Organizational Citizenship Behaviour among Employees in SMEs in Japan: An Analysis of the Link with HRM Practices

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Abstract
Small and Medium Enterprises (SMEs) in Japan have been playing a major role in every area of Japanese economy. Many SMEs are key suppliers to large businesses and represent the backbone of the world third largest economy. However their role in the economy has been hindered by the weak performance during last two decades. The firm entry rate has shown downward trend while exit rate has trended upward in recent years and considerably exceeded the entry rate. One of the reasons for high rate of business failure in SMEs, as some SME advocates argue that, is due to its less attention to the human side of their business. Therefore, the broad objective of this paper is to examine Human Resource Management (HRM) practices in SMEs in Japan. Specifically, this study aims to examine the relationship between HRM practices and operational performance in terms of employees’ Organizational Citizenship Behavior (OCB) of SMEs in Japan. Moreover, this study attempts to examine the relationship between HRM practices and OCB shedding some lights on the link between HRM practices and OCB. A structured questionnaire was developed and sent to 436 owners/managers of SMEs in Aichi Prefecture and 144 firms responded to the questionnaire resulting in 32 percent response rate. Based on the data analysis it was found that there is strong positive correlation between HRM outcomes and OCB of employees in manufacturing SMEs in Japan.

Keywords: human resource management, small and medium enterprises, HRM outcomes, organizational citizenship behavior

INTRODUCTION
Small and Medium Enterprises (SMEs) in Japan have been a major source of employment and growth, accounting for nearly 70 percent of total employment and more than half of the value addition from manufacturing to GDP. There are 4.69 million SMEs in Japan, constituting 99.7 percent of all enterprises, accounting for 70 percent of all employment (Small and Medium Enterprise Agency, 2013). Although most people are familiar with large companies such as Toyota, Sony, and DoCoMo, it is the small and medium enterprises (SMEs) that drive Japanese economy. Although their relative importance as a share of the number of enterprises and the number of employees is declining compared with the situation at the beginning of the 2000s, there is no change in the fact that the SME...
sector still accounts for the vast majority of enterprises and employees in Japan. Large enterprises (LEs) such as Toyota, Honda, and Sony etc. originally began as small family businesses (Sato, 2013). The majority of products of LEs are made up of parts produced by SME subcontractors, and therefore, the reliability of Japanese products is supported by the underlying strength of SMEs. Local economies are underpinned by the activities of SMEs particularly those involved in the service industry, the retail industry, and the construction industry (Sato, 2013).

However, over the last two decades, SMEs have no longer been a thriving source of growth. The profitability and investment of SMEs have declined significantly and business registration of SMEs has been in the decline. The number of manufacturing establishments employing four to 299 people steadily declined from 434,754 in 1985 to 254,675 in 2007. The sharp decline in the number of establishments was caused not only by the abolishment of enterprises but also by the lower number of enterprises entering the economy. As shown in Figure 1, the entry rate has experienced a prolonged decline since the 1970s. However, the firm exit rate has trended upward in recent years, and rose by a record annual average of 6.0 percent (based on the number of enterprises) between 2001 and 2004. As a consequence, the firm exit rate has considerably exceeded the firm entry rate despite the slight upward swing in the entry rate in recent years (METI, 2006).

Nevertheless, successful business management of SMEs largely depends on the quality of human resource that supports companies (JASMEC, 2001). Securing and training high quality personnel are, therefore, key factors for the growth of SMEs, which often have limited opportunities to utilize managerial resources. But, it is argued that SMEs are paying less attention to HRM practices when compared with their counterparts of large enterprises (Kok, 2003; Wong et al., 1997; Gamage, 2007). Therefore, the prime objective of this study is to examine HRM practices in manufacturing SMEs in Japan. Specifically, this study attempts to examine the relationship of HRM practices with Organizational Citizenship Behavior (OCB) of employees in SMEs in Japan. Organizational Citizenship Behavior (OCB) is one of the main topics that get practitioners and researchers attention and interests since of late (Change & Chelladurai, 2003). This is because of the positive impact that OCB has on different aspects of organizations. Although there are many studies that has identified the factors that promote
or enhance the OCB in organizations, very few studies has examined the link of HRM practices with OCB where the effect of organizational commitment as a mediator is included. Therefore, this study attempts to answer two main questions. Do HRM practices enhance OCB of employees in manufacturing SMEs in Japan? Does organizational commitment mediate the relationship between HRM practices and OCB?

