Entrepreneurial use of relationship marketing: creating growth, sustainability and performance in Australian small family owned businesses

Leone Cameron, *University of the Sunshine Coast*
Peter Miller, *Southern Cross University*
W Spinks

Available at: https://works.bepress.com/peter_miller/79/
“Entrepreneurial Use of Relationship Marketing: Creating growth, sustainability and performance in Australian small family owned businesses”

Dr. Cameron – is a Lecturer in International Business at the University of the Sunshine Coast at Mooloolabah in Queensland, Australia. Leone established the new Three R’s marketing paradigm of relationship recruitment and retention of employees in small business. She has previously been the director of her own small business where she introduced the relationship marketing concept in the recruitment and retention of her own staff. Her other area of interest is the use of mentoring as a form of employee development in small business relationships.

Assoc. Prof. Peter Miller – is Associate Professor in the Graduate College of Management in the Faculty of Business and Law at Southern Cross University at Tweed Heads, New South Wales, Australia. Peter is the director of the Doctor of Business Administration (DBA) program at Southern Cross University and has an established research profile in the area of leadership and workplace relations. Peter is also the editor of the AJBSI and Convenor DAoRS for Change, Innovation and Organisational Development.

Ms. Wendy Spinks Wendy Spinks, before teaching at USC, had over twelve years experience as a business / marketing consultant with Telstra, her own business and the Government SEVS-NEIS programme, which was established to set up unemployed in their own businesses. Wendy also has extensive experience teaching and writing business courses
in tertiary institutions, including universities, TAFE, and private course providers, such as Retail Skills. Prior to her current position at USC, Wendy taught applied business courses to large organisations through Deakin University. Wendy is currently completing a PhD through USC to further research consumer satisfaction with high involvement services.

Author 1
Dr. Leone Cameron
Lecturer in Business
Faculty of Business, University of the Sunshine Coast,
Maroochydore DC Qld 4558 Australia
Email: lcamer10@scu.edu.au
Phone +61 7 5459 4572
Fax +61 7 54301231

Author 2
Associate Professor Peter Miller
Graduate College of Management, Southern Cross University
P.O Box 42, Tweed Heads NSW 2485 Australia
Email: peter.miller@scu.edu.au
Phone +61 7 5506 9311
Fax +61 7 55069301

Author 3
Wendy Spinks
Lecturer in Business
Faculty of Business, University of the Sunshine Coast, Australia
Maroochydore DC Qld 4558 Australia
Email: wspinks@usc.edu.au
Phone +61 7 5430 1245
Fax +61 7 54301231
“Entrepreneurial Use of Relationship Marketing: Creating growth, sustainability and performance in Australian small family owned businesses”

Key words: relationship marketing; human resource management; entrepreneurial; small business

Abstract
This research examines the application of relationship marketing theory as an instrument to enhance growth, sustainability and performance through improved human resource management practices within 200 small family owned businesses in regional Australia. This research has identified that the introduction of an entrepreneurial use of relationship marketing techniques can be applied to enhance the human resource methods employed and in turn the organization’s capacity to for growth, sustainability and improved performance. Characteristics analogous to those used in successful relationship marketing were identified by the owner/managers of small family owned businesses as having direct and indirect positive effects on the ability to recruit and retain employees which in turn can enhance growth, sustainability and performance. The aim of the research was to investigate and derive entrepreneurial methods for the captivation and creation of value through sustainability of recruitment, selection and retention of employees in family-owned small businesses and to better understand the variables and dynamics affecting the recruitment, selection and retention processes. This research resulted in the development and testing of a new Three R’s of Relationship, Recruitment and Retention model that supports predictors of successful outcomes by creating value through the entrepreneurial use of relationship marketing to enhance growth, sustainability and performance in small family owned business as well as contributing to a changing paradigm for these traditional HRM practices.
Introduction

The experiences of family-owned small businesses are frequently misunderstood and Holliday (1995) confirms this when she quotes Riggs and Bracker (1986 p. 2) as saying that many authors show “a complete naiveté of the conditions of smaller companies”. All too often theories that may be appropriate for big business are not relevant to family owned small business. Confirming the differences Holliday (1995 p. 2) advocates that authors often propose to implement the same techniques that are designed for larger organizations without “consideration of the psychological or cultural characteristics of those who work within them”. In an increasingly competitive market place in terms of staffing the need to obtain and retain employees it is essential that the recruitment and retention methods capture and create value.

