THE EFFECTS OF PSYCHOLOGICAL CONTRACT ON JOB SATISFACTION AND COMPETITIVE ADVANTAGE

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Dissatisfaction at workplaces points to the low recognition that has been given to the management of psychological contract (PC) which can negatively affect firms’ bottom-line. Made-up of items not found in the employment contract, PC refers to individuals’ beliefs about the terms of the exchange agreement between employers and employees. The study sought to unravel the relevance attached to the subject matter (PC) per its positive effect on job satisfaction (JS) and consequently on competitive advantage (CA) at the three leading audit firms in Ghana. Questionnaires were administered to 150 staff and management of the three selected audit firms. Data obtained were then analysed quantitatively using the Statistical Package for Social Sciences (SPSS). According to the findings of the study, there exists a positive and significant relationship between PC and CA. Also, PC was found to positively and significantly relate to JS, while JS positively and significantly relates to CA. Lastly, JS mediated the relationship between PC and CA. Based on the findings, it is recommended that employees’ expectations should be well defined or explicitly stated and managed by both the organizations and managers. Organizational policies such as annual general meetings with the employees can be avenues for managers to explain the performance of the organization to help employees define their expectations. In addition, free flow of information and frequent formal and informal interactions of managers with their employees can clarify expectations. It is also recommended that managers must be trained on the importance of PC. Managers as well must communicate the organization’s expectations to employees through the use of electronic-HR systems like intranet and internal electronic mail so that they are aware of what the employer wants and how they can contribute in order for the firms to achieve competitive advantage.

Keywords: Psychological contract, Job satisfaction, Competitive advantage.

Introduction

It is of great importance that employees’ unwritten expectations are met by their employers in order to drive employees’ commitment to the attainment of organisational goals and objectives. As such, a consideration into how satisfied they are at the workplace can go a long way to offer the best return on investment for sustainable competitive advantage (Luthans and Youssef, 2004). Also, the concept of employee psychological contract plays a significant role since employees are indecisive about sacrificing and performing tasks which assistance organizations in realizing their goals of achieving competitive advantage in the era of fierce competition. Job satisfaction can be viewed as an effective response by individuals resulting from an appraisal of their work roles in the job that they presently hold (Armstrong, 2012).
Psychological contract on the other hand, has been defined by many classical theorists in diverse ways and the often used definition is that of Rousseau (1989). She defined psychological contract as; “an individual’s belief concerning the mutual obligations that exist between him/herself and the employer” (p. 121). She added that these obligations arise out of the belief that a promise has been made either explicitly or implicitly, and the fulfilment of promissory obligations by one party is contingent upon the fulfilment of obligations by the other. An analysis of a similar kind is made by Coyle-Shapiro and Parzefall (2008) and Billsberry (2000). They also emphasized on the agreement or mutuality of an individual’s perception of obligations in the exchange relationship with his/her employer, which are sustained through the norm of reciprocity.

In the light of all these benefits, many large public sector firms, including some private firms neglect Human Resource Management (HRM) practices that factor proper management of the psychological contract, thereby devastatingly affecting job satisfaction which undeniably impinges on employee performance. The importance of this assertion is the continuous costly push for enhancement in the area of capacity and efficiency in most public sector firms, as was published by The Food and Drugs Authority (FDA) in the Ghanaian Times (2014). Besides this, a report released by the Organization for Economic Co-operation and Development (OECD) (2014) indicated that it is important for emerging economies to boost labour productivity in order to reach income levels comparable with developed countries. Many diagnosable factors recommended, distinguishes the need to uphold job satisfaction as a causative agent to change in any economy and business environment such as Ghana and specifically KPMG, Deloitte & Touche and PricewaterhouseCoopers. This therefore portrays the inevitability of the psychological contract in practice.

Trust which results from the employment relationship coupled with a commitment is perceived as fulfilment of promises (Sarantinos, 2007). In other words, the psychological contract would be well managed if HRM practices are well incorporated into organizations to act as a channel through which employers’ expectations are brought to bear, placing employees in a better position to anticipate what they will receive in return (Rousseau, 1995; as cited in the work of Sarantinos, 2007). Contrary to this, contract violations have penetrated the workplace in the light of a ‘perceived breach’ of the promissory obligations expected by both parties in the employment relationship. Employees express these violations in a much stronger and emotional way so that organizations lose human capital in the process through employees resorting to exiting the company, voicing out their grievances, keeping silent or in other circumstances causing destruction or neglecting task and becoming counterproductive. For the most part, employees, according to research will be both extrinsically and intrinsically satisfied when their beliefs shaped by the organization regarding the terms of an exchange relationship between themselves and the organization are present (Noe et al., 1996).

