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# Relationship marketing in the recruitment and retention of service industry staff in family owned business: an Australian regional study

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# Relationship Marketing in the Recruitment and Retention of Service Industry Staff in Family Owned Businesses

**ABSTRACT.** Relationship marketing is a practice that has been used effectively in marketing products and services to customers. Its use as a means of enhancing relationship outcomes between employer and employee in family owned business is yet to be appreciated. A triangulation of research was conducted into family owned/managed small businesses in the service industry in rural and regional Australia. This paper reports on the possible benefits of adopting a new relationship marketing model for the recruitment and retention of human resources and the beneficial outcomes for employers and their employees in an endeavor to recruit and retain staff.

**KEYWORDS.** Relationship, recruitment, selection, retention, small business, family business, rural and regional

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Relationship Marketing in the Recruitment and  
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## *INTRODUCTION*

Retention of staff in rural and regional areas of Australia has been exacerbated by the recent boom in the mining industry and declines in agriculture. Many employees are leaving the comfort of their small communities to move to where they can earn ‘big’ money. This has resulted in the service industries in rural and regional communities experiencing a paucity of employees from which to choose and considerable difficulty in retaining those that they have. Small businesses experience the difficulties of retaining staff not only in rural and regional Australian (Hartcher, 2001; Mazzarol, 2003; Bartram, 2005), but also in the USA and UK (Fraza, 1998; Carroll, Marchington, Earnshaw, & Taylor, 1999). Alfus, (1999) and Lo and Lam (2002) quote figures for the tourism and hospitality industry, as having been particularly hard hit, with some turnover levels being as high as 105 percent.

In order to reduce the loss of employees due to regional migration, small family owned/managed businesses, including those found in service industries such as tourism and hospitality, need to focus on improving the handling of their recruitment, orientation, development and, the need to market the benefits of enhanced employee / employer relationships. Cho and Erdem (2006) examined employee relations programs (ERP) and their benefits, while Gomez-Mejia, Balkin, & Cardy’s (2001) work focused on fair treatment of employees, with motivation and loyalty being the key to retention.

The purpose of the research was to understand the variables and dynamics of the recruitment, selection and retention process of small family owned/managed businesses,

and to identify the factors that owner/managers felt contributed positively to the retention of staff. The general objectives of the research were to:

- describe the current methods of recruitment selection and retention used in small family-owned business in rural and regional Australia
- to investigate whether any underlying constructs exist in the recruitment, selection and retention of employees in small family-owned businesses in regional and rural areas of Australia
- to develop a model to assist family-owned small business owners to be more effective in the recruitment, selection and retention of employees.

In order to direct the research, the following research questions were posited:

R1 - What are the issues impacting on the retention of employees in family-owned small businesses in rural and regional areas of Australia?

R2 - Are there any underlying factors that contribute to effective human resource management practices in family-owned small business in rural and regional areas of Australia?

R3 - Can a model be developed to assist owners of family-owned small businesses to have more effective Human Resource (HR) practices in their businesses?

## ***BACKGROUND LITERATURE***

The role of recruitment and selection in the tourism service sector is to put in order preparations for potential long-term employment requirements, as well as deal with day-to-day employment vacancies, all as part of a human resource strategy (Kramar 1992). It is a critical objective of all businesses, including the tourism and hospitality service sector, is to ensure that the people who are employed through the recruitment and selection process are the right people for the job. The alternative is to have unhappy staff and a high turnover level. Whilst recruitment and selection is a management issue, it is nowhere near as big a problem as that of losing well-trained and valuable employees especially in small tourism businesses. King and Morrison (2002, p. 104) identified the fundamental importance of the involvement of small tourism businesses in Australia in terms of employment, suggesting those employing less than fifty employees ‘account for 88 per cent of the sector’, while Middleton and Clarke (2001) and Main (2002) identify their importance to “rural business”. The importance, in terms of employment within the tourism service industry in Australia, Marvin (1994 p. 3) suggests, is an important management issue, and that turnover in such instances can be the result of either management’s failure to provide a productive working environment or because the wrong person was hired in the first place.

