also confirmed the lack of a policy on digital records storage. This was further emphasized by Hase and Galt (2010) who found out from their study that the lack of guidance on employees on what to keep left them with no alternative rather than to devise their own systems and rules, to suit their unique requirements and ease of working, irrespective of the fact that such an approach was lacking in uniformity and standardization.

SMEs have not introduced modern and international standards for records management since they have not been fully understood (Asogwa, 2012). The existence of several standards further complicates the choice to be adopted. What may be practical in one country may not work in another.

When it comes to electronic records management, SMEs face two challenges; filing documents with different retention times together and filing documents with different management requirements together (Morelli, 2007). Another challenge that resulted from electronic filing of records was the duplication of effort and storage. Employees being very diligent and keeping everything no matter how irrelevant because there were no guidelines for what should be retained (Hase and Galt, 2010). The obvious effect of this is storage of irrelevant information which could cause challenges such as future accessibility and determination of the latest version of a record.

2.5.4 Organizational Culture and Structure
Organizational culture is something that a group or an organization “has” or “belongs to” (Osmundsen, 2013). Organizational culture makes the employees in that organization lack variation and diversity as to what guides their thoughts and actions. In terms of managing their records, focus is more on what has been happening in the organization. As cited by Osmundsen (2013), DiMaggio and Powell, 1983; Meyer and Scott, 1983 concluded that individuals and organizations imitate prevalent structures in order to increase their legitimacy. Employees would rather therefore follow their status quo other than come up with creative ways of improving the work processes.
Where there is a formal archivist role, with a person being responsible for maintaining specific records (Joseph, et al., 2012), there is a general lack of accountability on the rest of the employees who expect the archivist to do design and implement a records management structure. If this behaviour is supported by the organizational culture, then there is little room for improvements and accountability. Hase and Galt (2010) added that this lack of responsibility resulted in lack of integrity in the records being maintained.

Gay, Schelluch and Baines (1998) placed the responsibility of maintaining accounting records on management. This means that in overall the management will have to take responsibility over the availability and lack thereof of all relevant records in any corporation. Management also plays a very critical role in records management. Without support of top management, little can be archived in bringing necessary and needed change. Their high level support is not only required, but essential in passing the message across to the entire organization they records management is a key part of the success of the organization (Hase and Galt, 2010). The management need not perform the activities themselves, but drive the efforts from a bottom-up approach (Gay et al, 1998).

Whereas the ISO 15489: 2001 was designed on the basis that corporations would have a records management specialist whose main role would be to manage the records, existing literature does not study whether all organizations have such a role. In organizations where they exist Joseph et al., (2012) suggests areas for improvement in their roles. These include; widen their role from “records” managers to corporate “information” management. Establish processes that focus more on the users of the systems, and creating automated, accountable, transparent and compliant ones. This means that SMEs must study the best practices in the industry and use the ISO 15489 as a guide and adopt it to develop their own customized retention policy.

2.6 Chapter Summary
This chapter has reviewed literature regarding the record keeping and management processes for organizations. It has also gone further to expand the three research questions which formed the basis for the empirical research. The next chapter examined the research methodology and procedures used to carry out the study.
CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research design and methodology used to carry out the research. The chapter begins with the research design. This is followed by the definition of the population and the sample; the data collection methods; research procedure and finally the data analysis methods.

3.2 Research Design
According to Mugenda and Mugenda (2003), research design can be based on the research type, purpose of research and analysis method that will be used. The study used survey research design. According to Cooper and Schindler (2014), a survey is a primary data collecting technique about a population. In a survey, direct or indirect contact is made with the units of the study (e.g. individuals, organizations, communities) by using systematic methods of measurement such as questionnaires and interviews. Cooper and Schindler (2014) further add that using the survey method has the advantage of versatility since questioning allows a researcher to obtain answers on opinions. These are the benefits that the current study will seek to gain as it conducts the study. The study will also seek to check how the challenges of financial records maintenance can be overcome by having an adequate records management system.

3.3 Population and Sampling Design
3.3.1 Population
A population is the total number of subjects, or complete set of individuals on which the measurement is being taken, which have some common observable characteristics and from which inferences can be made (Cooper & Schindler, 2014; Mugenda & Mugenda, 2003). The target population was the Top 100 Mid-Sized Companies in Kenya operating in Nairobi for the financial year 2012. The population of the study was retrieved from an online list which contained names of the one hundred Top Mid-Sized Companies for that year. The names of these one hundred Mid-Sized Companies represent companies who; have an annual turnover of between seventy million to one billion Kenya shillings, have audited financial statements for at least the last three financial years, are not listed on the Nairobi Securities Exchange and are not in the banking, insurance and consulting industries. These companies are identified from a survey conducted annually by audit firm KPMG. The survey
sought to identify Kenya’s fastest growing Mid-Sized Companies in order to showcase business excellence and highlight some of the country’s (Kenya) most successful entrepreneurship stories (Kenya Top 100).