The human resource management role in many small businesses are deficient not only in management expertise but especially in human resource management capability and this can hinder development of the entrepreneurial small business (Scase 1985). The cost of poor recruitment and selection processes can be significant not only in terms of money but also in terms of social relationships and company morale. For example, Hacker (1997 p. 13) suggests that in the United States “a bad hiring decision equates 30 percent of the first year’s potential earnings”. This is a cost that small family owned-managed business can ill afford. For this reason it is important that small businesses develop methods of marketing their relationships to create sustainable performance.

Sirmon and Hitt (2003) examined family owned business in terms of management, relationships and family ownership of businesses. This followed on from the work done in this area by Priem and Butler (2001) as cited in de Kok, Uhlner and Thurik (2006 p. 444) and suggests that based on the resource-based view of family owned firms that “physical, organizational, and human resources between firms causes a fundamental heterogeneity in their productive potential”. However, this focus does leave open the impact that the owners personalized entrepreneurial way and relationships have within and upon the business retention levels and hence productivity potential. Holliday’s (1995 p. 233) statements
confirms the importance of the relationship to the family owned-managed small business outcome when suggesting it is “managed by its owners or part owners in a personalized way” thus enhancing the importance of the relationship to the business outcome. This research confirms the importance of marketing the personalized relation through each phase.

Accordingly, effective recruitment, selection and retention of staff in small business have long been deemed to be one of the make or break practices of family owned-managed small business. Crompton, Morrissey and Nankervis (2002) confirmed this by identifying that successful recruitment, selection and retention of employees can enhance work performance and contribute to business success. In line with this, the research examines the appropriateness of applying the well known phases of relationship marketing theory to each stage of an employee’s engagement from recruitment through selection orientation and development and ultimately retention (Calonius 1988; Reichheld & Sasser, 1990; Gronroos 1996 and Gronroos 1997) in order to capture and create value. This paper will demonstrate that small entrepreneurial businesses can enhance their capacity to recruit and retain staff by using relationship marketing theory as a base.

**Human Resource Management an Overview**

**Recruitment**

In terms of the difficulty of attracting and retaining staff the question could be posed, does developing relationships capture and create value through recruitment and retention outcomes and at what phase does the entrepreneurial employer begin to establish a relationship with their employees? In defining recruitment countless authors discuss the processes and procedures involved but many failed to provide a clear definition. Cook (1998 p. 20) identified it as “the effort of an organization to induce a sufficient number of appropriately qualified individuals to apply for positions available in the organizations”. While Crompton et. al. (2002 p. 17) reinforces the previous definition by suggesting that “the purpose is to attract suitable people to apply for employment vacancies by making them aware that such vacancies exist”.

---


---

5
From a small business perspective, Carroll, Marchington, Earnshaw and Taylor’s (1999 p. 236) work identified that the “degree of formality” that encompasses the recruitment process and “adopt[ion of a] systematic and proactive search…for new recruits” is essential to successful attraction and recruitment outcomes. While Deshpande and Golhar (1994) found that both small and large businesses in the United States of America used almost identical methods of attracting recruits. In comparison to this study their small firms were identified as those that had 500 employees or less, this is in sharp contrast to the small family owned-managed businesses selected for this study that fell into the Australian Bureau of Statistics category of businesses that employ less than 20 employees.

This research investigates the direct impact of capturing and creating superior working relationships with employees through each of the phases of recruitment, selection, orientation and developmental, an employee’s career can be measured in more sustained long term relationships with entrepreneurial employers in family owned small businesses in Rural and Regional Australia.