LITERATURE REVIEW

This section presents an overview of research on HRM in SMEs and subsequently, briefly presents main conclusions of studies which have been conducted on the relationship between HRM practices and OCB of employee in SMEs in Japan.

HRM in SMEs

Given the importance of SMEs employees to the national economy, it is disheartening to note that scant attention in SMEs research is given to the study of human resource management practices. No matter where you look, in surveys (e.g., Hornsby & Kuratko, 1990), in reviews of literature (e.g., Good, 1998), and in empirical studies (Heneman & Berkley, 1999), scholars are lamenting over the dearth of information about human resource management practices in SMEs. Proper management of a company’s human resources is the key to business survival in today’s world. The organizational effectiveness of the firm (Huselid, 1995; Terpstra & Rozell, 1993) and its ability to create a sustainable competitive advantage (Prahalad, 1983; Pfeffer, 1994) can hinge upon whether HRM practices are properly thought out and successfully implemented. The human potentials in a company are generally much more difficult for competitors to duplicate than the plant, equipment or even products that a company produces (Flanagan & Despanade, 1996). Consequently, the nature and well being of a company's employees can become its main strength in carving out a profitable existence in the industry. HRM practices can be particularly important for small firms (Marlow and Patton, 1993) since they tend to be so dependent on human capital. Research indicates that inadequate and insufficient management of employees in small firms has resulted in low productivity and high turnover rates (Mathis & Jackson, 1991) and is one of the leading causes of small business failures (McEvoy, 1984).

Although no clearly articulated HRM framework exists for SMEs, they like their larger counterparts also have to recruit and select staff, achieve level of performance, and train staff. Given the prevalence of small enterprises in many economies it is surprising that relatively little is known about the extent, nature and determinants of training in small and medium-sized businesses (Johnson & Gubbins, 1992). SMEs are often limited in their ability to undertake HRM activities due to a lack of finance, knowledge and managerial skill (Gilbert & Jones, 2000). As a consequence, their HRM practices are highly informal and relatively unsophisticated (Jameson, 2000; Gilbert & Jones, 2000). The lack of information about human resource in SMEs is problematic for theory, research, and practice. Current human resource theory is often developed and tested in large organizations. As a result, little is known about the extent to which the theory extends to smaller entrepreneurial organizations.

The overall goal of human resource management is to ensure that the company will be able to achieve success through people. HRM aims to increase the effectiveness and organizational skills, which means the ability of an organization to achieve its goals using the available resources in the best way possible. Some authors in their studies have found that HRM systems can be the source of firms’ organizational capabilities that allow one to learn and benefit from new opportunities.

There are many studies that have linked firm’s success with behavior of their employees. Effective HRM practices generate positive HRM outcomes and this positive HRM outcome will lead to positive behavioral outcomes of employees. OCB has been gained much attention of researchers as one of such behavioral outcomes which leads to better performance. Although there are many studies that identified the factors that promote or enhance the OCB in organizations, very few studies has examined the linkage of HRM practices with OCB where the effect of organizational commitment as a mediator is included.