Major, Kozlowski, Chao and Gardner’s (1995) work discussed the expectations and preconceptions that employees have in relation to their new job and the importance of integrating into the organizational environment. Employees in the tourism and hospitality industry have career expectations that need to be met, and, if not achieved,

this can cause dissatisfaction and lead to recruits seeking work elsewhere, wherever their promise can be attained (Herriot 1989). Lo and Lam (2002) confirm the importance of demographics upon job satisfaction within the hotel industry and the impacts of this upon turnover rates. They particularly point to the fact that recruitment strategy; job design and most importantly human relations can impact upon turnover rates. Martin and Groves (2002) defined the identification of key behaviours in the recruitment and selection phase as most important to the choice of the appropriate staff in the tourism and hospitality industry and found there was a clear weakness in this phase. This could lead to higher turnover rates, if the characteristics of a sound relationship are not identified at the recruitment phase by the employer.

Employee turnover within small family owned/managed service industry businesses, in the tourism and hospitality service industries, such as those identified by Morrison and King (2002) and Main (2002) can have an enormous impact upon their survival, especially in the more rural and regional areas of Australia. Turnover levels are beginning to reach substantial concentrations, particularly within the lower paying hospitality service sector, as the predicament of rural and regional employers is exacerbated by the growth of employment in the high income mining sector in Australia. This, in turn, can contribute to employee turnover and migration as employees move to more lucrative paying careers and out of the service sector. DiPietro and Condly (2007) explain that turnover, is caused when employees feel that their work and conditions are unfair or unreliable. In fact they suggest that these negative suggestions identified by employees should be taken into account by employers in order to guarantee that the

workforce obtains ample support to maintain their employment effectively. Sims (2007) found in his study of past history of turnover levels in rural and regional areas of Australia's alpine ski resorts that employment-related dissatisfaction was directly related to employee's leaving their work, often as a result of seasonality of employment.

It is important therefore, and highly evident from the work of researchers such as Sims (2007) and DiPietro and Condly (2007), for employers to be offered some solution to identifying and overcoming the factors that can contribute to employee contentment and satisfaction right from the beginning of their recruitment and, throughout their career. Cho and Erdem (2006) in their study of employee relation programs on turnover in hotels identified that for non-managerial employees, offering these employees the opportunity to participate in 'suggestion programs' or 'labor productivity' programs did not impact on turnover rates. This is in line with the work of Spencer (1986), who found that workers believe they feel more content and appreciated after they observe their submissions being agreed to and applied in their place of work. Salazar, Pfaffenberg, and Salazar. (2006), in their comparison of locus of control and empowerment in the service sector found that job satisfaction and in turn reduced turnover levels were enhanced through empowerment at a management level. Ravichandran, Gilmore and Strohbahn (2007) and Podsakoff, MacKenzie and Bommer (1996) found that organizational citizenship behaviour, directed toward the individual co-workers or supervisor through altruism and organizational loyalty, support positive organizational outcomes, such as attendance and reduced employee turnover.

Employees in the service sector, particularly hospitality, need to be made to feel that they are an important part of the business when they are recruited and, that they have an ongoing commitment made to them by management through their whole career. It is through the development of this most important relationship between employer and employee that some of the experiences identified as contributing to attrition and high turnover levels identified by Sims (2007); DiPietro and Condly (2007) and, Cho and Erdem (2006). Storey (1994) recommends that small businesses, such as that of the tourism and hospitality service sector, should transform their supervision approach in dealing with their human resources and the level of assistance they can constructive offer to the business. It is apparent that, as a consequence, small businesses can be impacted upon by individual staff members, with the smaller the business the larger the impact. Chell (1997) found that by increasing their focus on the relationship with employees, owner/managers of small business developed more effective performance levels.

The literature review has revealed that, small businesses in the service sector, and especially the tourism and hospitality industries, consider ways to reduce their turnover rates. The literature reveals that relationships need to be developed not only at the time of recruitment and selection but at the orientation phase and, in ongoing training. In order to retain staff over long periods of time however it is important to look at both recruitment factors (Major, Kozlowski, Chao and Gardner's 1995); and at the orientation factors (Brown 2005) where a well designed orientation program, whether it is short or long, will improve retention of employees. Businesses within the tourism and hospitality service sector with effective employee orientation programs ensure their people are

quickly established and have improved alliances, which in turn, lower turnover rates. Brown (2005) and Holton (1996, p. 235) assert that new employees who seek information 'more frequently had higher satisfaction and performance and lower intentions to leave'. Through the provision of new employee orientation, the responsibility that falls on supervisors and co-workers to educate and coach the new employee can be reduced, and employee output and longevity of employment increased. This was also confirmed by Chiang, Back, and Canter (2006) who identified the importance of ongoing training and the subsequent positive satisfaction gained also contributed to enhanced retention levels. However this should all be tempered by the recent deductions of Liu & Liu Hsiou-hsiang (2008). Their examination of the tourism service sectors in Malaysia suggests that issues of culture and ideology impact upon employment outcomes.