Selection

In stipulation of the complexity of attracting and selecting staff the possibility posed is that the establishment of a relationship at this point can enhance the selection orientation and long term retention outcomes of employees. The characteristics of how the employer begins to establish this relationship with their employees needs to be defined in order to enhance the relationship by marketing the benefits of capturing and creating value. Employers need to be marketing the benefits of a long term relationship during the interview and selection process. The selection process can include testing and interview record keeping. Cook (1998 p. 24) defined selection as the “process [by which] organizations seek to identify the candidates who, in the position to be filled, will most effectively contribute to the achieving of the organization’s goals” thus creating and capturing value. The selection process involves matching the possible employee’s attributes, abilities and attitudes identified during the attraction and recruitment process, to the needs of the organization. Plumbley and Williams (1981) found that the interviewer must be sympathetic in terms of their judgments.
Orientation

Orientation and induction of new recruits is the next phase in the development and marketing of the relationship that the entrepreneurial small business owner offers the employee. The recruitment and selection process can be rapidly destroyed if inadequate effort is placed on marketing the sustainability of the relationship during the orientation and induction phase. Employee orientation is reported to be ‘the most common type of training provided by organisations’ and forms part of socialization for new employees (Holton 1996). The family-like environment in small firms can be marketed in order to assist new employees who come to the organization as a result of recommendations made by fellow employees. This can enable the rapid development of relationships and in turn a ‘fit’ into their new work environment.

It is important not to miscalculate the significance of orientation to creating and capturing value for new staff. Basic information on business guidelines, regulations and relationships can reduce the possibility of mistakes that might lead to stressful situations. Establishment of mentoring or coaching processes to capture and create the matching of ideals and the introductions of new employees to more experienced workers, must be encouraged.

Employee Involvement

The orientation or induction of employees involves the employer’s endeavor to familiarize the new employee to the organization. However, once the initial orientation process has been completed and the learning and acceptance as an insider has been made, the organization must be aware that employee fulfillment must not stop there in order to capture, create and maintain the value. The employer must try to meet the promises and undertakings made during the marketing phase.

Training and development can create value and in turn meet the ‘promises’ by enhancing employees value through skill development. Harris & de Simone (1994 p. 140) found that on-the-job training takes differing forms, for example, job instruction training...
(giving instruction which the job is being performed). This can enhance the potential for the development of the relationship between employees. The mentoring relationship has been put forward as a form of developing talent that is efficient and cost-effective as ‘the company is training two people for the price of one’ the mentor is rejuvenated and the protégé establishes a clear sense of belonging (Clutterbuck 1991).

**Retention through Development of Trust**

Staff retention plays a key role in meeting the needs of effective small business management by creating and capturing value. If it cannot retain core employees, the business, be it large or small, will not survive (Herriot 1989). It is essential therefore that small business continue to market the benefits of the relationships to their employees through the development of ‘trust’.

Social problems have a much greater impact upon retention than in the past. For example, single-parent families provide a new challenge to staff retention, as does the twin-career couple that has to juggle its responsibilities to children and aging parents (Herriot 1989). Martel (2003) and Herriot (1989) identified ‘best practice’ for retention of employees through the imperative that employee’s rights and respect are taken into account, especially in terms of longevity of employment. Hutt (2005 p. 43) found that in order to contribute to relationship longevity, ‘leaders need character development with an emphasis on values, and ethics.

**Methodology**

The aim of the research was to investigate and derive improved methods for the capturing and creation of value within the family-owned small businesses and to better understand the variables and dynamics affecting the recruitment, selection and retention processes. In development and testing of the model, this section of our paper presents justification and support for the mixed methodology and triangulation design chosen based on the comparatively exploratory nature of this study. This typology supports a situation where the relationship between variables in the question is not clear or exploratory. Tashakkori &
Teddlie (2004 p. 219) confirms our choice of mixed methodology as most appropriate for providing a synthesis of the qualitative and the quantitative methods and “lends rigor to research”. The mixed method typology provides a complementary and developmental expansion and validation of quantitative knowledge.