A top 100 Mid-sized Company is defined by KPMG as “one which ranks ahead of its peers in terms of revenue growth, profit growth, returns to shareholders and cash generation/liquidity. A top 100 company has succeeded in progressively growing its market position in the industries in which it operates and over time, this growth has translated into both returns for its shareholders and a fairly sound financial position.” The top 100 Mid-Sized Companies represent companies who; have an annual turnover of between seventy million to one billion Kenya shillings, have audited financial statements for at least the last three financial years, are not listed on the Nairobi Securities Exchange and are not in the banking, insurance and consulting industries (Kenya Top 100).

3.4 Sampling Design and Sample Size

3.4.1 Sampling Frame

Cooper and Schindler (2014) define a sampling frame as a list of elements from which the sample is actually drawn. The sampling frame was obtained from the 2013 results of the survey of the Top 100 Mid-Sized companies in Kenya. The complete list of the one hundred companies, representing the one hundred companies who participated in the survey that was conducted in year 2013, representing financial information for the year 2012, was obtained from the website http://eastafricatop100.com/ This ensured that the sampling frame was current thus relevant for the attainment of the study objectives.

3.4.2 Sampling Techniques

To ensure fair representation and generalizations of the findings to the general population, the study used simple random sampling technique. As discussed by Cooper and Schindler (2014), this technique is appropriate when a population list is available and the study elements are in a location that can be clustered or specified. In the case of this study, a population list with a population of one hundred companies was available. Out of the one hundred companies, those that operate from Nairobi totalled eighty one. No random sampling technique was used, instead, the census method was used to select the sample.
Since the population had already ranked the SMEs from number one to number one hundred, and since our population was a census, all SMEs within our population were selected.

### 3.4.3 Sample Size

From the total of one hundred companies for the year 2013 survey, a size that would be representative of the total population had to be determined. For a sample to be statistically significant, it should either have a minimum of 30 or 10 per cent of the population (Grinnell, 2001; Mugenda & Mugenda, 2003). This is sufficient to give a 95 percent level of confidence. 10 per cent of the population resulted in 10 Mid-Sized Companies. This was below the 30 threshold and in order to be able to make inferences, thus the sample size was decided to be a census of all the SMEs operating from Nairobi. This census resulted in 81 SMEs.

#### Table 3:1 Sample Size Distribution

<table>
<thead>
<tr>
<th>Location of SME</th>
<th>Number of SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kisumu</td>
<td>3</td>
</tr>
<tr>
<td>Malindi</td>
<td>1</td>
</tr>
<tr>
<td>Mombasa</td>
<td>12</td>
</tr>
<tr>
<td>Nairobi</td>
<td>81</td>
</tr>
<tr>
<td>Naivasha</td>
<td>1</td>
</tr>
<tr>
<td>Nakuru</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### 3.5 Data Collection Methods

Data collection involves gathering of facts presented to the researcher from the study’s environment (Cooper and Schindler, 2014). This study used primary data. Primary data was collected using structured questionnaires that were sent to the sampled companies. The questionnaire was well structured containing both closed and open ended questions while remaining sufficiently detailed to address the three research questions.

Researchers prefer questionnaires since they allow for qualitative assessment and capture the opinions of the respondents as well as quantitative data. Ranking and rating was used to
develop scales that were used to measure relationships for basing valid conclusions. Ranking was used when evaluating the respective order of factors while rating was used to establish the challenges records managements bring to SMEs.

Questionnaires have advantages as data collection tools since they are familiar to most people. They do not make people apprehensive, are less intrusive than telephone or face-to-face surveys and eliminate the biases that arise with face to face interviews as the researchers own opinion will not influence the respondent to answer questions in a certain manner. Once a respondent has received a questionnaire he is free to complete it in his own time and pace. The questionnaires were distributed to the selected SMEs by research assistants who were allocated SMEs depending on their location. The questionnaires were distributed by hand delivery and the respective SMEs were given three days to respond. After these three days, the research assistants went back to the SMEs and collected them. Before collecting them, they ensured that they had been properly filled in order to ensure that the data collected was free of errors.

The questionnaires had four parts. Part one was designed to collect bio data about the recipients including gender, experience and position. It also collected information about the SME such as industry, period of operation and who has responsibility of records maintenance. The second part of the questionnaire addressed the first research question and it focussed on questions that related to creation, storage, retrieval, disposal as well as staff knowledge of records keeping. The third part of the questionnaire focussed on the research question and sought to address concerns of retrieval and disposal of financial records. The last part of the questionnaire addresses the challenges, trends and solutions as far as records management systems were concerned.

