

Job Satisfaction, Organizational Commitment and Motivation as Determinants of Orientations toward Japanese Employment Practices among SME Employees in Japan

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ABSTRACT

The purpose of this study is to determine what factors affect orientations toward Japanese employment practices, lifetime employment and seniority-based wage and promotion systems, among employees working for small- and medium-sized enterprises (SMEs) in Japan, with special focus on the background and attitudinal variables. The results, based on 638 SME employees revealed that orientation toward lifetime employment was positively affected by job satisfaction and organizational commitment, while orientation toward the seniority system was negatively influenced by the motivational variables. The findings of this study provided evidence that the introduction of more performance-based HRM system plays a critical role for the survival of a firm in the competitive market of the Japanese economy.

INTRODUCTION

1. Objectives

Japanese-style management, typically known in terms of lifetime employment and seniority-based wage and promotion systems, has been considered to be the major source of competitive strength of Japanese corporations since the start of rapid economic growth in Japan after the World War II. However, it has now come to the stage where drastic changes in its systems are required as a result of the bursting of the bubble economy. Imada (1993) mentioned that although it may be premature to judge, the increasing practice of the companies to recommend more early retirement to employees, and a steady reduction of the permanent workforce caused by the prolonged depression may indicate the end of the traditional Japanese employment system. According to his work, Japanese style management which had been valued for so long might no longer be pivotal for a company to survive. Furthermore, Wakabayashi, Watanabe and Kido (1997) pointed out that the changing aspects of Japanese-style management must be attributed not only to the present socio-economic changes in Japan, but also to the transformation of the corporate system itself toward a

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“knowledge creating system.” Thus, these works emphasize that the Japanese style management, unique management systems rooted in the Japanese culture of collectivism, may not be valued and lose its importance to establish a foundation for creativity in Japanese corporations in the information and network oriented society.

Theoretically, there are two different explanations that predict the future of Japanese employment practices based on the theory of industrialization : namely, the divergence theory and convergence theory (Kerr et al, 1960). The divergence theory, by accepting the social and cultural diversity of each nation, supports that each society and nation has its own industrial relations and laborforce management practices. Thus, this theory gives support to lifetime employment and the seniority system which are considered unique to Japan (Hazama, 1963 ; 1971 ; 1991 ; Mito, 1990). The convergence theory, on the other hand, insists that although every society and nation has its own unique historical and cultural background, the economic, technological and social structure of each nation and society will converge and homogenize with each other eventually in the process of industrialization. With the drastic changes of the Japanese industrial society, from the industrialized to the information network-oriented society, the policy, strategy and operation of the traditional personnel management and employment are forced to be transformed and shifted toward “employment free” and the performance-based wage and promotion systems (Tsuda, 1990). The two theories, the convergence and divergence theories, only focus on whether or not the two traditional human resource management (HRM) systems will exist (divergence theory) or disappear (convergence theory) in the evolution of the Japanese industrial society. These theories, however, fail to explain how the two features of the Japanese HRM system will evolve and function in the information and network-oriented society emerging in Japan.

Another line of argument exists involving the future trend of the Japanese employment practices, especially focussing on Japanese small- and medium-sized enterprises (hereafter, SMEs). This argument states that lifetime employment and the seniority system may not be transformed in the same manner, but may advance diametrically ; namely, the seniority system is becoming more or less invalid, whereas lifetime employment may continue to be effective in Japanese SME sectors where labor mobility is high. From a corporate institutional perspective, Wakabayashi and his associates (1997) demonstrated, based on the results of a survey with a sample of 532 enterprises, that the larger the size of the firms, the more meritocratic the personnel policies become, whereas the smaller the size, the more traditional the personnel systems. Moreover, Takeuchi and Wakabayashi (1998) illustrated from an attitude survey of 638 SME employees and 252 employers that both of them remained supportive of continuous employment. While, both showed a strong willingness to move toward the ability-oriented personnel management system, although employers tended to

favor the seniority system more than employees did. From these findings, the following two points regarding employment practices in SMEs are brought to the attention. First, it can be said that the transformation of the Japanese HRM systems has been undertaken only by large or progressive enterprises, and not necessarily been done by SMEs. Second, especially in the SME sectors, two HRM practices are not necessarily functioning with equal importance ; namely, more support for the lifetime employment, but less support for the seniority system.

Past studies, however, did not give enough explanations for future directions of the employment practices in SMEs in Japan. If the logic and determining factors behind the lifetime employment and the seniority system were to be disparate, each system would evolve in different ways along with changes in the Japanese society. It is expected that the different conditions are operating for the existence of each system, and they would determine the future status of each practice differently. Therefore, greater focus needs to be placed for examining if separate determinants are functioning to shape the future of lifetime employment and the seniority system in the Japanese SME sector.

The mechanism of their possible independent functioning must be tested from the employee's point of view, because the HRM practices must comply with the values and attitudes of employees. Thus, this study focuses on employee's orientation toward Japanese HRM systems, namely lifetime employment and the seniority system. Especially, this study attempts to identify the critical factors which determine the operation of these two HRM practices, focussing on the effects of key psychological factors such as job satisfaction, organizational commitment and work motivation. Results of the present study are expected to contribute to both SME employers and employees in designing a new pattern of employment relations suitable for an age of the transition of the traditional Japanese HRM systems.