### ***METHODOLOGY***

A three phase exploratory mixed methodology research design, as prescribed by Tashakkori and Teddlie (2004) was utilised. Tashakkori and Teddlie's (2004, p. 2) work confirms that the methods of combining quantitative and qualitative paradigms has been accepted in a broad range of disciplines including 'education, nursing, health sciences and communication', providing answers to questions previously unanswerable.

Phase one of the design examined the literature and identified gaps from which the research questions were developed. Phase two developed a questionnaire from the literature to gather data relating to the recruitment, selection and retention of employees

from the owner/managers of small family-owned businesses. Following pilot testing, the questionnaire was adjusted to consist of five parts covering demographic, recruitment selection, retention and psychosocial issues. The exploratory questionnaire enabled data to be gathered from various regional areas and from numerous and diverse business types, including retail, service, tourism, hospitality and healthcare small businesses. It also enabled the collection of data 'quickly and relatively cheaply' (Bell, 1991, p. 58). The researchers received 202 responses from rural and regional family owned/managed small businesses. Responses were analysed by SPSS (the Statistical Package for the Social Sciences) using principal component analysis (PCA) as a form of factor analysis to identify any underlying factors in the data. Constructs emerging from the data were tested for reliability by Chronbach's Alpha.

The third phase consisted of a series of the semi-structured interviews that sought to gather further subjective data from the owner/managers to confirm the four significant constructs arising from the survey data. A series of 10 semi-formal interviews were conducted until saturation point was established. Interviewees came from far south as Mount Gambia in South Australia, Hervey Bay in Queensland, west to Broken Hill as well as along the Mid North and Far North Coast of New South Wales.

Once the interviews were complete, the taped interviews were transcribed. The transcripts were then coded for common relationship themes, and the themes confirmed the fundamental issues in line with the relationship constructs. The issues were identified and confirmed. The constructs, as well as the themes, reinforce and enrich the already

significant data pointing to the importance of relationships to the retention of staff in small family owned / managed businesses not only in the service / tourism and hospitality industries but all small business in rural and regional areas of Australia as collected during the quantitative survey.

The research confirmed the developed model and the significance of 'relationships' constructs. The new Three R's model, that is the Relationship of Recruitment and Retention (RRR) model and the four-part check list, will make a significant contribution to the body of knowledge in the area, as well as enhancing outcomes for family-owned small businesses.

## ***RESEARCH FINDINGS***

### ***Response Rates***

A total of 202 responses were received while in total 1600 questionnaires were administered (refer to Table 1 below). A total of 33.8 percent of the mailed questionnaires were completed and returned. It was evident from the response-rate of 66.2 percent that the door-to-door, hand delivery method was the most successful method of the three utilised.

**Table 1 Methods of distribution and response rates**

<b>TOTAL % HAND DELIVERED = 500 or 35%</b>		<b>TOTAL % BY MAIL = 300 (including recycled questionnaires from Rotary Clubs) = 21%</b>		<b>TOTAL % TO ROTARY CLUB BY MAIL = 800 or 57% (200 were returned and recycled)</b>	
Casino	4.2%	Brisbane	1.0%	Sunshine Coast	0.5%
Hervey Bay	5.2%	Melbourne	1.0%	Forbes	1.0%
Byron Bay	6.3%	Foster/Tuncurry	2.6%	Bourke	1.0%
Kyogle	8.9%	Wauchope	3.6%	Moree	1.4%
Murwillumbah	15.6%	Port Macquarie	13.0%	Guyra	1.4%
Tweed Heads	26.0%			Mt Gambier	2.1%
				Broken Hill South	2.1%
				Walcha	3.1%
<b>RETURN RATE TOTAL %</b>	<b>66.2%</b>	<b>RETURN RATE TOTAL %</b>	<b>21.2%</b>	<b>RETURN RATE TOTAL %</b>	<b>12.6%</b>

Source: Developed for this research

Table 1 above clearly shows that the most effective method of distribution was hand delivery. The researchers found this method also provided a wealth of qualitative data, as small business owners were keen to share their personal experiences of frustration and success in terms of their relationships with their employees and recruitment and retention outcomes within their family business. Dennis (2003) suggested that mail surveys of small business owners have notoriously low response rates around 30 per cent, and have been declining in more recent years, with Baruch (1999, p.421) reporting the ‘average response rates declined 16[%] ... between 1975 and 1995’. This, the response rate in this case, especially in the had delivered surveys, was remarkably good.