3.6 Research Procedures
In order to ensure that the SMEs were aware of the nature and purpose of the study, there was an introduction letter attached to each questionnaire. The letter gave a brief reason for the study, its purpose and assured confidentiality on all the data to be collected. The research assistants who were to deliver and pick the questionnaires were also briefed on any questions that the recipients may have and how to handle them. The research assistants were to check the validity of the questionnaires in order to ensure that there were no missing fields which would render the questionnaires invalid.
3.7 Data Analysis Methods
Data collected from respondents was qualitative in nature. These data were analysed using the Statistical Package for Social Scientists (SPSS) software. Data were analysed using descriptive statistics such as percentages, frequencies and averages. The foundation of using descriptive approach was to give a basis for determining the weights of the variables under the study. For easier elucidation, the findings were presented using tables, charts and graphs.

3.8 Chapter Summary
This chapter described the methodology that was used in carrying out the research that formed the basis of this study. The chapter began by describing the research design used and justifying its use. Progressively, the population, sampling techniques and the sample size were stated. The chapter focused on data collection, research procedure and data analysis methods. Chapter four presents an analysis of the information that was gathered from the field on the basis of the research concerned.
CHAPTER FOUR
4 DATA ANALYSIS AND PRESENTATION

4.1 Introduction
This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on the challenges SMEs face in establishing and maintaining records retention and archiving system. The data were gathered exclusively from the questionnaires as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.2 Response Rate
The target population was the top 100 Mid-Sized Companies in Kenya operating in Nairobi for the financial year 2012. The sample size was a census of the SMEs operating from Nairobi. This census resulted in a total of 81 companies which number was sufficient to give a 95 percent level of confidence.

Out of the targeted population, 58 of the respondents filled in and returned questionnaires giving a response rate of 71.6%. This response rate was excellent and conforms to Mugenda and Mugenda (2003) arguments that a response rate of above 70% is excellent for generalization of findings to the whole population.

4.3 General Information
From the results of the study, the following indicates responses to the questions that were aimed at getting a general understanding of the respondents as well as the companies they were working for. These questions were addressing the gender and level of education of the respondents, their organization’s duration of existence and operations and the main industry in which their organization’s main operations were.

4.3.1 Gender
The researcher was interested in knowing the gender of the respondents. From Figure 4.1 Gender of respondents, below, the findings showed that 80% of the respondents were male while 20% were female. This indicates that majority of the respondents were male.
4.3.2 Organization’s Duration of Existence

From Figure 4.2, Organization’s duration of existence, below, the findings showed that out of all the companies surveyed, 3% of the companies had existed for less than 4 years, 40% had existed between 5 to 9 years, 37% had existed between 10 and 14 years while 20% had over 15 years existence. This indicates that majority of the organizations surveyed had been in operations between 5 to 14 years, representing 77%.

4.3.3 Level of Education

From Figure 4.3, Level of Education, below, the study showed that out of all the respondents, 50% of the respondents had undergraduate degrees, 37% had diploma or technical qualifications while 13% had postgraduate qualifications.
4.3.4 Organization’s Industry Primary Operations

From Figure 4.4, Organization’s Primary Industry of Operations, below, 30% of the organization’s industry primary operations were in the service industry, 23% were in manufacturing, building and construction while 13% had retail and distribution as their organization’s primary operations.

4.4 Creation, Recording and Storage of Financial Records

The study sought to find out the statement that best represents the organizations process of records management. From the findings, indicated in Table 4:1 below, the study found out that majority or 83.4% agreed that how records were created was well known within the organization while 9.8% disagreed and 6.7% were neutral. Regarding storage of records in a
certain manner, either by date, number or chronologically, 73.3% strongly agreed while 26.7% agreed that their organizations follow such systems. Respondents agreed that their organizations had well documented and adequate labelling of files as represented by 73.3% strongly agreeing and rest 26.7% agreeing with their organizations efforts. On training in records management, 60% strongly agreed, 30% agreed, 6.7% were neutral while 3.3% strongly disagreed on the adequacy of records training offered in their organizations. Regarding structured back up processes, 60% strongly agreed, 30% agreed, 3.3% were neutral while 6.7% did not agree on the adequacy of the backups. 46.7% strongly agreed, 46.7% agreed and 6.6% were neutral that the staff in their organizations knew how long each record type should be kept. Regarding having an adequate offsite file storage system, 36.7% strongly agreed, 40% agreed, 13.3% were neutral while 6.7% disagreed and 3.3% strongly disagreed regarding their organizations back up processes. In terms of knowledge of records classification, 43.3% strongly agreed, 50% agreed and 6.7% were neutral that they were aware how the records were classified within their organizations. Regarding disposal policies of records, 33.3% strongly agreed, 33.3% agreed, 23.3% were neutral while 10.1% disagreed they were aware of this policy. Finally, when it came to records storage policy considering disposal, of the respondents, 30% strongly agreed, 33.3% agreed, 30% were neutral while 6.7% disagreed that the storage of records in their organizations considered disposal policy.