2. Orientations toward Japanese Employment Practices : A Research Focus

The concept of traditional Japanese-style management has long been discussed from two main perspectives ; namely, institutional and cultural perspectives (Kagono, Nonaka, Sakakibara and Okumura, 1985). The institutional approach regards the characteristics of Japanese-style management, lifetime employment, internal promotion, seniority-based wage system and annual employment of fresh graduates, as phenomena unique to the economic institutions of the Japanese organizations (Abegglen, 1958). Moreover, skill formation systems through in-house training, job rotation and the long term evaluation systems are considered to be integral parts of the institution (Koike, 1977 ; 1981a). On the other hand, the cultural approach attributes the source of Japanese-style management to the cultural and historical uniqueness of Japanese society conceptualized as the "management paternalism"

(Hazama, 1963 ; 1971), “life community” (Tsuda, 1977) and the “*ie* (house) system” (Mito, 1991), emphasizing that Japanese-style management is rooted in the culture of collectivism.

For the present study, the concept of Japanese employment practices relies more on the institutional context rather than the cultural one, and thus the employee’s orientations are considered for this study limited to the specific, institutionalized characteristics of the systems ; lifetime employment, and seniority-based wage and promotion systems. More specifically, orientation toward lifetime employment can be defined as an employee’s attitude toward favoring continuous service with the same organization and avoiding a change of employers, assuming that she/he will work for the same company until retirement. Similarly, orientation toward the seniority system can be defined as an employee’s inclination to value seniority principles, in terms of age, length of service and educational background as the criteria for wage and promotion decisions.

Next, the factors which are expected to account for two orientations toward Japanese HRM systems need to be discussed. For this study, the determinant factors are considered in terms of two main sets of variables : background factors, and attitudes toward work and work motivation. The background factors include the following six items : gender, years of service, position rank, size of firm, industry and job change experiences. On the other hand, attitudes toward work are divided into the two sets of variables : job satisfaction and organization commitment, while work motivation includes needs and willingness for work.

Job satisfaction and organizational commitment : As illustrated by turnover studies, job satisfaction and organizational commitment were found to be one of the major determinants of a worker’s turnover intention and voluntary quitting behavior (Porter, Steers, Mowday and Boulian, 1974 ; Gaertner and Nollen, 1992 ; Takahashi and Watanabe, 1995). Thus, employees with low job satisfaction and organizational commitment may reconsider their orientations toward lifetime employment and the seniority system, and come to formulate an intention to leave. On the other hand, those with high satisfaction and organizational commitment are not likely to leave the organization. Therefore, in this study, job satisfaction and organizational commitment are expected to show significant positive effects on the orientation toward lifetime employment which is defined as the intention to stay with the company until retirement.

Motivation among employees : The younger generation under the traditional Japanese management systems, particularly those under the seniority system, have been the focus of discussion for years regarding their low motivation to work. However, few studies have examined employees’ attitudes toward Japanese style management with respect to demographic factors and related attitudinal variables. In particular, very little empirical evidence has been presented regarding the ways by which motivation affects orientations toward

lifetime employment and seniority systems. Theoretically, highly motivated employees would be discouraged by Japanese-style management, particularly by seniority-based wage and promotion systems. If this is the case, the level of motivation and orientation toward the seniority system should be negatively correlated. Considering these arguments, it is of great interest to explore how employee's orientation toward Japanese management practices can be explained in relation to the employee's work motivation and satisfaction. For this study, the motivational factor is considered to contribute negatively to the orientation toward the seniority system, since the former may work to discourage the employees willingness to work hard for high performance and compensation, and the employee's sense of self-reliance and independence. On the other hand, job satisfaction and organizational commitment should correlate positively with the employee's orientation toward lifetime employment.

3. Hypotheses

The same set of independent variables were used as determinants of employee's orientation toward lifetime employment and the seniority system. As mentioned earlier, two independent variable sets, namely background variables, and job satisfaction, organizational commitment and motivation variables, were introduced as factors which determine employee's orientation toward lifetime employment and seniority practices. As stated earlier, for this study motivational variables are considered to affect employee's orientations toward the two aspects of Japanese HRM systems negatively. Employee's motivation to work is measured in terms of employee's willingness to work hard and achieve self-actualization for this study. In summary, the negative impact of these measures are expected more significant on orientation toward seniority-based personnel practices than toward lifetime employment, because the former may stand to block employee's motivation to work hard. Table 1 shows a summary of hypotheses to be tested in this study using a regression analysis method. The major hypotheses to which special attentions are directed in this study are explained as follows.