**Methodology - Stage one development of the model**

The quantitative survey instrument was developed from the supporting literature relating to family owned small business and human resource management. The success of the pilot study conducted to test the proposed quantitative survey instrument led to its modification and distribution through Rotary Clubs, as well as by mail and hand delivery. The four significant constructs, which were found to impact upon the relationship, were firstly, the human resource management framework for employment relationships. The second construct identified the initial employee relationship and orientation. Thirdly, the importance of the long-term relationship and employee involvement and its contribution to employment outcomes was identified. The legal and moral relationships that develop between employer and employee are the last of the four major constructs. These four constructs form the basis of the model of relationships found in Figure 1 below.

The next and final phase of this research was to confirm, that is, through the use of semi-structured interviews the significant contributory factors and relationship constructs established by this model as seen in Figure 1 below were present in family-owned small business in rural and regional areas of Australia.
Figure 1: Relationship contributions to the Three R’s

Source: Developed from this research
Methodology - Stage two testing of the model

The aim of the qualitative research was to confirm the findings of the quantitative model develop above in Figure 1. The emotional response was sought in order to confirm or disconfirm the findings of the quantitative research. The construct of the informal interview questions enabled the data obtained in relation to recruitment, selection and retention to be enriched.

Upon modification of the interview questions, a series of ten semi-formal interviews were conducted until saturation point was established with owner/managers of family-owned small businesses. Their contributions provided the confirmation of the significance of the ‘relationships’ and enabled the establishment of the new Three R’s model, that is the Relationship of Recruitment and Retention (RRR) model. The qualitative data strongly confirmed the significance of three of the four major phases of the relationships developed to enhance the recruitment, selection and retention of employees in family owned small businesses.

Results

A demographic profile was also established from this quantitative data for the respondent owner managers as well as the small businesses. The owner managers of the small family businesses were identified as 63 percent male while 37 percent were female, of these 89 percent were married or in some form of relationship. The median age of the owners was between 40 to 59 years, with 67 percent falling into this age bracket. The education level ranged from two percent who had no formal education or primary school only with 36 percent having high school education only, while 30 percent had TAFE or diploma qualifications and 32 percent having University education. There were 48 percent of respondents that had operated their businesses for over ten years while only 21 percent had operated their business for less than two years. Forty-eight and a half percent were classified as entrepreneurs who had established the business themselves while a further 41 percent had purchased a pre-existing business. The majority of the respondents had retail businesses (30 percent); while 11 percent were professionals; 10 percent were in the building and construction area and a
further 9 percent were in the service industry. A large proportion, that is 30 percent of the businesses turned over more than one million dollars per annum, while the next highest was greater than Aus $500,000 which equated for 22 percent of respondents. While 45 percent of respondents nominated their business as a registered company.

Exploratory factor analysis in the form of principal component analysis (PCA) was used to reduce the data to ten (10) valid and reliable factors, confirmed by Kaiser-Meyer-Olkin (KMO) and Chronbach’s Alpha. In order to identify the underlying factors Levene’s texts, ANOVA’s and t-tests were then performed to identify significant differences and Tukey’s post-hoc were performed on each of the constructs and the demographic factors and only those that were significant over several constructs were identified. Finally, regression analysis was used, to forecast reliant variables from the independent variables using stepwise regression, as found in Appendix 1.

A model was developed from the regression analysis identifying the relationship factors in the recruitment and retention characteristics as found in Figure 1 above. This identified the relational causative factors that contribute to the establishment, building and maintaining of strong relationships between employers and employees which in turn contribute to the effective capturing and creating value through the effective recruitment, selection and retention of employees in family owned small business in rural and regional areas of Australia.

**Establishment of the Relationship Framework**

The quantitative data enabled identification of four major constructs related to the successful recruitment and retention relationship factors used by owner/managers of small family-owned businesses. These aligned to the four characteristic phases of relationship marketing. The first construct in the model identified by the quantitative data was the indicator that the *human resource management practice framework and employee relationships* were contributing to establishing the ‘attraction’ factor of the relationship
within small family-owned businesses studied. This data indicated the quantitative aspects in the marketing of the relationship framework of the human resource management practices.