**Demographic Profile of Respondents**

The family small business owner/manager respondents were identified as being predominately male, married or living in a steady relationship, with a median age of between 40 and 49. Well over half of the respondents possessing at least Diploma / TAFE or University qualifications. Forty eight percent of the respondents had owned their business for greater than ten years (refer to Table 2 below).

**Table 2. Profile of owner/manager family owned/managed small business**

<b>Variables</b>		<b>Percentage of Total</b>
Gender	Male	62.9%
	Female	37.1%
Age	20 – 29 years	4.0%
	30 – 39 years	12.9%
	40 – 49 years	34.8%
	50 – 59 years	32.3%
	60 and above years	15.9%
Marital status	Single	10.4%
	Married / Steady relationship	88.6%
	Unstated	1.0%
Education	No formal education /primary	
	Junior high school	
	Senior high school	2.0%
	Diploma / TAFE	16.3%
	University / undergraduate and postgraduate	19.8%
Years operated business		29.7%
	0 – 2 years	32.1%
	3 – 5 years	
	6 – 10 years	21.3%
	Above 10 years	17.3%
		13.4%
		48.0%

Source: Established for this research

The demographic statistics of the respondents reflect a well established and educated group of small business people with a sound knowledge of small business

issues, particularly related to family owned business and developed over a considerable period of time.

***Demographic Profile of Family Owned/Managed Small Businesses***

The profiles of the businesses themselves are contained in Table 3 below. This table reflects very mature businesses with 62.4 percent of them having been established longer than ten years. Almost half of the business owners had established the business themselves and forty-five point five percent of the family owned/managed small businesses were registered companies. The sector that forms the centre of this study is the Retail (service sector) and Service / Tourism / Hospitality a total of 55.9 percent of all the businesses who participated in the study.

**Table 3. Profile of family owned/managed small business**

<b>Variables</b>		<b>Percentage of Total</b>
Years business established	0 – 2 years	13.4%
	3 – 5 years	9.9%
	6 – 10 years	14.4%
	Above 10 years	62.4%
Who established business	Purchased established business	40.6%
	Established myself	48.5%
	Inherited business	9.9%
	Did not respond	1.0%
Trading type	Company limited	45.5%
	Partnership	26.7%
	Sole trader	23.8%
	Other	4.0%
Type of business	Retail (service)	29.7%
	Service / Tourism / Hospitality	26.2%
	Building /Construction	9.9%
	Healthcare	8.9%
	Resources / Agriculture /	7.9%
	Mining	6.9%
	Manufacturing	

Source: Established for this research

Table 4 below identifies the strategies used by the owner/managers of family business in rural and regional Australia in the attempt to encourage employees to stay. They are ranked in order of mean scores based on the responses of owner/managers of family-owned small business in rural and regional areas of Australia and reflect what can be identified by those in the service / tourism and hospitality industries.

**Table 4 Extent various methods used to encourage employee retention**

<b>Type of retention method</b>	<b>Mean score based on Likert Scale 1-7</b>
Good relationships with employees	5.71
Good relationships between employees	5.56
Encouraging employees to become involved beyond the call of duty	4.72
Flexible working hours	
Flexible working conditions	4.60
The ability to maintain discretion in relation to employee’s personal details	4.45
Bonus systems / incentive pay	4.43
Allowing employees to determine their own	3.55
behaviour	3.50
Competitive compensation package	3.05
Provisions of access to transport for employees	2.12
Child/elder care support for employees	1.73

Source: Developed for this research

Table 4 above indicates the ranked order of methods used to retain employees. Initial good relationships with the employee was rated highest with a mean score of 5.71 on a seven-point scale, while good relationships between employees received a ranking of second with a mean score of 5.56. Encouraging employees to become involved beyond

the call of duty ranked third with a mean score on a seven-point Likert Scale of 4.72. Child/elder care support, for employees, ranked last with a means score of 1.73.