Firstly, with a focus on the individual background factors, the following six variables are introduced as determinants of orientations toward Japanese HRM systems ; namely, gender (GEN), years of service (YEARS), position rank (RANK), firm size (SIZE), type of industry (IND) and job change experiences (CHANGE). Originally, it is said that the Japanese employment practices, lifetime employment and the seniority system were formed among manufacturing firms, especially large ones, to give strong incentives for their skilled employees to stay for lifetime. Typically, the fresh graduates hired by large manufacturing firms are intensively trained to acquire core skills unique to the company. Under the traditional HRM systems, employees are not treated as skilled workforce in their early

Table 1 Hypothesized Directions of the Effects for Determinants of Employee's Orientation toward Lifetime Employment and the Seniority System in Japanese SMEs

Determinant Variables	Hypothesized Directions of Effects on	
	Lifetime Employment	Seniority System
1 Gender (GEN ; male=1, female=0)	+	+
2 Years of service (YEARS)	+	+
3 Position Rank (RANK)	+	+
4 Firm Size (SIZE)	+	+
5 Industry (IND ; manufacturing=1, non-manufacturing=0)	+	+
6 Job Change Experiences (CHANGE)	-	-
7 Job Satisfaction (SAT)	+	+
8 Organizational Commitment (COM)	+	+
9 Motivation (MOT)	-	-

Note : + and - signs indicate that the determinant variable will have a positive or a negative effect respectively on employee's orientation toward lifetime employment and the seniority system, based on a regression analysis.

careers. But, as they accumulate their experiences in the same companies, their salaries and status are annually upgraded with paying less serious attention to their individual performance differences. It is thought that the reasons why employee's tenure is considered appropriate in determining his/her salary, position rank and prestige within the workplace in Japanese organizations are that (1) personnel are evaluated on the premise that his/her skill level should be proportional to one's years of experiences and (2) long tenure means greater contributions to the company, and thus seniority-based promotion and wage increases are compensation for one's long service (Ishikawa, 1994).

Under these traditional HRM situations, the combined system of lifetime employment and the seniority-based promotion and wage increases gave patronage to some parts of personnel in a corporation. Namely, those with long tenures, high position ranks and no job change experiences with other firms. Especially, male workers can follow this employment pattern would enjoy the benefit of lifetime employment and seniority systems mostly. Thus, it is hypothesized that employee's orientations toward lifetime employment and the seniority system will be positively influenced by GEN (male=1, female=0), YEARS and RANK variables and negatively by CHANGE.

As stated earlier, the characteristics of the firm to which employees belong, firm size and industry type, must also be taken into considerations. Normally, the traditional Japanese employment practices are seen in manufacturing and larger sized corporations where the systematic HRM systems combined with a firm's unique technology and production systems

are institutionalized (Koike, 1981a ; 1981b). Accordingly, it can be thought that employees working for the larger-sized and manufacturing firms may receive more secured employment status and remuneration based on the seniority principle. Therefore, SIZE and IND (manufacturing=1, others=0) are hypothesized to affect the orientations toward Japanese employment practices positively, although all respondents for the present study were derived from SMEs. In other words, even among SMEs, SIZE and IND are expected to have significant impacts on employee's orientation toward Japanese HRM systems.

Secondly, the employee's orientation toward lifetime employment and seniority-based personnel systems are expected to be positively influenced by both job satisfaction and organizational commitment. On the other hand, motivational variables will affect these orientations negatively. As stated earlier, past studies have shown that high job satisfaction and organizational commitment lead to a lesser intention to leave. In the same manner, it is hypothesized that satisfied and committed employees will show stronger orientation toward the lifetime employment which is expected to reinforce an employee's intention to stay with the company. However, it is expected that under the traditional personnel management practices in the Japanese organization, employees with high need for self-actualization and strong willingness to work will be driven to resent aspects of Japanese style management, particularly the seniority-based personnel system, because these system may work against employee's needs to realize his/her potential and his/her willingness to work. Therefore, it is hypothesized that employee's orientation toward Japanese style personnel practices will be affected negatively by the level of work motivation.

METHOD

1. Sample and Data Collection

The data used for this study is derived from a questionnaire survey on employment practices in Japanese SMEs (Takeuchi, 1996). This survey was carried out in August 1995 with cooperation given by the Aichi Prefectural Federation of Small Business Associations, a non-profit organization attached to the Labor Department of Aichi Prefecture, Japan. A mail survey was carried out by sending three questionnaires to each of the 500 enterprises that belong to the Federation. In total, the 638 out of 1,500 employees sampled (43.5%) returned usable questionnaires. The characteristics of the respondents are presented in Table 2.

Following the legal definition of small- and medium-sized enterprises in Japan, the SMEs which constitute the sample for this study are classified into three categories as follows ; (1) for manufacturing, mining and transport industries, an enterprise whose capital is one

Table 2 Characteristics of the Sample for the Present Study (N=638)

Characteristics	Category Percentages			
Gender	Male : 76.7%		Female : 23.3%	
Age (years old)	Up to 29 : 25.1%	30-39 : 27.2%	40-49 : 29.5%	50 or more : 18.2%
Years of Service	0-4 : 27.5%	5-9 : 22.6%	10-14 : 16.4%	15-19 : 13.4%
	20-24 : 7.1%	25 or more : 13.0		
Position Rank	Managers : 27.0%		Others : 73.0%	
Firm Size	Up to 29 : 35.6%	30-99 : 35.5%	100 or more : 29.4%	
Industry	Manufacturing : 61.1%		Non-Manufacturing : 38.9%	
Job Change Experience	Changed : 55.9%		Not changed : 44.1%	

hundred million or less, or the number of regular employees is three hundred or fewer, (2) for the wholesale trade industry, capital of thirty million or less, or the number of regular employees one hundred or fewer, and (3) for retail and service industries, capital of ten million or less, or the number of regular employees fifty or fewer. For this study, the size of a firm is measured in terms of the number of employees of the firm.