HRM Practices and OCB

Organizational Citizenship Behavior (OCB) is one
of the main topics that get practitioners and researchers attention and interests (Change & Chelladurai, 2003). This is because of the positive impact that OCB has on different aspects of organizations. Dennis Organ, (1988) the father of OCB who coined the term, defines it as individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization. OCB is the willingness to go above and beyond the prescribed roles that he or she has been assigned (Organ, 1990). These extra-role behaviors are considered to support the maintenance and enhancement of the social and psychological context that supports task performance in the firm (Organ, 1998). Organ's definition of OCB includes three critical aspects that are central to this construct. First, OCBs are thought of as discretionary behaviors, which are not part of the job description, and are performed by the employee as a result of personal choice. Second, OCBs go above and beyond that which is an enforceable requirement of the job description. Finally, OCBs contribute positively to overall organizational effectiveness.

Shore, Barkdale and Shore (1995) argue that a high level of OCB reflects employees' true willingness to be involved in the firm. According to Lambert (2006), OCB (a) goes beyond the basic requirements of the job, (b) is to a large extent discretionary, and (c) is of benefit to the organization. Since OCB represents an employee's discretionary behaviors that go beyond his formal job description, it is considered as an important metric of measuring the health of a firm. Generally, the more the citizenship behavior is displayed in the workplace, the better is the firm performance. Some common traits observed in organizational citizenship behavior include good sportsmanship, active involvement in all professional and social company activities, and general acceptance of the rules and culture of the organization. An employee who practices OCB will typically be an exceptionally strong team player who maintains goodwill among co-workers and keeps the spirits of others upbeat. OCB may not always be directly and formally recognized or rewarded by the company. However, through salary increments or promotions for example, OCB may be reflected in favorable supervisor and co-worker ratings, or better performance appraisals (Organ, 1988).

OCB has been studied since the late 1970s. Over the past three decades, interest in these behaviors has increased substantially. Organizational behavior has been linked to overall organizational effectiveness, thus these types of employee behaviors have important consequences in the workplace. An examination of the literature indicates that there is a growing interest in the relationships between OCBs and their potential consequences (Podsakoff et al, 2009). According to Organ (1988), high levels of OCB lead to high levels of organizational efficiency, effectiveness and adaptability. It is considered as one of the most important factors influencing organizational effectiveness.

Organ (1988) identified five dimensions of OCB: conscientiousness, sportsmanship, civic virtue, courtesy and altruism. These five dimensions cover such organizational behaviours as helping co-workers, following company rules, not complaining, and actively participate in organizational activities. Walz and Niehoff (2000) found the OCB dimensions enhance organizational efficiency, performance, and customer satisfaction. Furthermore, OCB is positively related to high job performance, productivity, efficiency, cost reduction, profitability, employees’ retention and customer satisfaction (Podsakoff, Whiting, Podsakoff, & Blume, 2009). According to Morrisson (1996) an organization’s approach to HRM is instrumental in eliciting citizenship behaviors. The key argument has been that the way an organization manages its HRM sets the tone and conditions of the employee-employer relationship. If a firm’s philosophy implicitly states that employees are short-term resources that are easily disposable, economic rather than social exchange relationships are likely to develop (Witt, 1991). In contrast, HRM practices may convey to employees that their organization promotes humanistic values, cares about their well-being, and is willing to trust them (Gupta, & Singh, 2009).

According to Organ (1990) there is a positive association between high-performance HRM practices and citizenship behaviors. He argued that extra-role behaviors are performed by employees only when a social, not an economic, exchange
contract characterizes the employee-employer relationship (Pare & Tremblay, 2007). As Lee (2001) pointed out, employees must have the knowledge, capability, and opportunity to perform both their prescribed and their extra role behaviors. It is obvious that, according to AMO model, (ability-motivation-opportunity to perform) ability enhancing, motivation enhancing and opportunity enhancing HRM practices lead to increasing knowledge, skills and opportunity to perform. MacDuffie’s (1995) concludes that high performance, at the individual level, depends on high motivation plus possession of the necessary skills and abilities and an appropriate role and understanding of that role. It is a short step to specify the HRM practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and possibly performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback (Guest, 1997).