Table 4:1 Creation, Recording and storage of Financial Records

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree Nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records creation in our organization is known by all</td>
<td>46.7%</td>
<td>36.7%</td>
<td>6.7%</td>
<td>6.7%</td>
<td>3.2%</td>
<td>4.0</td>
</tr>
<tr>
<td>Records are stored in certain order e.g. by date, number and chronologically</td>
<td>73.3%</td>
<td>26.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.7</td>
</tr>
<tr>
<td>Files are well documented and adequately labelled</td>
<td>73.3%</td>
<td>26.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.7</td>
</tr>
<tr>
<td>All staff are trained on which records or files to keep</td>
<td>60.0%</td>
<td>30.0%</td>
<td>6.7%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>4.3</td>
</tr>
<tr>
<td>Our organization has a structured back up process for electronic data</td>
<td>60.0%</td>
<td>30.0%</td>
<td>3.3%</td>
<td>6.7%</td>
<td>0.0%</td>
<td>4.4</td>
</tr>
<tr>
<td>Staff know how long to keep each record per type</td>
<td>46.7%</td>
<td>46.7%</td>
<td>6.6%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.3</td>
</tr>
<tr>
<td>We have a reliable off-site file storage system</td>
<td>36.7%</td>
<td>40.0%</td>
<td>13.3%</td>
<td>6.7%</td>
<td>3.3%</td>
<td>3.7</td>
</tr>
<tr>
<td>Staff know how records are classified</td>
<td>43.3%</td>
<td>50.0%</td>
<td>6.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.2</td>
</tr>
</tbody>
</table>
Disposal policy of records is well documented
Records storage considers disposal policy

<table>
<thead>
<tr>
<th></th>
<th>33.3%</th>
<th>33.3%</th>
<th>23.3%</th>
<th>10.1%</th>
<th>0.0%</th>
<th>3.4</th>
</tr>
</thead>
</table>

### 4.5 Retrieval of Financial Records

On the findings on the retrieval of financial records, as indicated by Table 4:2 below, the respondents showed ease of accessing records as important with the majority 53.3% strongly agreeing and 46.7% agreeing with the statement. As regards the time taken to retrieve a physical record, the majority as represented by 43.3% strongly agreed with 43.3% agreeing and 3.3% being neutral that the time was reasonable with 6.7% strongly disagreeing with the statement. Respondents also indicated that storage of sensitive documents should be in secure places with restricted access with 80% strongly agreeing and 13.3% agreeing as well while 3.3% remaining neutral and 3.3% disagreeing. Majority of the respondents agreed that information in the files was easy to find and access with 50% strongly agreeing, 40% agreeing, 6.7% being neutral and 3.3% strongly disagreeing with the statement. Regarding business continuity and finding files while some employees are on leave, 40% strongly agreed, 46.7% agreed, 3.3% were neutral with 6.7% disagreeing and 3.3% strongly disagreeing with the statement that record retrieval was impacted by the absence of the employee who retains the files. Regarding the importance of keeping documents, from the responses to the difficulties in retrieving supporting documents during external audit, of the respondents 33.3% strongly disagreed and 30% disagreed that their organizations faced difficulties, while 13.3% strongly agreed and 6.7% agreed with the statement and 16.7% were neutral. Returning files that have been retrieved back to their original place was also an issue of concern where 56.7% strongly agreed, 26.7% agreed, 3.3% were neutral while 3.3% disagreed and 6.7% strongly disagreed that files were promptly returned to their original location after use. With regards to disposal policy, the respondents were generally aware of which records needed disposal. This was indicated by 33.3% strongly agreeing they were aware, 43.4% agreeing with 13.3% remaining neutral as 10% disagreed. In terms of retrieval of the latest electronic record, 30% strongly agreed, 40% agreed, 16.7% were neutral while 13.3% strongly disagreed that they could easily access the latest electronic record. Finally, when in came to how well staff understood the records retrieval process, 50% strongly agreed, 46.7% agreed and only 3.3% disagreed that they were aware of the process.
<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree Nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is easy to find the latest copy of any electronic record</td>
<td>53.3%</td>
<td>46.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.5</td>
</tr>
<tr>
<td>Time taken to retrieve a physical record from the file is reasonable</td>
<td>43.3%</td>
<td>43.3%</td>
<td>3.3%</td>
<td>0.0%</td>
<td>6.7%</td>
<td>4.0</td>
</tr>
<tr>
<td>Sensitive records or files are securely kept and access to them restricted</td>
<td>80.0%</td>
<td>13.3%</td>
<td>3.3%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>4.6</td>
</tr>
<tr>
<td>Information in the files is easy to find and access</td>
<td>50.0%</td>
<td>40.0%</td>
<td>6.7%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>4.2</td>
</tr>
<tr>
<td>When employees are on leave, finding records is not impacted</td>
<td>40.0%</td>
<td>46.7%</td>
<td>3.3%</td>
<td>6.7%</td>
<td>3.3%</td>
<td>4.1</td>
</tr>
<tr>
<td>During external audit, our company faces difficulties in retrieving supporting documents</td>
<td>13.3%</td>
<td>6.7%</td>
<td>16.7%</td>
<td>30.0%</td>
<td>33.3%</td>
<td>3.0</td>
</tr>
<tr>
<td>Retrieved records are usually returned to original place of retrieval after use</td>
<td>56.7%</td>
<td>26.7%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>6.7%</td>
<td>4.1</td>
</tr>
<tr>
<td>It is easy to identify and retrieve records that need to be disposed as per disposal policy</td>
<td>33.3%</td>
<td>43.3%</td>
<td>13.3%</td>
<td>10.0%</td>
<td>0.0%</td>
<td>3.7</td>
</tr>
<tr>
<td>Electronic records are filed in such a way that any employee can be able to determine and retrieve the latest file at any time</td>
<td>30.0%</td>
<td>40.0%</td>
<td>16.7%</td>
<td>0.0%</td>
<td>13.3%</td>
<td>3.4</td>
</tr>
<tr>
<td>Retrieval of records is well understood by relevant staff</td>
<td>50.0%</td>
<td>46.7%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>0.0%</td>
<td>4.4</td>
</tr>
</tbody>
</table>