In centuries past, HRM practices have greatly evolved and it is yet to be perfected to ensure the overall business strategy in organizations in terms of competitive advantage (Miller, 2000). Psychological contract as part of HRM has also been positively influenced in the process so that employees are expected every now and then to contribute in the area of continuous skill improvement and increased productivity while spending reasonable time with the organization and providing the required effort. Employers are also expected to provide competitive compensation and benefits, career development opportunities, and flexibility to balance work and home life. In practice, the relationship between organizations and employees are deficient of that reciprocity of obligations and expectations that is, where employees may seem to oblige to the provisions of the needs of the organization, their expectations may minimally be met or missed all together. Quite a large part of the psychological contract is unspoken and taken for granted (Billsberry, 2000). The creation and maintenance of effective psychological contract based on trust, commitment and organizational citizenship in work organizations, create perceived job security and a stable organizational culture in order to sustain or maintain that competitive edge. There is a paucity of research on the effects of psychological contract in Ghanaian organisations. This research therefore seeks to investigate the effects of psychological contract on job satisfaction and competitive advantage.
Research Objectives and Questions

The main objective of the study was to investigate into the effects of psychological contract on job satisfaction and competitive advantage at three selected audit firms (KPMG, Deloitte & Touche and PricewaterhouseCoopers) in Ghana. These audit firms were chosen because according to Holbeche (2001), they are the three top audit firms in the world. In order to achieve the main objective, the study specifically examined the effect of psychological contract adherence on the attainment of competitive advantage at the three selected audit firms; the effect of the adherence of psychological contract on job satisfaction at the three selected audit firms; and the mediating effect of job satisfaction on the relationship between psychological contract and competitive advantage at the three selected audit firms.

Based on the objectives outlined above, the study sought to answer questions such as: Does the effect of psychological contract adherence lead to the attainment of competitive advantage at the three selected audit firms?; What are the effects of the adherence of psychological contract on job satisfaction at the three selected audit firms?; What is the mediating effect of job satisfaction on the relationship between psychological contract and competitive advantage at the three selected audit firms?

Research Methods

The research was based on a quantitative data collection technique and analytical procedure and the purpose of the study was explanatory. The quantitative method helped the researchers to accurately answer the research questions and meet the objectives of the study.

Out of a total population of 587 cases, 150 were sampled because according to Saunders et al. (2012) a sample size of 100 easily aids generalization. Stratified random sampling coupled with simple random sampling techniques were used to obtain the sample from the population. The target organizations for data collection were KPMG, D&T and PwC in Accra, with the study consisting chiefly of both primary and secondary data sources. In answering the research questions and achieving the objectives of the study, secondary data sources including; published summaries and data from journals, publications and articles from the internet, reports, conference proceedings and manuals were utilized. Primary data were collected to buttress and support the authenticity of this study through the administration of questionnaires at KPMG, D&T and PwC. Statistical Package for Social Sciences (SPSS) was used for the analysis of data.

Literature Review

Earlier works on the theory of psychological contract (PC) has examined closely the employment relationships that exist in organizations as the ‘building blocks’ in terms of productivity and quality assurance (Rabstejnek, 2013). Further to this, during the final phases of the selection stage of the employment process within organizations, an explicit employment contract is signed and outlines the entire tangible legal contract agreed upon by both parties (the organization and the new employee) to the contract. Yet, there is an implicit facet of the employment relationship very delicate to overlook, and has to do more with less tangible expectations between the organization and the employee which is referred to as the ‘psychological contract’.

This section, therefore, reviews various literature and provides a summary of research on some historical advancement and contributions of the PC, the meaning and definition of PC, and the changing nature of PC. The definition of psychological contract captures both sides of the work environment that is from the employer and employee point of view. But for the purpose of this study, the definition shall be set around only the employees’ perception about the mutual obligation.

Structured works of contemporary researchers on the study of psychological contract have sprung up with continued exploration and discovery of the truths surrounding the theory and how practical they can work for organizations today. From several viewpoints, there have been deductions from the first work by
Argyris (1960) who helped with a better understanding of the psychological contract. He defined it as an implicit understanding between a group of employees and their foreman, and argued that the relationship could develop in such a way that employees would exchange higher productivity and lower grievances in return for acceptable wages and job security. Notwithstanding this definition, Bernard (1938) and March and Simon (1958) had earlier pioneered this assertion by the establishment of the employment relationship concept observed in work organizations and pointed out that, employees’ participation depended largely on the rewards they were accorded with.

The aspect of the reciprocal exchange is obviously seen to underpin the employee-organization relationship. This is how March and Simon (1958) puts it in their ‘inducement-contribution model’. They highlighted on employee satisfaction as rewards in themselves of which, when employees obtain are more significant to them compared to their inputs. The surrounding misconceptions of the term today have been better clarified with constant reviews of earlier works of Levinson, Munden, Mandl and Solley (1962) and Schein (1965). As a result, psychological contract was conceived by Schein (1965) as perceived today within a framework of ‘an unwritten set of expectations operating at all times between every member of an organization.’