OPERATIONALISATION OF VARIABLES


Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. It is the effective and efficient utilization of human resources to achieve organizational objectives (Opatha, 2010). HRM is the human side of the organizational management. It is mostly responsible for the attraction, selection, training, assessment, and rewarding of employees for getting maximum contribution toward the organizational success. Stone (2005) defined human resource management as productive use of people in achieving the organization’s strategic business objectives and the satisfaction of individual employees. This definition clearly indicates that the organizations’ objectives are dependent on their work force productivity. The effective use of HRM practices is able to link these practices with organization’s goals and objectives. In order to accurately measure “human resource practices”, a number of HR functions may need to be evaluated. The importance of these practices may differ from firm to firm. One of the most comprehensive and widely used measures for human resource practice was presented by Dessler (2008) and Fisher et al. (2006). In their studies, human resource management practices are characterized as multidimensional, and it has four major facets namely; staffing, training & development, employee performance evaluation, and compensation management of employees.

Staffing

Staffing is the process of acquiring, deploying, and retaining a workforce of sufficient quantity and quality to create positive impacts on the organization’s effectiveness. It involves recruitment, selection, hiring and induction of potential employees. Recruitment is the process of finding and attracting suitably qualified people to apply for job vacancies in the organization. It is a set of activities an organization uses to attract job candidates who have the needed abilities and attitudes. Selection is the process of making the choice of the most appropriate person from the pool of applicants recruited to fill the relevant job vacancy. Hiring is the process appointing selected candidates to the posts which are vacant. Induction is the HRM function that systematically and formally introduces the new employee to the organization, to the job, to the work group to which new employee will belong and the work environment where the new comer will work. Various tools and techniques are used by firms for the improvement of staffing process to avoid the loss in terms of time, money and potential employees.

Training and Development

Training & development is another dimension of human resource practices where firms invest on development of their employees’ knowledge, skills ability and other required skills to improve the productivity of employees. Training & Development is the HRM function that formally and systematically provides new learning to increase employees’ capabilities. The primary purpose of training and development is to increase organizational performance by increasing employee performance. Training and development can transform human resource to human capital where skilled employee
would better perform in the success of organization as compared with none or less-trained employees.

Performance Evaluation
PE is defined as the systematic process of identifying, measuring, influencing, and developing job performance of the employees in the organization in relation to the set of norms and standards for a particular period of time in order to achieve various purposes (Opatha, 2010). This aspect of human resource practices generally involves the activities of various evaluation designs, both formal and informal, and different evaluation periodicities (Shub and Stonebraker, 2009). It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It functions as a continuous and evolutionary process, in which performance improves over time. Moreover, it provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs (Armstrong, 2006).

Compensation management
Compensation is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required. It is one of the most extrinsic practices of human resource function in an organizational setting. Compensation may include payments such as bonuses, profit sharing, overtime pay, recognition rewards, and sales commissions etc. Compensation can also include non-monetary perks such as a company-paid car, stock options in certain instances, company-paid housing, and other non-monetary items. This dimension determines the level of job of an employee on the basis of their perceived knowledge and experience. Moreover, the matching of their job knowledge with the pay or compensation provided them must demonstrate the market level competitive packages. Good compensation plan would therefore, inevitably influence on employees' performance. However, the extent to which an employee who is getting the good compensation package will perform well would also depend on his/her overall assessment of various factors like the compensation package in other organizations in relation to the work load and the possibility of getting better compensation packages (Purani and Sahadev, 2008).

2. Organizational Commitment as a Mediator
Organizational commitment is defined as employees' psychological state that influences the desire to remain a member of the organization (Meyer & Allen, 1991). According to Meyer & Allen (1991) organizational commitment is of three types i.e. affective, continuance and normative. Affective commitment is regarded as an employee's attachment to acknowledgment and participation in the organization. Continuance commitment is one's awareness of the outlays related to parting with the in attendance association. Employees who possess continuance commitment will remain in the organization. Normative commitment is the sentiment of responsibility of an employee to the organization on the basis of his or her personal norms and values. Employees with normative commitment remain with the organization because they believe they ought to. A relationship study has been conducted by several researchers between HRM practices and organizational commitment. According to Paul and Anantharamayan (2003) HRM practices show an eminent optimistic relationship with organizational commitment.