The second construct in the model identified as contributing to the successful recruitment and retention of employees, is the initial employee relationship orientation. This orientation phase was seen to be contributing to ‘building the relationship’ between employer and employee within the family owned-managed small business. The third set of factors contributing to the construct model used by employers to encourage employee involvement and long term relationship development, were identified by the quantitative survey instrument and were qualified by interview hence enriching the new paradigm. This phase reinforced and marketed the contribution of the ‘promise’ that was to be enhanced by the relationship between employer and employee in family owned-managed small business.

The fourth and final construct area identified was how employers, that is, owner/managers, contribute to their legal and moral relationship with employees by developing a level of ‘trust’ within the relationship between the owner-manager of the family owned small business and his or her employees and how this is marketed to the employee. The quantitative data indicated that these trust factors play a contributory role in the enhancement of both the employment relationship and human resource activities. Discussions with the family owned/managed small businesses provided a practical and humanitarian view of the legal and moral relationships that develop within small family-owned business and contributes to a level of ‘trust’ among employees as seen by the respondents.

A series of interviews were then conducted with those participants to enable an emotional response to be sought in order to confirm or disconfirm the findings of the quantitative research. It also enabled the researchers to ascertain if all or most of the respondents experienced similar emotions and behaviours in their interactions and their relationship development with staff and staffing issues
Discussion

The need for a ‘relationship’ framework/theory

Much has been written on relationships, for example Mathis and Jackson (1991) found that owner/managers not only ran the business but frequently took on all the human resource management responsibilities, regularly requiring superior levels of relationship skills. The owner/managers of small firms are often said to develop enjoyable and peaceful work environments where employee and employer enjoy satisfying work relationships (Bolton 1971). It is through the mentoring and development of such relationships that enhanced framework/theory of ‘relationships’ can contribute to improved employment relationship outcomes.

Relationships are a key function in the marketing discipline

Relationship marketing requires more than ‘developing partnerships’. It is based on ‘co-operation and it is evident that this is a key to ‘recruitment and retention relationships’ operation’ (Gronroos 1996 p.5 and p. 11). The benefit of relationship marketing is that it takes the connection between the customer and the marketer from a mere transaction to a relationship. Gronroos (1996 p. 10) found that the ‘attitudes toward customers and their behaviours and ways of executing their tasks are imperative to successful maintenance and enhancement of customer relationships’. Successful relationship marketing is based upon ‘knowing the long term needs and desires of the customer’ as well as the development of a ‘notion of trusting co-operation’ with the customer.

Relationship Marketing

Relationship marketing emerged from the 1970s Nordic School of Service’s theoretical foundation of constructing and managing relationships (Gronroos 1996 p. 7). However the terminology ‘Relationship Marketing’ was not introduced until the 1980s and 1990s. Gronroos (1990 p. 7) defined it as the activity that can ‘identify and establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met”; and “that this is done by a mutual exchange and
fulfillment of promises’. The association should also lead to a ‘trusting relationship between the parties involved … enabling the fulfillment of promises if [it] is to be successful. The relationship itself forms the focus of the marketing. In analyzing the relationship marketing focus, Foss and Stone (2001 p. 233) takes a recruitment focus toward the marketing process, suggesting that the objective of relationship marketing is firstly to define which customers ‘should be targeted for recruitment’ and secondly, which customers are experiencing ‘declining … or completely inactive relationships with the supplier’. Foss and Stone (2001 p. 234) also identified stages in the relationship marketing process. Firstly, the ‘targeting’ and ‘enquiry management’ stage, which involves identifying the most suitable customer to join. Secondly, the ‘welcoming’ stage, orientates the customer to the important contacts and services available. Thirdly, the ‘getting to know’ stage, this is the exchange of information period between customer and business. Fourthly, the ‘Customer development’ and ‘retention’ stage, (eg. renewal, persistence, loyalty) in which the security and development of the long term relationship is enhanced.