2. Measures

(1) Orientations toward Japanese HRM systems

To measure orientations toward Japanese HRM systems, 16 items representing aspects of lifetime employment and the seniority-based personnel systems were used. The respondents were asked to answer each item with a 5-point scale ranging from “agree” (=5) through “agree a little” (=4), “neither” (=3), “disagree a little” (=2) and “disagree” (=1). The factor analysis conducted by using the principal factor solutions with a Varimax rotation produced two factors as shown in Table 3. The initial factor consisted of seven items involving those concerned with orientations toward continuous service, job change and so forth. Accordingly, the first factor was named *orientation toward lifetime employment*. The second factor included the five items which are related to orientations toward promotion and wage increases based on years of service in the company. Therefore, this factor was named *orientation toward seniority system*. The remaining four items associated with factor loadings less than .40 were left as residual items and excluded from the scale construction. Using a Cronbach’s alpha coefficient as an index of internal reliability, the two scales *orientation toward lifetime employment* and *orientation toward seniority system* were found to have satisfactorily high reliability coefficients, namely alpha=.77 and .78, respectively.

Table 3 The Result of A Factor Analysis Conducted for the Measures of Orientation toward Japanese Employment Practices Based on the Japanese SME Employees (N=638)

Items	F1	F2	h ²
<i>F1 Orientation toward Lifetime Employment</i>			
1. Companies need continuous service and I should keep working for the same company until retirement.	.78	.26	.68
5. We should not stick to the same companies until retirement, and they do not require our continuous service.	-.62	-.10	.39
2. It is next to impossible to change one's job, and changing job is out of question.	.60	.35	.48
6. Job change is now common, and we should find good jobs.	-.59	-.06	.35
14. I do not have much worry about changing my job, however it is desirable, if possible, to continue working for one company.	.52	.05	.27
10. It is difficult for me to change my job because of, for example, insecurity of the next workplace, but I sometimes hope I can change my job.	-.42	.10	.19
13. If possible I hope to keep working at the same company until retirement, but the present company will not guarantee my employment.	-.40	.03	.16
<i>F2 Orientation toward the Seniority System</i>			
16. It is fully possible that those who served shorter will be promoted earlier than those who served longer in my workplace, but it is unnecessary.	.11	.74	.56
4. The case does not happen where those who served shorter will be promoted earlier than those who served longer in my workplace, and it is unnecessary.	.21	.72	.56
8. It is fully possible that those who served shorter will be promoted earlier than those who served longer in my workplace, and it is necessary.	-.02	-.68	.46
3. Promotion and wage increases should be based mainly on our age or the length of service, and in my workplace these increases are based mainly on age or the length of service.	.31	.56	.41
12. The case does not happen where those who served shorter will be promoted earlier than those who served longer in my workplace, but it is necessary.	-.05	-.46	.21
Residual Items			
15. I think it important to have age or the length of service major criteria for promotion and wage increases, though in my workplace these are based mainly on ability or achievement.	.09	.01	.01
7. It is a matter of course that promotion and wage increases should be based mainly on our abilities or achievement, and in my workplace they are based mainly on these factors.	.12	-.26	.08
9. I am getting uneasy when I think of my continuous service until retirement in the present company, but it is inevitable.	-.01	.26	.07
11. Although in my work place wage increases are based mainly on age or length of service, I think it is strange.	-.23	-.26	.12
Variance Explained	2.53	2.46	4.99
Alpha Coefficients for A Scale Constructed by Factored Items	.77	.78	

(2) Demographic Variables

The present study introduced the following 6 items as background variables for analysis : *Gender* (GEN : male=1, female=0), *Years of Service* (YEARS : the number of years measured in terms of an ordinal scale, under one year=1, one to four years=2, five to nine years=3, then with a five-year interval, values 4,5 and 6 were assigned for up to twenty-five years or more.), *Position Rank* (RANK : managers=1, non-managers=0), *Industry* (IND : manufacturing=1, non-manufacturing=0), *Firm Size* (SIZE : less than 29=1,30-99=2,100 or more=3), *Job Change Experiences* (CHANGE : yes=1, no=0).

(3) Job Satisfaction

Murasugi (1987) pointed out that job satisfaction can be classified into four sub-dimensions, namely satisfaction with work itself, monetary rewards, human relations and management. For this study, these four aspects of job satisfaction were measured by using a 5-point scale. Then, three items which showed high intercorrelations, namely satisfaction with work, reward, and management, were combined into a single *Job Satisfaction* (SAT) scale. The Cronbach's alpha for this composite scale was found to be $\alpha = .75$.