The relationship between organizational commitment and OCB has been demonstrated by many studies (Organ, 1988; Van, 2000; Wagner & Rush, 2000). In fact, it is expected that employees with high level of commitment to their organization are more focused on their work than employees reporting lower levels (Van, 2000). According to Meyer & Allen (1996) organizational commitment is the main construct in order to understand the relationship between the employee and the employer. Therefore, in this study, it is assumed that organizational commitment mediates the relationship between HRM practices and OCB.

CONCEPTUAL FRAMEWORK
For the purpose of this study, four (4) HRM practices namely; employee staffing, training & development, performance management, compensation
management were selected. Then, the relationship between HRM practices and OCB was examined exploring the mediating relationship of organizational commitment. Based on the above theoretical underpinning, a conceptual frame for the study was constructed as in Figure 2. According to the model in Figure 2, HRM practices are linked with organizational commitment and organizational commitment is linked with OCB of employees. Therefore, the model proposes positive relationship of HR practices with OCB with a mediation link through organizational commitment.

**METHODOLOGY**

A structured questionnaire was developed as the main data collection instrument. Four (04) HRM practices were selected for the study. There were; employee staffing, training & development, performance management, compensation management. These four HRM practices were the most widely discussed HRM practices in the literature. In order to examine the HRM intensification, forty (40) items (employee staffing, 10; training & development, 12; and performance management, 10; and compensation management, 8) were included in the questionnaire. Organizational commitment was considered as the mediating variables. Four (4) items to measure organizational commitment were included in the scale. Four items (4) in the scale also used in order to measure OCB. The questionnaire was first developed in English and then translated into Japanese to make respondents better understand it.

Four hundred thirty six (436) questionnaires were distributed to a randomly selected sample of manufacturing SMEs in Nagoya in Aichi Prefecture. An electronic data file maintained by the Nagoya Chamber of Commerce was used to draw the sample. One hundred forty four (144), equivalents to thirty two percent (32 percent), responded to the survey. Data was analyzed by using SPSS version 16. Descriptive statistics were used to understand the characteristics of firms and Pearson product movement correlation coefficient was used to examine the relationships among variables.

**Reliability and Validity of the Questionnaire**

In order to measure the reliability of instruments, Cronbach’s alpha coefficient is widely used. According to Sekaran (2005), if the alpha value is greater 0.7, the instrument is said to be acceptable. The internal consistency reliability coefficients (Cronbach’s alpha) for the scales used in this study are well above the level of 0.7. Table 1 shows coefficients for all variables. According to the table 1, each variable has got more than 0.8 alpha values which are well above the norms and thus are acceptable for the analysis purpose. Validation procedures involved initial consultations with subject matter experts about the questionnaire prepared. The experts also judged the face and content validity of the questionnaire and decided as adequate. Hence, the researcher was satisfied with the reliability and validity of the scale.
RESULTS OF THE SURVEY

HR Practices and Organizational Citizenship Behaviour

Table 2 shows Pearson product movement correlation coefficients among HR practices, organizational commitment and organizational citizenship behavior of employees. According to the table 2, HR practices are highly and positively related to OCB. First, employee staffing shows positive correlation with OCB. This relationship is strong and statistically significant ($r = .404, p < 0.01$). Second, the correlation of training & development with OCB is also positive and very high ($r = .451, p < 0.01$). The link between training & development and OCB is strong and statistically significant. Third, performance evaluation function also establishes strong correlation with OCB ($r = .587, p < 0.01$). This relation is also positive and statistically significant. Finally, the relationship in between compensation management and OCB is also very strong ($r = .336, p < 0.01$). Although the magnitude of coefficient is somewhat lower when compared with three other coefficients, it also shows positive and statistically significant. Among all these four variables, it is a performance evaluation practice that has the highest magnitude of the relationship with OCB while compensations accounts for the lowest magnitude.
HR Practices and Organizational Commitment and OCB