It was this definition of Schein that gave roots to the works of Rousseau and Wade-Benzoni (1994) who saw the psychological contract as beliefs individuals perceive of promises they feel have been made and accepted, and upon which they rely in the employment relationship. A breakdown of their studies researches deeper to explain the parties that form the employment relationship to constitute not merely the employer and the employee but clients, managers, and even the whole organization. Necessary to add is the fact that psychological contract has also erupted from the social exchange theory coined by Blau (1964) and Gouldner (1960). Looking back into history, Bernard (1938) figured out a way by which the psychological contract can be recognised today by projecting the employment relationship concept, of which Conway and Briner (2005) establish as the ‘reciprocal exchange’ that exist between the parties to the contract.

March and Simon (1958) on the other hand, based their work in support of Bernard (1938) so that they took his work further to the level of what they called inducements-contribution model. The model was used to argue that; employees express satisfaction when the difference that lies between the inducements offered by the organization and the contributions expected from them in return are wide apart. The organization on one side, expects employee contributions to be enough to produce organizational inducement. This inducement from the organization however needs to be adequately eye-catching to stimulate employee contributions.

However, a striking similarity thus is created of the explanation of Bernard (1938), and Conway and Briner (2005) concerning the exchange relationship theory, inducement-contribution model, together with the reciprocal exchange theory to explain the concept of the psychological contract. Menninge (1958) qualifies these terms as both tangible and intangible exchanges within organizations. This means the exchange between the two parties needs to provide mutual satisfaction in order for the relationship to go on. Levinson et al. (1962) departs from Menninge (1958) by seeing a much more tangible exchange than intangible within the employment relationship which correlates with the study of Argyris (1960) as cited in the work of Coyle-Shapiro and Parzefall (2008). Quite a lot of theoretical details which have made invisible works of earlier contributors have created circumstances where a practical attention in managing the employment relationship tends to be missing in current research works. Rabstejnek (2013); Sonnenberg et al. (2011); and Coyle-Shapiro and Parzefall (2008) obtains a more realistic picture of what can be used to make much better speculations of the changing psychological contract. They presupposed the need not only to understand psychological contract, but practice it in order to cause organizational change in terms of commitment, work-life balance, life satisfaction, loyalty to supervisors, excitement, organizational citizenship and less intention to quit.

Several reviewed works have measured the rate at which the state of the psychological contract can cause a change in the work environment, and the findings were that organizational commitment rated high in terms of measurement, whiles job satisfaction followed, with the rest being work-life balance, life satisfaction, loyalty to supervisor, excitement, organizational citizenship and intention to quit. Rabstejnek
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(2013) and Billsberry (2000) tended to agree more with the history of psychological contract having commenced in 1960 but narrates a much empirical view of the term to counter the light weighted theoretical views of others in the field. They recalled the period of boom in the American industry, where more and more goods demanded exceeded supply which called for expansion of organizations. Many new hires, including promotion of those already on board eliminated the feeling of distrust, insecurity, and disloyalty in organizations, so that termination which resulted from downsizing in those days was rarely practiced. Events began to take a negative toll on employees of America and consequently on today’s employees when reasons for cutting cost intensified in the 1980s. The realities of psychological contract began showing in the relationship between the employer and employee in practice as there was a shift away from the traditional guarantee of a lifetime employment.

The minimal information on the history of psychological contract brought a major challenge to current researchers who were conceptualizing the psychological contract, in that, earlier works barely motivated the understanding of the term with up-to-date events. But Rabstejnek (2013) and Billsberry (2000) clarified ideas surrounding the PC theory by linking employee expectation with their immediate social environment. Aside these weaknesses in the history of the PC, an explanation of the old psychological contract has brought meaning and a much freer use of the ‘term’ in practice. But Conway and Briner (2005) tread a different path by stating how evident psychological contract has been in the organizational setup but substantially lacks focus in practice.

According to Armstrong (2009, 2012), psychological contract is explained, as a set of unwritten expectations that exist between individual employees and their employers. It can also be defined as an individual’s belief concerning the mutual obligations that exist between him/herself and the employer. Therefore, whether expressed explicitly or implicitly, obligations arise when it is believed a promise has been made, and the fulfillment of promissory obligations by one party is contingent upon the fulfillment of obligations by the other (Abdullah and Boyle, 2010).

Shields (2007), identifies part of the psychological contract as, “‘filling in the gaps’ left by the formal legal contract of employment so that it constitutes a more complete account of the entire range of mutual obligations between the employer and employee” (p. 49). Rousseau and Wade-Benzoni (1994) also said that the psychological contract refers to the beliefs that individuals hold regarding promises made, accepted and relied upon between themselves and another. Constructively the theory of psychological contract represents how people interpret promises and commitments, whether written or unwritten, and how parties in the same employment relationship can have different views regarding specific terms. These differences, however, goes a long way to affect the level of satisfaction of employees as well as the proper alignment of the firm’s strategic capabilities to achieve sustainable competitive advantage. Furthermore, every profit seeking venture depends basically on its human resources because they are of importance to them and will do everything financially possible to retain those talented employees (Noe, et al., 1996; Mathis and Jackson, 2004).