### 4.6 Benefits of Record Management

The study also sought to get the respondents views on what benefits they perceived as arising from a system of records management. From Figure 4.5 below, benefits of proper record management, the study found out that majority of the respondents represented by 37% rated standardization as the most beneficial to the organization. Those who saw the benefits as operational efficiency were represented by 33%. Benefits of compliance with legal and regulatory requirements were represented by 13%, while those who saw the benefit of cost savings were represented by 10%. Finally, those who considered the benefit of fast access to information were represented by 7%.
Figure 4.5 Benefits of Proper Record Management

4.7 Trends in Record Management

The study also sought to get the respondents' views on how they frequently updated their filing systems as well as how their organizations were responding or aware of changes in legislation that affects records maintenance. In keeping up to date records and ensuring organizations were updated with current trends in records management, 43.3% strongly agreed, 40% agreed, 13.3% were neutral while 3.3% strongly agreed that their organizations were keeping up to date with these trends. Regarding organizations' awareness to new legislation when it was enacted, 46.7% strongly agreed, 46.7% agreed and 6.7% were neutral that their organizations were aware of such new legislation. Finally, when it came to respondents commenting regarding that their filing systems and how they were regularly updated as need arose, 36.7% strongly agreed, 50% agreed, 10% were neutral while 3.3% strongly disagreed with the statement.

Table 4.3 Trends in Record Management

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree Nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>We keep up to date with current trends in records management</td>
<td>43.3%</td>
<td>40.0%</td>
<td>13.3%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>4.2</td>
</tr>
<tr>
<td>Our organization is aware of new legislation when it comes up</td>
<td>46.7%</td>
<td>46.7%</td>
<td>6.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>4.4</td>
</tr>
<tr>
<td>Our filing systems are regularly updated as need arises</td>
<td>36.7%</td>
<td>50.0%</td>
<td>10.0%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>4.2</td>
</tr>
</tbody>
</table>
4.8 Major Challenges Organizations Face in Record Keeping

Figure 4:6 Major Challenges Organizations Face in Record Keeping

The study also sought to get the respondents views on what they thought of as the main challenges they faced in record keeping. From Figure 4.6 above, on the major challenges organizations faced in record keeping, 37% of the respondents indicated inadequate prioritization or emphasis as the main challenge, with 20% indicating inadequate storage facilities (physical or electronic) and lack of knowledge of which records to be kept, 13% indicating cost implications, 10% indicating inadequate staff training, 10% indicating inadequate staff and 10% indicating a limitation on the storage method used as the main challenge faced.

4.9 Chapter Summary

This chapter described the findings and interpretation of the data collected from the questionnaires with specific research questions sections based on the research objectives which looked at how SMEs received, generated, recorded, stored, archived and retrieve their financial records. It also looked at the current trends, challenges and solutions that can be implemented for records keeping. The next chapter, 5, discusses the conclusion and recommendation based on the findings of the research as compared to the literature review.
CHAPTER FIVE

5 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section provides the summary of the findings followed by discussion, conclusion and recommendations based on findings of the research as compared to the findings in the literature review.

5.2 Summary

The purpose of this study was to identify the challenges SMEs face in establishing and maintaining records retention and archiving systems. The research was guided by the following research questions; How do SMEs receive, generate, record, store, archive and retrieve their financial records? What are the trends in the implementation of a robust financial records management system? What solutions can SMEs implement to address the challenges of financial records storage and retrieval?

The study used survey research design. The population under study comprised of 81 SMEs in Nairobi. Sampling data were gathered exclusively from the questionnaire as the research instrument. These data were analysed using the Statistical Package for Social Scientists (SPSS) software. Data were analysed using descriptive statistics such as percentages, frequencies and averages. The data were presented in the form of tables, graphs and charts according to the research questions.