### ***Factor Analysis***

In order to identify the important issues evolving from the exploratory research instrument, exploratory factor analysis (EFA) was completed in the form of principal component analysis (PCA) which was used to ‘reduce a large number of variables to a smaller set of underlying factors’ (Coakes 2005 p. 154). These factors are used to summarise and explain a set of variables and also allowed the investigators to identify that many items were forming into similar constructs. The data had to be confirmed to be suitable for exploratory factor analysis (EFA). This was determined by utilising the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity, both of which can be used to determine factorability of the data (Coakes, 2005, p. 155). The ten components responded significantly to Bartlett’s test of sphericity at less than 0.01. The four constructs that were established and impact upon this paper are listed below in Table 5.

**Table 5 Eigenvalue percentage of variance – constructs for factors 1,4,5 and 10.**

<b>Factor Number</b>	<b>Question Numbers</b>		<b>Construct Name</b>	<b>Eigenvalue Total</b>	<b>Eigenvalue % of variance</b>
<b>1</b>	Q1.17c; Q1.17b; Q1.15;	Q1.17d Q1.17a Q1.16	Relationship framework of human resource management practices	3.67	61.18
<b>4</b>	Q3.6d Q3.6e Q3.6b	Q3.6f Q3.6a Q3.6d	Initial employee relationship orientation	3.74	62.26
<b>5</b>	Q4.1b Q4.1a Q4.1e	Q4.1c Q4.1d	Long-term relationship and employee involvement	2.95	58.94
<b>10</b>	Q5.2n Q5.2o Q5.2u Q5.2e Q5.2l Q5.2r Q5.2t	Q5.2q Q5.2c Q5.2k Q5.2s Q5.2f Q5.2a Q5.2e Q5.2i	Legal and moral relationship with employees	8.77	58.50

**Source: Developed for this research**

Table 5 above identifies four of the ten constructs were identified by the principal component analysis (PCA). The factors were named according to convention, based on the central concept tapped. Only four of the ten factors available are discussed in this paper. However, each had an alpha score of over 0.8 and these constructs and their reliability can be found in Table 6 below.

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**Table 6 Component Matrix – construct for factors 1,4,5 and 10**

<b>Construct Number</b>	<b>Construct Name</b>	<b>Reliability as measured by Chronbach’s Alpha</b>
<b>1</b>	Relationship framework of human resource management practices	.87
<b>4</b>	Initial employee relationship orientation	.88
<b>5</b>	Long-term relationship and employee involvement	.83
<b>10</b>	Legal and moral relationship with employees	.95

**Source: Developed for this research**

The four constructs shown in Table 6 above were all found to be reliable based on the use of Chronbach’s Alpha in line with Nunnally’s (1978) criterion that the result needs to be over 0.70 to indicate good reliability. The next phase of the study evolve as a model of the relationships that exist based on the significant results of the (ANOVA) with post hoc comparisons and identified significant difference that might be present when comparing the variables under study. These were identified and are found in Table 7 below.

**Table 7 Regression (Significant Composite Relationship variables and demographics)**

	AGE	EDUCATION	TRADING TYPE	YEARS OWNED	YEARS ESTABLISHED	TYPE OF BUSINESS	GROSS	NUMBER
Relationship framework of HRM	Sig	Sig	Sig			Sig	Sig	5
Initial employee relationship and Orientation	Sig			Sig	Sig		Sig	4
Long-term relationship and employee involvement		Sig	Sig				Sig	3
Legal and moral relationship with employees	Sig	Sig	Sig					3

**Source:** Developed for this research

These significant relationship factors identified in Table 7 above now form the basis for the design of the relationship model.