However, even though human resources are of importance to firms (Guest, 2004; Capanzano and Mitchell, 2005; Colye-Shapiro and Shore, 2007; as cited in Hase et al. 2004), the exchange relationship has seldom been recognized in terms of how its basic aspects have been dealt with. Fairness and trust perceptions form the main constituents of the psychological contract and establish the reasons why an examination of these should reveal PC as an evaluation tool of the employment relationship. But many questions that have arisen in the works of Argyris (1960); Bernard (1938); March and Simon (1958); Conway and Briner (2005) and other classical studies, including contemporary studies of Rousseau (1989) have been revealing of this relationship. The question is whether fairness and trust is at play at all and whether employees’ skills and rewards for high performance are recognised by employers? Again, the understanding of the term tends to the fact that, employers and employees each possesses their own sets of needs and values (Noe, et al., 1996), of which Mathis and Jackson (2006) espouse as, the ‘unwritten expectations’ of both parties about the nature of their work relationship. Meanwhile they both believe that a balance of both sides of the relationship achieves considerable benefits to the organization in today’s era of fierce competition. This orientation supports the growing consensus that this kind of
contract influences the outcomes achieved by both sides with or without the provision of a formal collective bargaining agreement.

Further to these similarities drawn are Guest et al. (1996) who mentions assumptions, expectations, promises and mutual obligations as distinguishing features of which are rarely mentioned in many studies particularly classical ones. This he demonstrated by summarizing these features for better understanding by referring to them as attitudes and emotions which form and govern behavior. But the evidence linking his work with others is that, psychological contract is implicit and also dynamic- meaning that, it develops over time as experience accumulates, employment condition changes and employees re-evaluate their expectations.

Also referred to as the ‘PC theory’, psychological contract in several instances has had an unending influence on employee behaviour and attitude. Managers in other words treasure its fulfilment in the work environment since its breach can have a telling consequence on employee satisfaction, motivation and performance. That is to say that the psychological contract extends as well to when the employee perceives certain benefits way above what they are normally given in terms of pay in exchange for work done (Willems et al., 2004; Gottschalk, 2013). Psychological Contract is largely not visible, which presupposes its implied nature assumed to be understood by both employees and employers to the contract, but in practice it is difficult to be understood by both parties as expressed in the article by Rabstejnek (2013). He advances his point by explaining that PC lacks any legal backing and so if not provided there are no direct alternative for the employee of an organization with regards to rights. Nevertheless, there is hope of it being enforceable taking into consideration; employee’s age, gender, and race laws against discrimination. Guest and Conway (2002) concurrently call for concentration in the area of fulfilling the psychological contract rather than brooding over its breach. More studies into the effect of fulfilling the psychological contract therefore should be investigated to serve as manuals or guides for HR managers to follow. In the direction of PC being a set of needs and values of both the employers and employees a successful relationship between both parties will require a balance. Employers are often expected to fulfil their end of the bargain as employees oblige to work hard for the organization as it is relevant in the studies of Willems et al. (2004); Gottschalk (2013); and Rabstejnek (2013).

Although the dimension of psychological contract, namely transactional, relational, balanced and transitional may have different make-up, they mutually explain the PC concept. Therefore, the manner in which all are provided translate to employee motivation, employee engagement, and organizational commitment that determine the level of job satisfaction (Armstrong, 2012). Classifying the extent of satisfaction of employees into; pecuniary/monetary satisfaction (extrinsic) and psychological satisfaction (intrinsic), a broad understanding can be made so that, the types of the psychological contract namely; ‘transactional’ and ‘relational’ equals pecuniary and psychological satisfaction respectively in the employment relationship. In brief employees are motivated, engaged and committed when they are satisfied with the state of the psychological contract. These therefore forms the three components of job satisfaction that leads to competitive advantage namely; employee motivation, employee engagement and organizational commitment.

The changing nature of the business world has led to the recognition of the importance of people in the execution of tasks. Technology, in its quest to improve the general outlook of companies has not led entirely to the achievement of competitive advantage because it is easier for competitors to replicate. As a matter of fact technology has quickly reduced or eliminated many operational sources of competitive advantage, focusing more on human capital as a more sustainable way of competing (Macey et al., 2011; Barney 2015; Seidu, 2011; Hatch and Dyer, 2004; Luthan and Youssef, 2004). For this reason there has been a focus on psychological contract on management agenda (Zatzick and Iverson, 2006). Companies would want to accomplish more tasks with less capital and so may drift from focusing on the management of expectations as a way of being competitive thereby creating much tension and stress in the work environment. Job insecurity has been the order of the day in periods of restructuring, downsizing, layoffs and what’s not, which on the other side adversely affects the viability of the workforce. An aspect of long-term commitment to employees, which today’s companies restrain from implementing alongside the control employees have taken for their work lives, poses as the main reasons inhibiting the proper
delivery of the contract. But the quest for companies to adjust to changes in reference to their ability to recruit and retain the people they need and to get and keep their workforce fully engaged makes the psychological contract a vital part of the management toolkit for sustainable competitive advantage. Evidence of this in the opinion of Hase et al. (2004) show the extent by which knowledge management practices and expectations are in fact sustainable for growth in organizations.