5.3 Discussion

5.3.1 How do SMEs receive, generate, record, store, archive and retrieve their financial records?

In response to this question, the study found out that respondents strongly agreed that in their organizations, files be well documented and adequately labelled and that records be stored in certain order by date, serial number and be arranged in a chronologic manner. This agrees with the study by Joseph, Debowksi and Goldschmidt (2012) who saw the need for organizations to have systematic storage of records.

The study found that respondents saw the need for their organizations to have structured back up processes and systems for electronic data; that staff be adequately informed on how long to keep each record per type; that staff be trained on which records or files to keep; that
staff know how records were classified; that records creation in the organizations be known by all and that organizations need to have reliable off-site file storage systems. All these requirements on record keeping concurred with the findings of studies by Joseph, Debowski and Goldschmidt (2012), Lowry (2013) and Stephens (2005).

From the study, it is evident that having a working and adequate records management system is important in every organization. On the findings on the retrieval of financial records respondents strongly agreed that sensitive records or files be securely kept and access to them restricted and that it should be easy to find the latest copy of any electronic record. This concurs with findings by Joseph, Debowski and Goldschmidt (2012). Further, respondents agreed that retrieval of records be well understood by relevant staff; that information in the files be easy to find and access. McLeod and Hare (2006) emphasised on the need for all employees to be aware of the location of files without the need to consult other employees such that when employees were on leave, finding records is not impacted; that retrieved records be usually returned to their original place of retrieval after use; that time taken to retrieve a physical record from the file be reasonable and that it should be easy to identify and retrieve records that needed to be disposed as per disposal policy.

The results of the study is in line with findings by Droge and Hoobler (2003) who argued that since knowledge of files and processes may be in the minds of the employee who is leaving the organization, and due to their small sizes, and lack of resources thereof, the workload of maintenance of the records was usually assigned to another staff member, in addition to their existing workload (Durst and Wilhelm, 2012). This has the obvious negative effect on that employee’s motivation and morale, due to the impression that the employee is doing additional jobs other than what he was employed to do (McLeod and Hare, 2006).

Finally the study concludes that sensitive records or files be securely kept and access to them restricted and that it should be made easy to find the latest copy of any electronic record; that retrieval of records be well understood by relevant staff; that information in the files be easy to find and access; that when employees are on leave, organizations keep files in such a way that finding records should not be impacted; that retrieved records be returned to their original place of retrieval after use; that it should be easy to identify and retrieve records that need to be disposed as per disposal policy and that once proper systems or records
management are implemented, the time taken to retrieve a physical record from the file be reasonable. This agrees with findings by Morelli (2007), Stephens (2005) and Asogwa (2012).

5.3.2 What are the trends in the implementation of a robust financial records management system?

The study found out that standardization was emphasized by majority of the respondents. Standardization transcends all facets of records management and includes having standard procedures, policies to guide the processes as well as methods. Hase and Galt (2010) recommended organizations to include records management in their business processes and strategy. This means that as employees go on with their day to day activities, the culture that will be developed in the organization will include these standard processes.

Records management should also be incorporated as part of internal control of the organization (Stephens, 2005). This means that checks will have to be conducted to find out if the entire organization is adhering to the policies and procedures that will have been set up to ensure maintenance of these records. This can be done via regular compliance checks or random checks.

Organizations are moving the processing and storage of their records to online and there has been rapid growth in use of the cloud. The study found out that organizations have warmed up to the idea of using technological advancements in records keeping and moving towards virtualization. This agrees with previous study by Coombs (1999) and Luyombya, (2011) whose studies highlighted the evolution and use of technology for records keeping.

Traditional record keeping focused on keeping files in boxes. The study found out that in addition to keeping these files, organizations are incorporating best practices in this storage be ensuring that these records incorporate an element of risk evaluation in order to ensure that only relevant records are maintained. Evaluation of risk was considered as important facet in records management in a study be Stephens (2005).

These findings concur with those of (Kahn & Silverberg, 2008; Luyombya, 2011; Asogwa, 2012; Morelli, 2007; Maseko & Manyani, 2011) who agreed that business transactions resulted in increased records and as a result costs of keeping these records consequently
increased. Aside from the costs arising from the maintenance of record keeping, SMEs can also face legal costs for non-compliance with local legislation (Joseph et al., 2012; McLeod and Hare 2006). If an organization is not able to corroborate the availability of important documents, they can face expensive legal challenges. Such a case happened as cited by McLeod and Hare (2006) in ZyLAB (2002) when a large media company lost a legal case. According to Kahn and Silverberg (2008) SMEs can also incur legal costs for prematurely destroying evidence during litigation or not having adequate retention and disposition programs (Joseph et al., 2012).

5.3.3 What solutions can SMEs implement to address the challenges of financial records storage and retrieval?

The study found out that respondents rated standardization as the most beneficial concerning their organizations. This standardization means that all employees in the organization should use the same approach in record management. Respondents also rated operational efficiency, compliance with legal and regulatory requirements, cost savings, and fast access to information as the other benefits they related with records management.