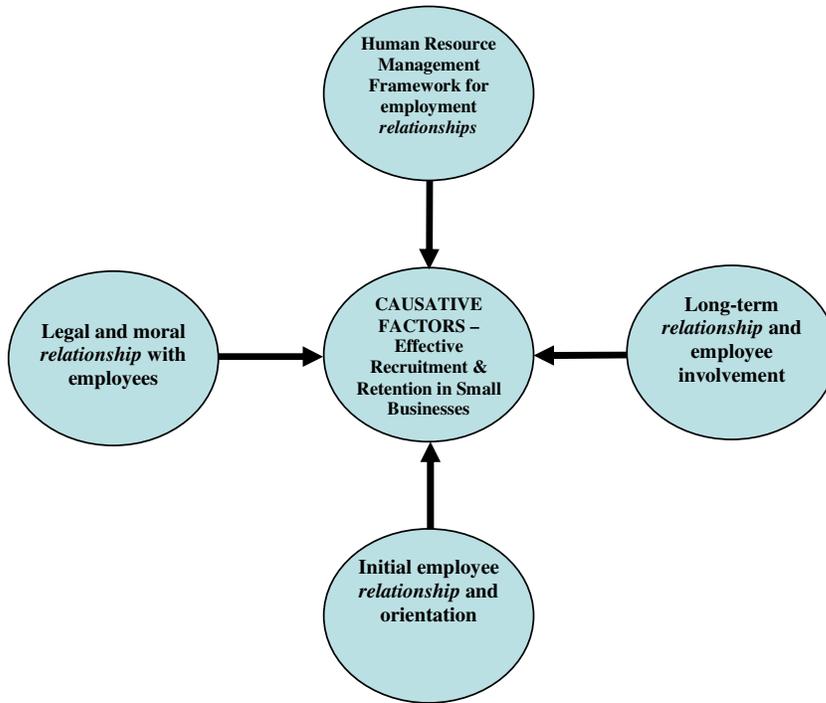
***Development of a Model***

The regression analysis performed on the composite variables clearly identified the significance of the relationship factors and their importance to small family owned businesses in terms of the constructs. In order that this can be clearly seen, a model was developed to highlight the important relationship factors based on levels of significance. Firstly, the significant relationship causative factors have been identified and comprehended as an outcome of the focus placed upon them by the owner/managers of family-owned small businesses, this is revealed in Figure 1 below. Secondly, the significant relationship causative factors have been identified and how they have been

comprehended by the owner/managers of family owned businesses as contributing to recruitment and retention outcomes of employees. These are shown in Figure 1 below. The factors that have been chosen for the model shown Figure 1 below have been established from only the most significant of the composite variables and identify only those characteristics of relationship orientation and were chosen where significance was evident in more than three cases.

This model found in Figure 1 below is made in the shape of a cartwheel. The model highlights causal factors which can bring about improvements in staff recruitment and retention. These were identified from the composite variable analysis as the significant factors that contribute to the improvement of recruitment and retention in small family-owned businesses in rural and regional areas. They are — *Human Resource Management framework for employment relationships; Initial employee relationship and orientation; Long-term relationship and employee involvement and legal and moral relationship with employees.*

Figure 1: Causative Factors in the improvement of recruitment and retention in family-owned small businesses in rural and regional areas



This model will now be used in order assist owners/managers of service type industries such as tourism and hospitality businesses to develop and have more effective HR practices in their businesses and it is from this point that we introduce the importance of relationship marketing in enhancing this model.

## *DISCUSSION*

### *Relationships and recruitment, selection and retention*

The results, based upon the quantitative data, enabled identification and scrutiny of the four major relationship constructs associated with the successful methods used by owner/managers of small family-owned businesses in dealing with the recruitment, selection and retention of staff in rural and regional areas of Australia (Figure 1). Each of these themes required further investigation in order to identify how to best utilize this information to enhance outcomes. Firstly, the quantitative data identified the indicator that the *Human Resource Management (HRM) practice framework and employee relationship* is being utilised within small family-owned businesses, however what the small business owner/managers saw as a formal framework was not reinforced by the qualitative data from the semi-formal interview process. This identified that owner/managers had their own ideas about what formal HRM practices were. The second area is *initial employee relationship orientation*. The interviews reinforced this process as being significant. The third set of factors, which was reinforced by the interviews and used by employers to encourage employee involvement was *long term relationship development*. Finally the fourth and final area to be reinforced by the interview findings was that owner/managers, contribute to their *legal and moral relationship with employees*, thus enhancing employment outcomes.

These four specific characteristics of relationships that were identified as contributing to employee retention were identified as aligning with the model of relationship marketing. The concepts and their contribution to recruitment and retention are identified below.

***Relationships are a Key Function in the Marketing Discipline***

Relationship marketing requires more than ‘developing partnerships’. It is based on the development of trust and ‘co-operation’ (Gronroos, 1996, p. 5 and p. 11) and it is evident that this could contribute to successful ‘recruitment and retention relationships’. The benefit of relationship marketing is that it takes the connection between the customer and the marketer from a mere transaction to a relationship. 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 (Gronroos, 1996, p. 10-11). This is the position from which we established the associations connecting the theory of ‘relationship marketing’ of products and services, and the association of the ‘relationship marketing for successful recruitment and retention’, and the enhancement of improved recruitment and retention outcomes not only in the area of service / tourism and hospitality but in all small family-owned businesses in rural and regional areas of Australia.