Akpalu (2010) for instance placed a high premium on the proper management of human abilities and capabilities to achieve a boost in company brand name. She touched on the cases of hotels in Australia which were facing problems with regards to increasing their profit in the hotel business to attract further investors. The rate of labour turnover in the hotel industry, she narrated, affected negatively the performance and profits of many players in the industry generally making the industry less viable to attract investors. She suggested a number of HR practices to be applied, comprising of; investment in training, offering organizational support, adapting to innovation, recruitment and selection processes, offering the best career opportunities and taking up measures to increase job satisfaction and commitment. Akpalu (2010) found out that when HR practices were embedded in the jobs that employers offered, it indirectly linked to lower employee turnover.

Seidu (2011) further added to Akpalu’s findings that a relationship rather laid between management High Performance Work Systems (HPWS) and competitive advantage only when there was the mediation of ‘collective human capital’. These findings point to the importance of human beings in the execution of tasks. Yet the two findings lacked the moderating role of a positive psychological contract, which meant to say that psychological contract is hardly recognized as a key player to achieving and sustaining competitive advantage. But to argue out the assertions of both Akpalu and Seidu, it is important that the employers’ management of HR practices and the configuration of HR practices to create a High Performance Work Systems (HPWS) should entail examining the needs and values of employees. This is labelled as offering a ‘positive psychological contract’ which ensures high-employee performance. Through informal communication channels, however, this positive psychological contract is activated, which concerns discussing employees’ needs, for instance, over the photocopier and responding accordingly (Mathis and Jackson, 2006). From the foundations created of the use of the psychological contract as a tool in workplaces to achieve job satisfaction and competitive advantage, some theories and hypotheses are developed below to explain the concept.

Theoretical Background and Hypothesis Development

Psychological contract has been found to lead to competitive advantage, and this is supported by the social exchange theory. This theory was defined partially by Homan (1958) as a theory of exchange in the area of how individuals interact within groups (Coyle-Shapiro and Parzefall, 2008). A later definition by Blau (1964) and Gouldner (1960) represented the foundational ideas of the social exchange theory. According to Emerson (1976), different views have emerged so far of social exchange, and theorists agree that social exchange entails a series of interactions that generate obligations. Blau (1964) makes a distinction between social exchange and economic exchange and comes up with the view that; the economic exchange is one with the obligations of each party specified in accordance to the fulfilment of those obligations in the formal contract, and the exchange has a set time frame. Social exchange contrastingly, involves unspecified obligations tasking one party to trust the other concerning benefits recovered that it will be reciprocated (Seidu, 2011). Trustworthiness is enhanced by the reciprocation of benefits which in turn makes possible the on-going showering of benefits and the long term discharge of obligations. In short, social exchange theory looks at how social exchange relationships develop to bring about “feelings of personal obligations, gratitude and trust” (Blau, 1964, p. 94). The action of one party, thus, is contingent upon the other’s reactions in the economic and socio-emotional exchange of resources. It is, however, based upon this contingent exchange that the social exchange has been applied as the main theory backed by the expectancy theory developed by Victor Vroom (1964) to explain the concept of the psychological contract.
Competitive advantage as defined by Barney (2015) states that it is the extent to which there has been a considerable reduction in costs, exploitation of opportunities and neutralisation of threats. The role of resources as highlighted in strategic management is an important antecedent of firm performance (Priem, 2001). The extent to which a resource or a capability of a firm is used to reduce cost or react toward opportunities while mitigating threats, tells how valuable resource or capability is. Consequently, competitive advantage is achieved for a firm depending on the firm’s own ability to effectively deploy such a resource or capability. Resources or capabilities exploited must, in other words, be rare. However, competitive advantage is far from firms whose resources or capabilities are widely held and easily imitated. HR practices are the most essential when it comes to developing human capital. Through HR practices, there is a direct impact on the knowledge, skills and abilities of the employees capable of providing value to the firm (Barney and Wright, 1998; MacDuffie, 1995). Collective human capital yields to sustainable competitive advantage with the ability to use High Performance Work Systems (HPWS). This HPWS as clearly defined by Datta et al. (2005) cited in Seidu (2011), is a system of HR practices such as career opportunities, job influence, teamwork and job challenge, designed to enhance employees’ skills, commitment, and productivity in such a way that employees become a source of sustainable competitive advantage (p. 136).