On the findings on the major challenges organizations faced in implementing a proper records keeping and filing system, majority of the respondents indicated inadequate prioritization or emphasis as far as records management policies was concerned. This agrees with studies by Stephens (2005) who emphasized the need to have well written policies that influence the records management practices of their organizations.

Respondents also indicated a challenge of records storage facilities both physical and electronic. The study concurs with that of Morelli (2007) who concluded that an increase in number of records without corresponding expansion of storage facilities constrains proper record keeping. Such constrains then end up impacting on cost of storage which continues to increase as volumes of records increase. Organizations therefore need to monitor their storage to ensure that increasing costs are supported by search for optimal cost efficient storage.

The study found the need for staff training in records management. This agrees with the study by Hase and Galt (2010) who emphasized the need for organizations to train their staff on the requirements of record keeping. Training on its own should not be emphasized, but
the ability for the trained personnel to be able to use the skills and knowledge acquired from such training to successfully implement adequate records management systems. Training needs not be a onetime event since changes are frequent in the environment in which the organization operates from. Once employees acquire experience and training, they need to further progress into research based approach to work in order to add value to their work related tasks as was emphasized by Anderson (2007).

5.4 Conclusion

5.4.1 How do SMEs receive, generate, record, store, archive and retrieve their financial records?

From the study, it is evident that organizations have a need to have a records management system. Such a system should be cognizant of the organization and the processes followed from the time a record is created to the time it is either kept or disposed as per policy. It should be clear how each record should be kept since there are records that need to be kept forever while others need to be kept for a short period. In coming up with a records keeping system, considerations for security and cost must also be made so that this will be reasonable depending on the type of record. Sensitivity of records should also be considered so that confidential information does not fall in the wrong hands and that such records have limited access only to the authorised people. Staff training is very important when it comes to record keeping. Staff should know which records to keep, how to keep them, where to keep them, in what format and order and also know which policies guide the retention or disposal of these records. Staff training should not be a one off event but regular refresher courses should be done. These courses should be done when new changes happen or to update the employees on new legislation when it arises. In line with training is adequate and right staff so that no staff is left with the task of filing on his own. All staff should be able to know where files are kept and be able to retrieve and return files as needed. With the growth of new media storage such as cloud systems as well as numerous storage media and access, organizations need to ensure that they always update their policies and record keeping practices. Such a policy should have managements’ weight behind it so that it is inbuilt into the organization’s culture and becomes common way of operations for all employees.
5.4.2 What are the trends in the implementation of a robust financial records management system?
Technological advancements and the rapid changes as well in other legislation that affect business operations pose a challenge in organizations record keeping practices. Businesses are now being conducted online which results in processing and sending of electronic documents which may not have a physical trace or copy. Such trends require that organizations be on a constant update in their policies as well as storage systems since these documents are not physically available. In such cases, organizations will benefit from cost savings due to less use of paper and physical files and space but may face the need to have a robust electronic storage system which brings new requirements such as more computing storage requirements. Organizations have also started to outsource their records maintenance functions to third party vendors for both physical as well as electronic records. The advantage of this is the gain from having an experienced vendor keeping your records as well as the cost savings that come with it. Organizations must however note that for electronic records, they may not be aware of the location of their records and could be subject to threats such as data compromise where hackers can access their information. From the study, most respondents agreed that standardization was most beneficial practice. This means that employees want a standard process of record keeping which every employee is aware of and one which all staff follow so that ease of filing and retrieval of records is seen. Keeping up to date with legislation is especially important since it will ensure that organizations are operating within the law and will enable them avoid time consuming and expensive legal charges for noncompliance.

5.4.3 What solutions can SMEs implement to address the challenges of financial records storage and retrieval?
Responding to this question, the study concluded that the solutions to the major challenges that organizations faced could be solved by, implementing a proper records keeping and filing system. Such a system would ensure that an organization has aligned all its processes seamlessly in a way that it will put in place efficient methods appropriate to the specific needs of the organization. This would be by ensuring adequate prioritization or emphasis of the records keeping process. Such is by ensuring that there is adequate and safe storage facilities (physical or electronic) for records storage. This is to be done in a cost conscious manner to ensure that there is minimization of the cost of implementation from the storage facilities as well as from a compliance perspective. Organizations need to ensure that there is
regular and adequate staff training for all employees not just those involved in records maintenance. This is to create an ownership culture within all the employees in the organization in order to ensure that record keeping is a culture in the entire organization.

5.5 Recommendation

5.5.1 Regarding the way SMEs receive, generate, record, store, archive and retrieve their financial records;

The study recommends that files be well documented and adequately labelled and that records should be stored in certain order by date, number and chronologically; that organizations implement structured back up processes for electronic data and that all staff should know how long to keep each record per type. The study also recommends that all staff to be trained on which records or files to keep and that staff should be aware of how records are classified and also, be aware of records disposal policy. Management of the organizations should also show great involvement in the records management processes so that it becomes a culture within the entire organization.