(4) Organizational Commitment

For this study organizational commitment was measured by two items, One is *Unity with the Company* (UNITY) and the other is *Loyalty to the Company* (LOYALTY). The first variable asked the extent to which an employee feels united with the company using a 5-point scale, ranging from "very much" (=5) to "not at all" (=1). On the other hand, the second variable was designed to evaluate the degree of importance each respondent attaches to loyalty with his/ her company. This variable was measured by asking respondents to choose one out of the following four alternatives : "loyalty is absolutely needed" (=4), "loyalty is needed, but to devote myself to the present company is not required" (=3), "loyalty is little needed" (=2), and "loyalty is not needed at all" (=1).

(5) Motivation

The motivational dimension consisted of two variables ; *Willingness to Work* (WILLING), and *Needs for Self-Actualization* (NEEDS) through work. For the first variable, a 3-point scale was used to measure the degree of willingness to work harder than others as follows : "yes" (=3), "DK" (=2), and "no" (=1). The need for self-actualization on the job was measured based on the theory of motivation (Maslow, 1943 ; Herzberg, 1966 ; Murasugi, 1987) as a dummy variable in the questionnaire. Respondents were asked to choose one item out of the 8 motives to work ; namely, economic motives, responsibility, affiliative motives, status acquisition, self-esteem, social contribution, self-actualization of oneself, and other. A dummy variable was created by giving a value "1" to those who choose self-actualization, and "0" to those who chose other alternatives.

3. Statistical Analyses

Data was analyzed through multiple regression analysis by introducing each of the orientation scales (lifetime employment and seniority system) as a dependent variable, and the other 11 variables as explanatory ones as listed in Table 3. In addition, for the purpose of evaluating a contribution brought by the different groups of explanatory variables, the method of hierarchical regression analysis was attempted. A correlation coefficient matrix of all variables involved in this study is presented in Table 4.

RESULTS

1. Correlational Analysis

In Table 4, the two independent variables, namely orientation toward lifetime employment and the seniority system, were found to correlate with each other at the $r=.30$ level. This significant ($p<.001$) but relatively weak correlation indicates that employees tend to see these critical aspects of Japanese-style employment practices to be rather separate phenomena which can be dealt with independently when making decisions about their employment lives. On the other hand, traditionally theories of Japanese-style management have taken the two aspects, lifetime employment and the seniority system, as inseparable twins which cannot be characterized independently one without the other. The previous study, Takeuchi and Wakabayashi (1998) for example, found that employers in SMEs tended to see these two aspects as more interdependent in their personnel management practices than the employees who considered these two aspects relatively independent. In order to predict the future course of development and changes in employment and personnel practices for Japanese corporations, it is clearly a challenging task to examine the degree of interdependence (or independence) between lifetime employment and the seniority-based personnel management system.

Next, in Table 4 the two dependent variables were found to have significant correlations with years of service (YEARS) and job satisfaction (SAT) positively, and job change experiences (CHANGE) negatively, supporting a part of hypotheses for the present study stated in Table 1. On the other hand, the hypothesized directions of influences were found only partially true for organizational commitment and motivation. In other words, for organizational commitment the hypothesized positive association was found only with orientation toward lifetime employment, while for motivation, the hypothesized negative association was found only with orientation toward the seniority system. A similar pattern of association was found with gender (GEN), position rank (RANK), and firm size (SIZE) in Table 4. Again, these findings suggest that the two orientations toward Japanese-style management can be

Table 4 Correlation Coefficients among All Variables Used for the Analysis

Variables	Mean (SD)	1	2	3	4	5	6	7	8	9	10	11	12	13
Dependent Variables														
1 Orientation to L. E.	3.07 (0.76)	1.00												
2 Orientation to S. S.	2.38 (0.81)	.30***	1.00											
Background Variables														
3 GEN	0.77 (0.42)	.06	-.10*	1.00										
4 YEARS	2.89 (1.70)	.26***	.22***	.20***	1.00									
5 RANK	0.27 (0.44)	.13**	-.09*	.27***	.28***	1.00								
6 SIZE	1.94 (0.80)	-.01	-.19***	.00	-.02	.23***	1.00							
7 IND	0.61 (0.49)	.12**	.01	.07	.08	.05	.13**	1.00						
8 CHANGE	0.56 (0.50)	-.12**	-.15***	.04	-.25***	.00	-.16***	-.14***	1.00					
Job Satisfaction														
9 SAT	3.06 (0.89)	.46***	.21***	.00	.11**	.08*	-.03	.07	-.04	1.00				
Organizational Commitment														
10 UNITY	3.04 (1.25)	.42***	.07	.11**	.16***	.15***	-.06	.07	-.04	.49***	1.00			
11 LOYALTY	2.96 (0.56)	.34***	.03	.05	.14**	.11**	-.03	-.01	-.01	.20***	.31***	1.00		
Motivation														
12 WILLING	1.88 (0.93)	.04	-.25***	.08	-.07	.08	.13**	-.03	.04	.06	.17***	.20***	1.00	
13 NEEDS	0.15 (0.36)	-.04	-.18***	-.02	-.18***	.01	.04	-.01	.02	-.02	-.03	-.04	.21***	1.00

Note: "Orientation to L. E." and "Orientation to S. S." denote the orientation toward lifetime employment and the orientation toward seniority systems respectively.