It is from this perspective that the phases of the ‘relationship marketing’ bond are to be put forward as a strategy to be integrated into the development of a ‘relationship marketing of recruitment and retention’ model. Gronroos (1997) identified the phases which are found in Table 8 below.

**Table 8 Phases of relationship marketing adapted from (Calonisu 1988) (Reichheld and Sasser 1990) (Moorman & Zaltman, 1993) and (Gronroos, 1997)**

<b>Phase I</b>	<b>Attract Customer</b> Is the first phase in establishing the relationship marketing concept (Gronroos 1997)
<b>Phase II</b>	<b>Build Relationship</b> Employer builds relationship with the customer so that economic goals of the relationship can be achieved. (Gronroos 1997)
<b>Phase III</b>	<b>‘Promise’ concept</b> ‘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)
<b>Phase IV</b>	<b>Develop ‘Trust’</b> 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 & Zaltman 1993) and (Gronroos 1997)
<b>OUTCOME</b>	<b>RELATIONSHIP MARKETING</b> ‘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: (Gronroos, 1997; Calonius, 1998; Reichheld and Sasser, 1990; Moorman & Zaltman, 1993)

The intention of relationship marketing is to improve the level of satisfaction and loyalty through the development of the customer relationship. Table 8 above reinforces the importance of the overlap and transfer of ideas from relationship marketing to relationship recruitment and retention. While Ravald and Grönroos (1996) confirm that relationship marketing is aimed at the development of ‘mutually beneficial and valuable long-term relationships with customers’ (as cited in Leverin and Liljander, 2006, p.323), the long term development of the relationship was identified as one of the four characteristics of our model. The work of Naidu, Parvatiya, Sheth and Westgate (1999) and Palmatier and Gopalakrishna (2005) indicates the encouraging association that connects relationship marketing and business performance. It is through the transposition

of the characteristics and phases associated with ‘relationship marketing’ onto ‘relationship marketing for improved recruitment and retention’ that the activities that contribute to improvements in the relationships involved in the recruitment and retention of employees in small family-owned businesses in rural and regional areas are revealed. These links are found in Table 9 below.

**Table 9 Relationship activities involved in the Recruitment and Retention of Staff**

<b>Phase I</b>	<p><b>Attract Employee</b></p> <p>Employee is recruited .Construct for <i>Human resource management framework for employment relationships</i> policy must be applied here</p>
<b>Phase II</b>	<p><b>Build Relationship between Employer and Employee</b></p> <p>Orientation must be conducted as soon as possible after employee commences work within the small family-owned business. Construct for <i>Initial employee relationship orientation</i> factors must be applied here</p>
<b>Phase III</b>	<p><b>Fulfill ‘Promise’ Employee</b></p> <p>Employee involvement must be instigated immediately and continued throughout the length of employment. Construct for <i>Long-term relationship and employee involvement</i> must be applied here</p>
<b>Phase IV</b>	<p><b>Develop ‘Trust’ between Employee and Employer</b></p> <p>Understanding of the wants and needs of long term employees must be applied to encourage longevity of placement. Construct relating to the <i>legal and moral relationship with employees</i> must be applied here</p>
<b>OUTCOME</b>	<p style="text-align: center;"><b>BENEFITS FOR SMALL BUSINESS</b></p> <ul style="list-style-type: none"> <li>• Improved employee employer relations</li> <li>• Decreased turnover</li> <li>• Increased profits</li> <li>• Reduced stress on employee and small business owner by reduction of unmet promises</li> </ul>

**Source: Developed from this research**

The characteristics above are revealed in the new model of relationship recruitment and retention, as found below in Table 9 below. This table clearly identifies the proposed phases of the model.