Doole and Lowe (2004 p. 327) suggests, ‘relationship marketing is leading to ever-closer relationships’ and this can only lead to the development of better relationship outcomes. It is from this perspective that the phases of the ‘relationship marketing’ bond have been established in this research as a strategy to be integrated into the development of a ‘relationship marketing of recruitment and retention’ new paradigm model. Gronroos (1997) identified the phases which are found in Table 1 below. The intention of relationship marketing is to improve the level of satisfaction and loyalty through the development of the customer relationship. The intention of this research has been to conclude the value of such relationships in the recruitment and retention of staff.
<table>
<thead>
<tr>
<th>PHASE</th>
<th>RELATIONSHIP STAGE</th>
</tr>
</thead>
</table>
| **Phase I** | Attract Customer  
Is the first phase in establishing the relationship marketing concept  
(Gronroos, 1997) |
| **Phase II** | Build Relationship  
Employer builds relationship with the customer so that economic goals of the relationship can be achieved.  
(Gronroos, 1997) |
| **Phase III** | Promise’ concept  
‘Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retention … [and] long-term profitability’  
(Calonisu 1988) & (Reichheld & Sasser, 1990) in (Gronroos, 1997) |
| **Phase IV** | Develop ‘Trust’  
That is ‘a willingness to rely on an exchange partner in whom one has confidence’. Trust is relationship marketing is seen as “a behavioral intention that reflects reliance on the other partner and involves uncertainty and vulnerability on part of the trustor”  
(Gronroos, 1997) |
| **OUTCOME** | RELATIONSHIP MARKETING  
“is to establish, maintain and enhance relationship with customers… at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises”.  
(Gronroos, 1997)(p.327) |

Source: (Adapted from: Calonius 1988; Reichheld &Sasser 1990; Gronroos 1997)

**New model – The Three R’s of Relationship Recruitment & Retention**

By the defining and combining of the underlying relationship constructs and the relationship marketing characteristics the new model has been developed with the intention as shown in Appendix 2 below. This model provides a new and a more holistic approach to creating and capturing value through the recruitment, selection and retention activities in small family-owned business. However the new Three R’s model is a different strategy to that of internal marketing, because by improving customer-consciousness among employees, it ‘provides organizations with the potential to achieve a marketing orientation and resulting corporate culture’ (Hogg & Carter 2000 p. 109).
This new paradigm model provides a marketing enhancement by developing a linking relationship between the employer and the employee that is developed through firstly, the human resource management practice framework relationship with employees, thus providing the relationship framework into which to ‘attract’ and ‘retain’ the new employee within the business. This is in line with the relationship marketing phase. Secondly, the relationship then moves to the point of initial employee relationship and orientation and the employer and employee begin to ‘build the relationship’. This is in line with the second phase of the relationship marketing process. Employees are made aware of the special relationship into which they are entering and both employer and employee are focused on achievement of the same goal. Thirdly, the long-term relationship and employee involvement of the new employee by the employer is enhanced by fulfillment of the ‘promise’. This phase of relationship marketing can be used to enhance the relationship between employer and employee in terms of retention and goal achievement. Finally, the legal and moral relationship with employees aligns itself to the development of ‘trust’ within the relationship marketing final phase. Appendix 2 below clearly identifies the links between the traditional model of ‘relationship marketing’ and the proposed new paradigm model which has been termed the ‘Relationship Recruitment and Retention’ (RRR) model. When the model of relationship marketing is removed from Appendix 2, it reveals the new model of relationship recruitment and retention as found below in Table 3 below. This table clearly identifies the four phases of the RRR Model.
Table 3: New Paradigm Model – The 3 R’s of relationship recruitment and retention (RRR)