In order to examine the mediating relationship in between HR practices and OCB, organizational commitment was studied. The links between HR practices and organizational commitment, not surprisingly with earlier studies, are positive and statistically significant (Employee staffing, r=.310, p< 0.01; Training & development, r=.296, p< 0.01; performance evaluation, r = .311, p< 0.01; and compensation management, r= .287, p< 0.01). On the other hand, the correlations of organizational commitment and OCB are also very interesting. Organizational commitment shows very high and positive correlation with OCB which is r= .424 (p< 0.01). This link is also statistically significant giving the fact that the link has in presence not by chance but worth further studying.

DISCUSSION OF FINDINGS

HR Practices and OCB

In this study four areas of HR practices have highlighted their role and their relationship with OCB. Similar to the findings of other studies in large organizations, this study also establishes very strong and statistically positive correlation of HR practices with OCB in manufacturing SMEs in Japan. According to the findings all four HR practices were highly and positively correlated with OCB. It implies the idea that four HR practices; employee staffing, training & development, performance management, and compensation management are having positive relations with OCB. This highlights the fact that an increase of the usage of above HR practices enhances OCB. As all these relations are positive, with the increase of the usage of the said HR practices, OCB will be enhanced. Therefore, the conclusion that can be drawn from this finding is that, SME owners/managers who are concerned about increasing labour productivity should be prepared to employ more HR practices effectively.

HR Practices and Organizational Commitment

Analysis of the data clearly establishes very high positive correlations of HR practices with organizational commitment and organizational commitment with OCB. Therefore, it is intuitive to assume that organizational commitment is playing a mediating relationship in between HR practices and OCB. With this correlation, it is reasonable to assume an increase of the usage of above HRM practices enhance OCB through organizational commitment. Drawing from these findings, it can be concluded that those owners/managers in SMEs who are concerned to enhance organizational commitment of their employees should focus on effective use of HR practices prescribed above. However, in order to examine the impact of mediating effect of organizational commitment further analysis with sophisticated statistical techniques is needed in need.

IMPLICATIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The results of this study offer several key theoretical and practical implications for SMEs owners and managers interested in improving business performance of their SMEs. Effective HR practices lead to positive behavioral outcomes of employees such as organizational commitment and these positive behavioral outcomes lead to OCB of employees which are fundamental to achieve overall success of the organizations. The effective use of HR practices; employee staffing, training & development, performance management, and compensation management represented in SMEs was shown to be related to organizational commitment. These positive behavioral outcomes in turn are translated into positive operational outcomes such as OCB of employees. This highlights the fact that employees do matter even for SMEs and are shown to have links with operational performance in their businesses. Therefore, as the study highlights, when evaluating many options that are available to SMEs, it is very important to keep in mind not to discount the importance human resource management. Effective human resource management practices lead directly to positive behavioural outcomes on employees of the firm, which in turn lead to positive operational performance for the organization.

This study is subject to certain limitations encountered in the research process. The study was based on the data collected only from 144 manufacturing SMEs in Aichi prefecture Japan. Therefore,
generalisability could have been increased if number of sufficient manufacturing firms representing all the prefectures in Japan were taken. This study focused only on the relationship, not the effect or impact, between HRM practices and organizational citizenship behavior of employees. However, it is better if this study focused on the effect of HRM practices on organizational citizenship behavior of employees too. Further analysis with sophisticated statistical testing is very much sought to examine the impact of HRM practices on organizational citizenship behavior and mediating role of HR outcomes. However, future research with relatively larger samples expanding to other sectors in SMEs will be very much useful in deed in this direction.

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