The ability to use HR practices to manage a psychological contract, results in employees being obligated to reciprocate with higher performance thereupon leading to competitive advantage. This therefore forms the basis of the first hypothesis ($H_1$) drawn in this study that psychological contract positively relates to competitive advantage. This hypothesis is underpinned by Seidu (2011), Blackman and Phillips (2009), and Cropanzano and Mitchell (2005) agrees with the positive relationship that lies between psychological contract and competitive advantage as aptly campaigned by Hall (2008) and Willems et al. (2004). They attested emphatically that there exists a general presumption that workers can form exceptional social exchange relationships with immediate supervisors, co-workers, and employing organizations. These relationships they said have some causes and effects for behaviour. According to Willems et al. (2004), a positive psychological contract leads to higher satisfaction with work and work-life balance, higher organizational commitment, lower stress at work and increased work motivation (p. 5). Seidu, and Cropanzano and Mitchell, continue to affirm the fact that because individuals return the benefits they receive, they are sure to go with goodwill and helpfulness to the party with whom they have a social exchange relationship to promote goal attainment which amounts frequently to reducing cost, exploiting market opportunities, and defending against competitive threats. Therefore based on the theory and existing literature stated above, I hypothesize that:

**Hypothesis 1:** Psychological contract positively relates to competitive advantage.

As often understood, job satisfaction encompasses people’s feelings about their jobs. The explanation of job satisfaction is provided by Locke (1976), who defines it as a pleasurable or positive feeling resulting from the appraisal of one’s job or job experience. Accordingly, job dissatisfaction is the unpleasurable emotional state resulting from the appraisal of one’s job as frustrating or blocking the attainment of one’s values (Locke, 1976). Past research has identified various experiences and facets of job satisfaction that influence an individual’s expectations, needs (physical and psychological) and values (Price et al., 1981). From the definition by Armstrong (2012), job satisfaction refers to the attitudes and feelings people have about their work. The level of job satisfaction is affected by intrinsic and extrinsic motivating factors, the quality of supervision, social relationships with the work group and the degree to which individuals succeed or fail in their work. It is, however assumed that discretionary behaviour which helps the firm to be successful is most likely to happen when employees are well motivated and feel committed to the organization and when the job gives them high levels of satisfaction. It has been found that the key factors affecting job satisfaction were career opportunities, job influence, teamwork and job challenge. A link therefore lies between how fulfilled employees are of their expectations and the level of job satisfaction experienced by them.
From the background of the expectancy theory propounded by Vroom (1964) there is the support that; adherence of psychological contract positively relates to job satisfaction, which forms the second hypothesis ($H_2$) of this study. In Vroom’s expectancy theory according to the Institute of Chartered Accountants (Ghana) (ICAG) (2008), there are two things which yields people to decide to what extent they are prepared to exert a degree of effort into the work they do, and these are: the value they attach to the work or the outcome in the form of rewards (positive) or punishment (negative) that amass according to the extent of their effort. Secondly, people exert a degree of effort into the work they do by the level of their expectation- that exhibiting certain sets of behaviours will amount to the required outcome (expectancy) (Robinson, Kraatz & Rousseau, 1994; Robinson & Rousseau, 1994; Rousseau & Wade-Benzoni, 1995; Herriot et al., 1997; Anderson & Schalk, 1998). As an illustration, an Australian work force changes some years back to casual employment as Nelson et al. (2006) make account of, led to the unfulfiled obligations of employers of the relational contract while employees felt fulfiled with the ‘transactional’ type contract. However, employees felt satisfied when they realized the transactional aspect of the psychological contract was being met by the employer. Nonetheless, the findings revealed that employees still felt exploited and treated less fairly than full-time employees when they realized the relational contract remained mostly unfulfiled. Usually these unfulfilled expectations of the employee are felt as a breach of faith, consequently leading to violations such as; anger, disappointment or betrayal, worsened job performance (Lester and Kickul, 2001), exiting organizations, decreased trust (Robinson and Rousseau, 1994), and most of all reduced employee satisfaction (Robinson and Rousseau, 1994). From the above evidence, I therefore hypothesize that:

**Hypothesis 2:** Psychological contract positively relates to job satisfaction.

Several studies such as Barney (2015) and Luthan and Youssef (2004) has stressed from the Resource-Based View (RBV) theory that there are comparative benefits that human resources provide to organizations in terms of their skill mix, values and distinctive qualifications. It has been observed in most industries that organizations use the same inputs, but may differ in the processes used to combine these inputs and transform them into products. However, while it is easier for competitors to replicate inputs and outputs of firms, competitive advantage could be provided by a distinctive mix of skills, knowledge and expertise possessed by staffs. The provision of HPWS or group-specific HRM policies as suggested in the works of Mazurenko and O’Connor (2012) could assist in capturing this unique stock of talent with distinct characteristics. In this vein, these HPWS or group-specific HRM policies could facilitate increases in employee motivation and improved job satisfaction. According to Huselid (1995), human resources including employee skills and knowledge and group-specific HRM policies can assist in creating a competitive advantage. From the analyses of the various sources of competitive advantage it has been confirmed by various researches that by creating satisfied employees it creates value and establishes a superior position in the market. In practice, therefore, it could be said that employees possess a unique stock of talent. Therefore, by the application of the appropriate HPWS or group-specific HRM policies such as career opportunities, job influence, teamwork and job challenge there should be an increase in employee motivation and job satisfaction. Satisfied employees can in other words, be an overall value-creating strategy for firms such as those in the professional service industry.

Job satisfaction depends on the application of the HPWS to arrive at a positive change in the attitudes and feelings of employees to motivate, engage and keep them committed to obtain competitive advantage. This means the employees now serve as the firm’s specific human capital, which is valuable, rare, inimitable and non-substitutable. This theory is based on the social exchange theory (SET) which in many literatures has been defined to engender the feelings of personal obligations, gratitude and trust. HPWS as previously defined by Datta et al. (2005) cited in Seidu (2011) encourages a better acknowledgement of the concept of job satisfaction. This could apply to the assumption that when employees are satisfied with the fulfilment of the terms of both the explicit and implicit contracts, they are motivated, engaged and committed to being innovative, delivering unusual quality and outstanding service, exhibiting special skills and being exceptionally productive. This therefore sums up to become
the core competencies of a firm which leads to competitive advantage (representative of the third hypothesis \(H_3\) of the study) (Macey et al., 2011; Barney, 2015; Seidu, 2011; Hatch and Dyer, 2004; and Luthan and Youssef, 2004). Curwen (2014) contributes to the relationship between job satisfaction and competitive advantage by stating the benefits of a satisfied workforce as; stamping out detrimental turnover costs, retaining vibrant talent, and encouraging efficient, productive employees committed to the welfare of the business. However, based on the above I hypothesize that:

**Hypothesis 3:** Job satisfaction positively relates to competitive advantage.

The mediating role of job satisfaction as denoted to be the fourth hypothesis \(H_4\) seems to assume a linkage between the two variables specifically; psychological contract and competitive advantage to each other. Above all, the end results of the relationship which in this study is competitive advantage, is not directly affected only by the recognition of the psychological contract. But the acknowledgment of the different kinds of contract types (transactional, relational, balanced and transitional) helps employers or organizations to meet employees at their needs (Curwen, 2014). When employees are offered the most suitable psychological contract they show off signs of satisfaction. This is often reflected in their work as employees are more engaged and deliver positive outcomes because their efforts yield valued rewards (Parzefall and Hakanen, 2010).

Job satisfaction as the mediating variable is defined by Armstrong (2012) as the attitude and feelings people have about their work. Arguably Guest and Conway (2002) alongside Armstrong (2012) assume the position of explaining the effect of positive psychological contract on high job satisfaction. They explain that when job satisfaction is high, it does not only create employee engagement as proposed by Parzefall and Hakanen (2010) and Robbins et al. (2008) but also employee motivation as well as organizational commitment. Affective commitment as derived from organizational commitment for instance is viewed as possessing that degree of emotional investment and attachment to the organization and its goals, which is the outcome of a positive psychological contract. Affective commitment as resulting from the level of job satisfaction and characteristic of the social exchange theory, describes the response to perceived employer contract fulfilment through the act of attitudinal reciprocation (Milward and Hopkins, 1998). In essence, perceptions of contract fulfilment should be reciprocated by increased commitment and reduced intentions to exit the organization, thereby measuring to competitive advantage. Thus, based on the theory and existing literature above, I hypothesize that:

**Hypothesis 4:** Job satisfaction mediates the relationship between psychological contract and competitive advantage.

Based on the theoretical analysis and the consequent hypotheses above, a conceptual framework relevant and representative of the assumptions above follows below:

![Figure 1. A conceptual framework showing the relationship between psychological contract and competitive advantage](Source: Researchers’ own construct, 2015.)
Per the diagram above, the researchers are looking at the psychological contract as an independent variable that predicts job satisfaction and competitive advantage. Also, the study seeks to delve deeper into the mediating role of job satisfaction on the relationship between psychological contract and competitive advantage. This is based on the empirical studies earlier discussed. Earlier works, however, lacks any establishment of relationships between psychological contract, job satisfaction and competitive advantage in the professional service industry. Therefore, the proposed framework expands on earlier works to establish relationships between psychological contracts (PC) and competitive advantage (CA), psychological contract and job satisfaction (JS), job satisfaction and competitive advantage and the mediating role of job satisfaction on the relationship between PC and CA.