**Table 9. New Model of the phases of relationship recruitment and retention (RRR)**

<b>Phase I</b>	<b>Phase II</b>	<b>Phase II</b>	<b>Phase IV</b>	<b>OUTCOME</b>
<p><i>‘Human resource management framework for employment relationships’</i></p> <p>Is the first phase in establishing the relationship.  <b>RECRUITMENT PHASE</b></p>	<p><i>‘Initial employee relationship orientation’</i></p> <p>Employer builds relationship with the employee so that economic goals of the relationship can be achieved.</p> <p><b>ORIENTATION PHASE</b></p>	<p><i>‘Long-term relationship and employee involvement’</i></p> <p>‘Fulfilling promises that have been given is equally important as a means of achieving [employee] satisfaction, retention ...[and] long-term profitability’<sup>1</sup></p> <p><b>RELATIONSHIP DEVELOPMENT PHASE</b></p>	<p><i>‘Legal and moral relationship with employee’</i></p> <p>That is ‘...a willingness to rely on an exchange partner in whom one has confidence’. Trust in relationship is seen as ‘a behavior[ur]al intention that reflects reliance on the other partner and involves uncertainty and vulnerability on part of the trustor’<sup>1</sup></p> <p><b>TRUST DEVELOPMENT PHASE</b></p>	<p><b>RELATIONSHIP RECRUITMENT AND RETENTION</b></p> <p>‘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’</p>

Source: Developed from this research

The four phases can contribute significantly if implemented as part of an overall attitude to integrating relationships into not only service industries such as tourism and hospitality customer focus toward their employees and, their long terms retention, but also their staff focus toward their employer and the businesses ultimate outcomes. The dimensions of each phase are discussed below.

### *DIMENSIONS AND IMPLICATIONS*

Phase I – at this point the small family-owned service tourism and hospitality business either needs to replace or has grown to a point that they need to increase their number of employees. 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 that make up the construct contribute to the relationship marketing framework in which the relationship between employee and employer will not only be established but will continue to exist. This focus on marketing the benefits of the relationship with the organisation to the new employee in the tourism and hospitality industry can only enhance the establishment of the relationship.

Phase II – at this point the new employee has been appointed to the service / tourism and hospitality sector small business. The new recruit needs to be orientated to the benefits of the relationship with the owner/manager and other employees within 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 the 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 in which the new employee's relationship will be played out and need to be accepted by both employer and employee as part of their relationship development, within the service sector such as the tourism and hospitality industry.

Phase III – at this point the new employee within the tourism and hospitality industry will take up their new position within the family owned/managed small service business. 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 the employee within the tourism and hospitality industry being marketed the benefits of the relationship through the various means of involvement identified above.

Phase IV – employee is informally encouraged to become a long-term employee and part of the service / tourism and hospitality small business family. This is completed through the development of the relationship at a new level of understanding by the employee, that their employer is contributing to the upholding of their rights and shows respect for them as part of their small service business family. The variables for how employers contribute to how their '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 the organization is encouraging other good employees when they need to recruit again. The legal and moral response of employer toward the employee can enhance the relationship process if the small business owner markets these strengths of their organization to the employee. It is through the interpretation of the tourism and hospitality employer's response to such issues that the employee develops a level of trust that enhances the relationship.

Finally, the benefits of these cost-effective constructs, placed as part of the ongoing relationship between employers of small family-owned service / tourism and hospitality businesses can if marketing correctly, lead to improved employee-employer relations; decreased staff turnover; increased profits and reduced stress on both employee and small business owner/managers within service industries such as that of the tourism and hospitality industry.

## *CONCLUSION AND IMPLICATIONS*

In answering the first research question, the research identified the issues impacting on the recruitment, selection and retention of employees in family-owned small service industry businesses and found that the establishment, building, maintaining and most importantly marketing of strong relationships between employers and employees is significant to the effective recruitment, selection and retention of employees in family-owned small service industry businesses such as tourism and hospitality in rural and regional areas of Australia.

Deleted:

The second question research investigated sought to identify any underlying factors that might contribute to effective human resource practice in these businesses. The research identified four significant constructs, each having 'relationship' as a common theme. Firstly, market to the recruit, a human resource framework upon which the relationship can begin. Secondly, use the orientation phase to market the benefits of the relationship to the employee. Thirdly, continue to market the benefits of the relationship between employee and employer to enhance long-term employee involvement and finally ensure the continuation of the benefits of marketing the relationship to the employee by developing ongoing trust through obligation of legal and moral relationships with employees.

The final research question posed in the research sought to develop a model that might assist owners of family-owned small businesses to have more effective human resource practice in their business. A model was developed and confirmed in the research. The

relationship theme identified in the model can be compared with the framework established by relationship marketing, that is, owner/managers of family-owned small service businesses such as tourism and hospitality should constantly market themselves to their employees by concentrating on developing their relationships as the primary emphasis for the successful recruitment, selection and retention of staff within the tourism and hospitality industry.

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