<table>
<thead>
<tr>
<th>PHASE</th>
<th>RECRUITMENT &amp; RETENTION RELATIONSHIP</th>
</tr>
</thead>
</table>
| Phase I | ‘Human resource management framework for employment relationships’<sup>1</sup>  
The first phase in ‘attracting’ and establishing the relationship |
| Phase II | ‘Internal employee relationship orientation’<sup>2</sup>  
Employer builds relationship with the employee through ‘orientation’ so that economic goals of the relationship can be achieved. |
| Phase III | ‘Long-term relationship and employee involvement’<sup>3</sup>  
‘Fulfilling promises that have been given is equally important as a means of achieving [employee] satisfaction, retention … [and] long-term profitability’<sup>1</sup> |
| Phase IV | ‘Legal and moral relationship with employees’<sup>2</sup>  
‘That is ‘…a willingness to rely on an exchange partner in whom one has confidence’ Trust in relationship is seen as ‘a behavio[u]ral intention that reflects reliance on the other partner and involves uncertainty and vulnerability on part of the trustor’<sup>2</sup> |

OUTCOME  
RELATIONSHIP RECRUITMENT AND RETENTION  
Desired outcome is ‘to establish maintain and enhance relationship with [employees… at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises’<sup>3</sup>

Source: DEVELOPED FOR THIS RESEARCH – Adoption of the overlay of work of relationship marketing by Gronroos (1997)

**The New Three R’s Model**

**Phase I** – at this point the small family-owned business either needs to replace or has grown to a point that they need to increase the number of employees that they need. They can begin the recruitment process themselves, utilising the ‘Human resource management framework for employment relationships’ constructs that have been defined. The underlying

---

constructs as identified are: formal human resource management policies; creating a formal job analysis; job specification; job description or employ a person to handle formal HR issues such as recruitment. It is evident that each of these variables creates a framework in which the relationship between employee and employer exists.

**Phase II** – at this point the new employee has been appointed. The new recruit needs to be orientated to the organisation as soon as possible. *The variables facilitating ‘initial employee relationship and orientation’ as recognised are:* explain the importance of appropriate time-keeping and punctuality; explain the required manner of dress and grooming; explain important health and safety precautions; explain how new employee is expected to deal with other staff members as well as the public with whom they come in contact; explain leave entitlements and explain any flexibility of work hours or conditions. These variables establish the ground rules for this phase and are aimed at “building” the relationship between employer and employee by providing direction as well as capturing and creating value.

**Phase III** – at this point the new employee will take up their new position. The new employee needs to feel immediately that their new employer is encouraging their involvement. *The variables that promote ‘Long-term relationship and employee involvement’ as defined are:* involvement in learning /training and development activities; involvement in decisions relating to the business; involvement in on-the-job training; involvement in how to develop rewards for employees (including themselves); involvement in mentoring/ coaching programs. This phase clearly shows the importance of capturing and creating value within the relationship to meet the ‘promises’ made by the employer in the attraction and ownership phases.
Phase IV – employee is informally encouraged to become a long-term employee and part of the small business family through the contribution to a level of understanding that their employer is upholding their rights and shows creation of respect for them as part of the small business family. The variables for how employers contribute to the ‘legal and moral relationship with employees’ are defined as: knowing that the employee’s rights are important; fair rewards are important; showing that employee’s needs are taken into consideration in order to make fair decisions; respecting the employee’s need to be treated with dignity and respect; giving timely feedback; being aware of the need that information used for decisions relating to employees is accurate and complete; information is provided to employees upon request; taking account of employee inputs when making decisions; encouraging a good organisational culture; being aware that employees value education and training; being aware that employees will resent unfair outcomes; being aware that by keeping good employees you are encouraging other good employees when you need to recruit again. The legal and moral response of the employer toward the employee can create and capture value through the relationship of trust that contributes to the reliance relationship between employer and employee and hence to the longevity of engagement.

Finally, the benefits of these cost-effective phases can create and capture value, as part of the ongoing relationship between employers of small family-owned businesses through improved employee-employer relations; decreased staff turnover; increased profits and reduced stress on both employee and small business owner. The end result can create growth and sustainable performance for the entrepreneurial small family business owner.
Summary