5.5.2 Regarding the trends in the implementation of a robust financial records management system;

The study recommends that SMEs should introduce modern and international best practices and methods of records management especially where such have not been fully implemented. Though this comes with some challenges, SMEs should come up with strategies that will help employees adapt fully to the system thereby improving record management practices. Investments in latest technology and keeping abreast with what is happening around the organizations industry and environment will enable organizations be updated all the time.

5.5.3 Regarding what SMEs should implement to address the challenges of financial records storage and retrieval;

The study recommends that, in addition to the formal archivist role, with a person being responsible for maintaining the organizations records, the ultimate responsibility of maintaining financial records be vested on the management. This means that in overall, the management will have to take responsibility over the availability and lack thereof of all relevant records in any organization. Management also plays a very critical role in records management since they are aware of what records to be maintained. Without support of top management, little can be achieved in bringing necessary and needed change. Their high
level support is not only required, but essential in passing the message across to the entire organization.

5.6 Recommendation for Further Studies

The study was done on the challenges SMEs face in establishing and maintaining records retention and archiving systems. Further research should be carried on other organizations such as non-profit, institutions of learning, government offices etc. which were not covered by the study.
REFERENCES


APPENDIX A: Questionnaire

To Whom It May Concern

Dear Sir/Madam,

I am pleased to inform you that am a graduate student at United States International University pursuing a Master’s degree in Business Administration, with a bias on Finance. As partial fulfilment of my MBA degree, I am conducting a research the challenges SMEs face in maintaining financial records.

I request your participation in answering the questionnaire to the best of your knowledge. Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

Yours Faithfully,

Philip Mbae
APPENDIX B: Questionnaire

A. GENERAL INFORMATION

1.) Your gender; { } Male { } Female

2.) Number of years your organization has been in operation;

| { } less than 4 years | { } 5 to 9 years | { } 10 to 14 years | { } over 15 years |

3.) Indicate your highest level of education.

| { } Diploma or technical qualification (e.g. Dip. Acc. CPA. ACCA, Dip. Mgmt.) |
| { } Undergraduate Degree (e.g., B.A., B.Sc., BCom) |
| { } Postgraduate Degree (M.A., M.Sc., M.B.A., Ph.D.) |

4.) Indicate the industry your organization’s primary operations are;

| { } Manufacturing, Building and Construction | { } Service Industry | { } Retail and Distribution |

5.) What is your position in your organization?

6.) In your organization, who has responsibility for ensuring integrity and availability of financial records and data?

CREATION, RECORDING AND STORAGE OF FINANCIAL RECORDS – Kindly tick the statement that best represents your company

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree Nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

1. Records creation in our organization is known by all

2. Records are stored in certain order e.g. by date, number and chronologically

3. All files are well documented and adequately labelled

4. All staff are trained on which records/files to keep

5. Our organization has a structured back up process for electronic data

6. Staff know how long to keep each record per type

7. We have a reliable off-site file storage system

8. Staff know how records are classified

9. Disposal policy of records is well documented
C. RETRIEVAL OF FINANCIAL RECORDS – Kindly tick the statement that best represents your company

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree Nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is easy to find the latest copy of any electronic record</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2. Time taken to retrieve a physical record from the file is reasonable</td>
<td></td>
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</tr>
<tr>
<td>3. Sensitive records or files are securely kept and access to them restricted</td>
<td></td>
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</tr>
<tr>
<td>4. Information in the files is easy to find and access</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>5. When employees are on leave, finding records is not impacted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6. During external audit, our company faces difficulties in retrieving supporting documents</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>7. Retrieved records are usually returned to original place of retrieval after use</td>
<td></td>
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</tr>
<tr>
<td>8. It is easy to identify and retrieve records that need to be disposed as per disposal policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Electronic records are filed in such a way that any employee can be able to determine and retrieve the latest file at any time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Retrieval of records is well understood by relevant staff</td>
<td></td>
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</tbody>
</table>

D. TRENDS AND SOLUTIONS TO CHALLENGES OF RECORD MANAGEMENT

1) Of the benefits of proper records management, which do you think is the most beneficial concerning your organization/company?

- { } Cost savings
- { } compliance with legal and regulatory requirements
- { } standardization
- { } fast access to information
- { } operational efficiency
2) In your opinion, what are the major challenges your organization/company faces in implementing a proper records keeping and filing system? Tick all that may apply

{ } cost implications { } inadequate prioritization/emphasis

{ } inadequate staff training { } inadequate staff

{ } storage method used (physical or electronic) { } inadequate storage facilities { } lack of knowledge

{ } other (please specify)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree Nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>3) We keep up to date with current trends in records management</td>
<td></td>
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<tr>
<td>4) Our organization is aware of new legislation when it comes up</td>
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<tr>
<td>5) Our filing systems are regularly updated as need arises</td>
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</tbody>
</table>

6) In your opinion, what are some of the ways to resolve records maintenance challenges

7) Any general comments on records storage and disposal that you would like to share.

Thank you for your time.