*p < .05, **p < .01, ***p < .001

relatively independent of each other at least in the eyes of employees.

2. Determinants of Orientation toward Lifetime Employment

Table 5 shows results of regression analyses for orientation toward lifetime employment and the seniority system. The results show that an employee's orientation toward lifetime employment is significantly influenced by years of service (YEARS) and the industry type (IND) with the beta coefficients being .15 ($p < .01$) and .07 ($p < .05$) respectively. In other words, employees with long tenure and working for manufacturing firms tend to have more affirmative orientation toward lifetime employment compared to other employees. The result of a hierarchical regression analysis indicated that the background variables as a whole accounted for 7.5 percent ($R^2_1 = .075$, $p < .001$) of the total variation in the dependent variable.

Next, as hypothesized job satisfaction (SAT) influenced orientation toward lifetime employment positively and significantly, indicating that the more satisfied the employees, the more favorable their orientation becomes toward lifetime employment. The hierarchical regression result indicated that job satisfaction produced an 18.4 percent incremental effect (ΔR^2_{1-2} , $p < .001$) for explaining this dependent variable. Two variables of organizational commitment, UNITY and LOYALTY, are both found to affect orientation toward lifetime employment significantly and positively. The increment in R^2 reached ($\Delta R^2_{2-3} = .071$ ($p < .001$), indicating that organizational commitment has an independent and significant effect upon the lifetime employment orientation beyond the effect of job satisfaction. The above findings give support to the hypothesis of the study as shown in Table 1. However, motivation variables failed to show a significant impact on orientation toward lifetime employment.

In summary, the overall contribution of all independent variables combined reached $R^2_4 = .329$ ($p < .001$). The result indicated that tenure, industry, job satisfaction and organizational commitment were the key factors that explain an employee's orientation toward lifetime employment. However, motivation and some background variables failed to demonstrate the hypothesized effects.

3. Determinants of Orientation toward the Seniority System

The results presented in Table 5 indicate that contrary to our hypotheses, all background variables except for years of service (YEARS) had negative effects upon orientation toward the seniority system. Namely, it was found that being a male (GEN) with a higher position rank (RANK), working in a large firm (SIZE), with the experience of job change (CHANGE) was found to have a significant negative influence on orientation toward the seniority system.

Table 5 Multiple Regression Analyses on An Employee's Orientation toward Lifetime Employment and the Seniority System

Independent Variables	Hypothesized Directions	Employee's Orientation toward :					
		<i>Lifetime Employment</i>		<i>Seniority System</i>		<i>Seniority System</i>	
		Beta(SE)	T-test	Beta(SE)	T-test	Beta(SE)	T-test
Demographic Variables							
GEN	+	.01(.06)		-.09(.07)	*	-.09(.07)	*
YEARS	+	.15(.02)	***	.18(.02)	***	.15(.02)	***
RANK	+	.01(.06)		-.08(.07)	*	-.09(.07)	*
SIZE	+	.00(.03)		-.15(.04)	***	-.15(.04)	***
IND	+	.07(.05)	*	-.01(.06)		-.02(.06)	
CHANGE	-	-.06(.05)		-.10(.06)	**	-.09(.06)	*
Ajd.R ² ₁		.075	***	.113	***	.113	***
Job Satisfaction							
SAT	+	.32(.03)	***	.21(.04)	***	.13(.04)	**
Ajd.R ² ₂		.259	***	.146	***	.146	***
ΔAjd.R ² ₁₋₂		.184	***	.033	***	.033	***
Organizational Commitment							
UNITY	+	.17(.02)	***	-.02(.03)		-.06(.03)	
LOYALTY	+	.21(.05)	***	.01(.06)		-.05(.06)	
Ajd.R ² ₃		.330	***	.146	***	.146	***
ΔAjd.R ² ₂₋₃		.071	***	.000	.000		
Motivation							
WILLING	-	-.04(.03)		-.19(.03)	***	-.18(.03)	***
NEEDS	-	.01(.07)		-.10(.08)	**	-.10(.08)	**
Ajd.R ² ₄		.329	***	.192	***	.192	***
ΔAjd.R ² ₃₋₄		-.001		.046	***	.046	***
Orientation to L. T.	+	--		--		.26(.05)	***
Ajd.R ² ₅		--		--		.236	***
ΔAjd.R ² ₄₋₅		--		--		.044	***

Note : Ajd.R²₁, Ajd.R²₂, Ajd.R²₃, Ajd.R²₄, and Ajd.R²₅, denote the adjusted R square generated by the first, second, third, fourth, and fifth-step regression, respectively.