In conclusion this research resulted in the development and testing of a new Three R’s of Relationship, Recruitment and Retention model that supports predictors of successful outcomes by creating value through the entrepreneurial use of relationship marketing to create and capture value thus enhancing growth, sustainability and performance in small family owned business as well as contributing to a changing paradigm for these traditional HRM practices. The work examined the experiences of family owned small business in terms of their human resources including the recruitment, selection and retention of staff. It then, through the use of quantitative research techniques established both a demographic and relationship model of issues that enhance recruitment and retention of employees in rural and regional areas of Australia. The new entrepreneurial use of this model’s relationships by aligning them to the phases of relationship marketing theory can be applied in the enhancement of human resource management practices. Characteristics comparable to those of successful relationship marketing theory were identified by the owner/managers of small family owned businesses as having direct and indirect positive effects on the ability to recruit and retain employees, thus providing the capacity to create grown and sustainable performance outcomes in Australian small family owned businesses. This most up-to-date relationship paradigm for the recruitment and retention of employees or as otherwise known the new Three R’s of Relationship, Recruitment and Retention supports predictors of successful outcomes for both small family owned business as well as contributing to a changing prototype for these traditional HRM practices by creating and capturing value of resources in the 21st Century.
Bibliography


APPENDIX 1: Regression (Composite variables and demographics)

<table>
<thead>
<tr>
<th>REGION</th>
<th>AGE</th>
<th>GENDER</th>
<th>MARITAL STATUS</th>
<th>EDUCATION</th>
<th>TRADING TYPE</th>
<th>YEARS ESTABLISHED</th>
<th>YEARS OWNED</th>
<th>ESTABLISHED BY</th>
<th>TYPE OF BUSINESS</th>
<th>GROSS</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship framework of HRM</td>
<td>Sig</td>
<td>Sig</td>
<td>Sig</td>
<td></td>
<td></td>
<td>Sig</td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship with recruitment agents</td>
<td></td>
<td></td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship impacts on interview outcomes</td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial employee relationship and Orientation</td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term relationship and employee involvement</td>
<td></td>
<td>Sig</td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers contribute to relationship and retention</td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees show relationship commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deterioration of relationship and why employees leave</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Make employees feel relationship is valued</td>
<td>Sig</td>
<td></td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and moral relationship with employees</td>
<td></td>
<td>Sig</td>
<td>Sig</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed for this research
### Appendix 2 - Proposed new model of Relationship Recruitment and Retention (RRR) overlaying the Relationship Marketing Model

Source: Developed for this research

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>Phase IV</th>
<th>Benefits for Small Business</th>
</tr>
</thead>
</table>
| Position needs to be filled by new employee | New appointment is made | Employee takes up position | Employee encouraged to become a long term employee | • Improved employee employer relations  
• Decreased turnover  
• Increased profits  
• Reduced stress on employee and small business owner by reduction of unmet promises |
| Employee is recruited | Orientation must be conducted as soon as possible after employee commences work within the small family-owned business | Employee involvement must be instigated immediately and continued throughout the length of employment | Understanding of the wants and needs of long term employees must be applied to encourage longevity of placement. |
| Construct for Human resource management framework for employment relationships policy must be applied here | Construct for Initial employee relationship orientation factors must be applied here | Construct for Long-term relationship and employee involvement must be applied here | Construct relating to the legal and moral relationship with employees must be applied here |

**RELATIONSHIP MARKETING OF NEW RELATIONSHIP RECRUITMENT & RETENTION MODEL**

- **‘Attract’ customer (employee)**  
  Is the first phase in establishing the relationship marketing concept. (Gronroos 1997)

- **‘Build relationship’**  
  Employer builds relationship with the employee (customer) so that economic goals of the relationship can be achieved (Gronroos 1997)

- **‘Promise’ concept**  
  ‘Fulfilling promises that have been given is equally important as a means of achieving [employee] customer satisfaction, retention …[and] long-term profitability’ (Calonius 1988) & (Reichheld 1990) in (Gronroos 1997)

- **Develop ‘Trust’**  
  That is “… a willingness to rely on an exchange partner in whom one has confidence”. Trust in relationship marketing is seen as “a behavior[u]ral intention that reflects reliance on the other partner and involves uncertainty and vulnerability on part of the trustor” (Moorman 1993) in (Gronroos 1997)

SOURCE: Developed for this research