ΔAjd.R²₁₋₂ = Ajd.R²₂ - Ajd.R²₁. ΔAjd.R²₂₋₃ = Ajd.R²₃ - Ajd.R²₂.

ΔAjd.R²₃₋₄ = Ajd.R²₄ - Ajd.R²₃. ΔAjd.R²₄₋₅ = Ajd.R²₅ - Ajd.R²₄.

*p < .05, ** < .01, *** .001

On the other hand, having a longer tenure (YEARS) contributed positively to this dependent variable. The industry type (IND) showed no significant effect. All background variables combined could explain the dependent variable up to 11.3 percent ($R^2_1 = .113$, $p < .001$).

As hypothesized, the two variables of work motivation, namely willingness to work

(WILLING) and self-actualization needs (NEEDS), demonstrated a significant negative influence upon orientation toward the seniority system. This result means that employees with a stronger willingness to work and self-actualization needs tend to feel significantly less favorable toward seniority-based personnel management practices. This finding gives support to the hypothesis of the present study that states seniority-based personnel practices block employee's motivation and efforts on the job. If this happens, the seniority system in Japanese firms may be detrimental to job performance and productivity. Moreover, it was found that motivational variables contributed uniquely to explaining orientation toward the seniority system by 4.6 percent ($\Delta R^2_{3-4} = .046, p < .001$). On the other hand, motivational variables remained almost independent in explaining orientation toward lifetime employment. This result suggests that the lifetime employment system has a little to do with motivation and job performance, but very much to do with satisfaction with and commitment to the organization.

DISCUSSION

The findings of the present study can be summarized and explained by the conceptual framework shown in Figure 1. It was found that in terms of a regression analysis, only tenure and job satisfaction influenced the SME employee's orientations toward lifetime employment

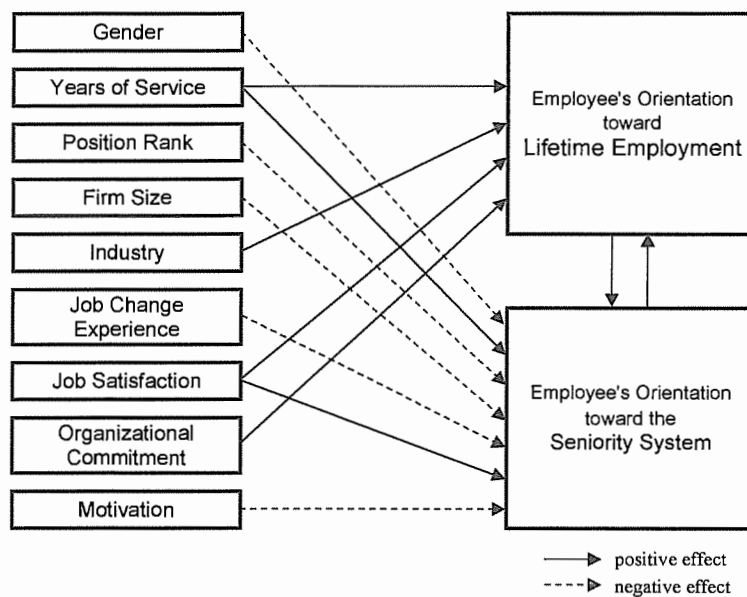


Figure 1 Determinants and Directions of Effects for SME Employee's Orientation toward Japanese Employment Practices

and seniority systems simultaneously. More specifically, employees with longer tenure (years of service) and greater satisfaction with the work, reward and management tended to have higher orientations toward both lifetime employment and the seniority system. These results are consistent with the hypotheses stated in Table 1. Also, the significant and positive effect of organizational commitment upon the lifetime employment orientation is consistent with the hypothesis. However, motivational variables failed to show the hypothesized negative effects upon lifetime orientation.

Regarding orientation toward the seniority system, the key variable, work motivation, was found influence this dependent variable negatively as the present hypothesis predicted. At the same time, all other variables, gender, position rank, firm size and job change were also found to have negative effects upon orientation toward the seniority system, contrary to the hypotheses in the present study. These findings suggest that the two orientations share a little in common, but are relatively independent each other in both employee's cognition and its determinants.

This result negates the assumption of the present study regarding the interdependent relationship between the two orientations. A correlation coefficient between the two orientations was found relatively weak ($r = .38$), and determining variables were exercising its influences quite differently upon the two orientations. Also, this finding presents strong counter-evidence to the traditional notion that assumes lifetime employment and the seniority system are inseparable components that characterize the Japanese-style management. These two, in fact, can be independent.

In conclusion, it is important to understand the fundamentally different ways by which orientation toward lifetime employment and the seniority system were determined among the SMEs employees. As Table 5 and Figure 1 indicate, the SME employee's orientation toward lifetime employment was found to be determined by three key variables : (1) years of service, (2) job satisfaction (with reward, job, and management), and (3) organizational commitment (unity with and loyalty to the company). All these variables, in addition to the type of industry (manufacturing), demonstrated significant, positive effects upon the lifetime employment orientation among SME employees. However, motivational variables (willingness to work and self-actualization needs) showed no impact on it. These findings indicate that lifetime employment is mostly supported by those with records of long service, high job satisfaction and strong commitment to the company. Contrary to our hypotheses, however, gender (male), the position rank, the firm size, job change experience and motivational variables failed to show the statistically significant predicted effects. The reason for this result is simply that as Table 4 shows, these variables have either nearly zero or low correlational bonds with orientation toward lifetime employment. Therefore, SME

employees see lifetime employment as a privilege to be enjoyed only by the long-tenured, satisfied and loyal members within the company, but with no meaningful connection with motivational variables, and perhaps job performance. On the contrary, for the short-tenured, dissatisfied and non-committed employees who are thought to be the less privileged, lifetime employment is a less favorable HRM tool which produces no immediate positive benefits for them.

Secondly, orientation toward seniority-based personnel practices was found to have two different facets. The first is similar to the lifetime employment orientation, in which the long-tenured and satisfied employees found again to be the major supporters of seniority-based practices. For this group of employees, the seniority system may be closely associated with and an integral part of the lifetime employment system. However, the other facet suggests that the meaning of seniority-based personnel practices is very different from that of lifetime employment. The seniority system orientation was found to be affected negatively by motivational variables, the firm size, job change experiences, gender and the position rank, while the lifetime orientation is not affected by these variables at all (non-significant beta coefficients in Table 5). This finding indicates that those with low work motives, working for relatively small firms with lower rank positions, and with no job change experiences, tend to support seniority-based personnel practices. Also, this tendency is more outstanding among female employees. In other words, seniority-based practices are significantly less supported by the motivated, higher ranked, male employees in larger firms, with job change experiences. These findings suggest that the seniority-based practices are the desire for less privileged employees, who are deprived of such privilege because of their fragile employment situations. On the contrary, seniority orientation was negatively evaluated by the privileged employees, namely those with high work motivation, working in more secure and established employment situations. For such highly privileged employees, seniority-based practices are considered counter-motivational.

Thirdly, putting all these findings together, the present study clearly demonstrated that lifetime employment and the seniority-based practices are perceived differently among SME employees. Namely, the more satisfied and strongly committed employees support lifetime employment, while the highly motivated employees working under more privileged and secured employment situations disfavor the seniority-based practices. Therefore, under the highly mobile labor market situations surrounding SMEs, highlighting lifetime employment practices as an HRM strategy can be supported by employees with high job satisfaction and organizational commitment. However, the seniority based wage and promotion system is becoming obsolete, since this system has a likelihood to cause a loss of employee's motivation which is needed for the high performance and productivity for the individual and corporation.

It is premature to judge exactly what pattern of relationship will develop between the two HRM systems in Japanese corporations. However, it is necessary to confirm there is meaningful relationship existing between orientations toward lifetime employment and the seniority system. Table 5 presents the result of the third regression equation in which orientation toward lifetime employment was introduced to the equation as the last independent variable. Lifetime orientation significantly contributed to explaining employee's orientation toward the seniority system. In Table 5, the result clearly indicates that the two orientations relate each other meaningfully in such a way that the lifetime employment positively affects the seniority orientation, even after the effects of all other variables were controlled. This result suggests that the two orientations are relatively independent, but maintain meaningful positive relationship with each other.

In conclusion, what this study clearly demonstrated is that the seniority-based personnel practice functions against work motivation among SME employees. This result seems quite natural in the light of changing HRM practices in SMEs where performance-based evaluation systems and more participative management methods have been introduced. For example, Boliko (1997) found that SMEs that are encouraging employee participation in goal-setting and decision-making processes achieve what he called the high "business success": higher profit and a larger market share. Therefore, to cope with the increasing market competition and to survive the stagnating economy of today, the participative HRM practices for generating high motivation to work are critical to achieve a business success even in SMEs. Under these circumstances, seniority-based personnel practices are expected to become increasingly obsolete and counter-motivational. Moreover, a new career development paradigm is emerging today, especially centered in large enterprises. Firkora (1997) pointed out that the shift from "protected employee" to "responsible employee" is going to place more responsibility on employees to take charge of their own careers. This change is going to release employees from the traditional orientation toward the seniority system and from the guaranteed long-term employment practice. Firkola maintained that employees will be encouraged to plan their own careers and have individual work motivation and responsibilities for going ahead with their own career development programs. Moreover, according to the results of the present study, seniority-based career development practices may mean a loss of employee motivation and low productivity for the company. Therefore, the introduction of more performance-based human resource management systems will play a critical role for the survival of a firm in the competitive Japanese market.

Finally, limitations of this study need to be addressed. The present study was designed to explain employee's orientation toward Japanese employment practices based on the factors related to the individual; namely, personal background and attitudinal variables.

Future research should focus on the more external factors surrounding SME employees, particularly the organizational structure variables such as a firm's HRM strategies, organizational types such (traditional industry vs. venture or knowledge intensive industry), organizational culture differences, and so forth. Moreover, future studies will be encouraged to engage in comparative exploration between large firms and SMEs with respect to employee's orientation toward Japanese HRM systems.

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