Results and Discussion

This section contains an analysis and discussion of the results obtained. It looks at the presentation of findings using frequency tables. Statistical tools like the Statistical Package for Social Sciences (SPSS) were used to examine the relationship between variables. The researchers had a sample size of 150 of which questionnaires were administered to. However, out of this 150, 121 (80.7%) responses were received which showed a high response rate.

This section discusses results on the reliability and internal consistency of the questions and the scale employed to capture the various constructs in the study. The Cronbach’s alpha reliability test was employed. Cronbach’s alpha reliability coefficient normally ranges between 0 and 1. The closer the Cronbach’s alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. George and Mallery (2003) provide the following rules of thumb: “> 0.9 = Excellent, > 0.8 = Good, > 0.7 = Acceptable, > 0.6 = Questionable, > 0.5 = Poor, and < 0.5 = Unacceptable”. While increasing the value of alpha it is partially dependent upon the number of items in the scale, it should be noted that this has diminishing returns. The results are presented in the table below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ psychological contract</td>
<td>0.786</td>
</tr>
<tr>
<td>Managers’ psychological contract</td>
<td>0.691</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>0.724</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>0.754</td>
</tr>
</tbody>
</table>

Table 1 shows the level of agreement of respondents of their psychological contract using a five likert scale point. Among employees, 54 items were asked. The overall Cronbach’s alpha for the employees’ psychological contract was estimated to be 0.786 which is very high. This value is good and is within the acceptable region, according to George and Mallery (2003). Furthermore, managers responded to 14 items under psychological contract and it was found out that the overall Cronbach’s alpha is 0.691. The conclusion is that the reliability of questions and scale employed to capture managers’ psychological contract is acceptable.

Secondly, 15 questions were used to indicate job satisfaction among employees and the results of the reliability of these questions are presented in the table above. The Cronbach’s alpha was found to be 0.724 which indicates a good reliability and internal consistency. Lastly, 18 sets of questions were used to indicate competitive advantage. The Cronbach’s alpha was found to be 0.754 which indicates a good reliability and internal consistency.
The results in Table 2 show the estimates of the linear regression for the association between psychological contract and competitive advantage. The R-squared value of 0.0954 indicates that about 9.54% of the variation in the firms’ competitive advantage is determined by the explanatory variables in the regression model. The F-statistic (2.55) is statistically significant at 10% level, suggesting that the variables in the regression model jointly influence competitive advantage. The results show that there is a significant positive relationship between psychological contract and firms’ competitive advantage and is statistically significant at 5% level. This result validates the hypothesis stated in the study that psychological contract increases organizations’ competitive advantage.

One key to profitability and stability during either a boom or bust economy is employee morale. Armstrong (2012) however, equated employee morale to job satisfaction and stated that a positive and favourable attitude toward the job lead to engagement and therefore job satisfaction which leads to competitive advantage. A negative and unfavourable attitude he opposed indicated job dissatisfaction which lowers performance and does not amount to a firm’s competitiveness in the business environment. An explanation of this positive relationship can be linked to the rate of increase of the psychological contract fulfilment by the firms which translated into higher rates of competitive advantage. At the three audit firms both the psychological contract and the competitive advantage variables were found to be faring well, and so reflected in the outlook of the firms’ businesses as confirmed by Luthans and Youssef (2004) and Seidu (2011).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard error</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological contract</td>
<td>0.298**</td>
<td>0.134</td>
<td>2.23</td>
<td>0.032</td>
</tr>
<tr>
<td>Gender (male)</td>
<td>-0.060</td>
<td>0.080</td>
<td>-0.75</td>
<td>0.459</td>
</tr>
<tr>
<td>constant</td>
<td>3.723***</td>
<td>0.606</td>
<td>5.34</td>
<td>0.000</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.0954</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistics</td>
<td>2.55*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* ** and *** denote 10%, 5% and 1% significant levels respectively.
Source: Field work, 2015.

Satisfied employees are not necessarily productive, nor a higher producer a satisfied worker which means that employees are only motivated at work to achieve certain goals of the organization if fairness and trust is at play. These goals of the organization can only be achieved through what management researchers’ term as improved performance. Employees may express more satisfaction if they are rewarded both extrinsically and intrinsically and are provided the necessary tools to enable them perform well. Armstrong (2012) opines that performance improvements are achievable by giving people the opportunity to perform, ensuring that they have the knowledge and skill required to perform, and rewarding them by financial or nonfinancial means when they perform. The adherence of psychological contract therefore emphasizes the importance of a high-involvement work climate.

This suggests that HRM practices such as the provision of opportunities for learning, training and development, focus on job security, promotion, minimizing status differentials, fair reward systems and comprehensive communication and involvement processes at the three firms contributes to a positive psychological contract. These HRM practices are geared towards items that cause performance improvements and consequently job satisfaction (JS). Based on this proposition, the researchers asserts in hypothesis two that psychological contract positively impact on job satisfaction. The results satisfy the second hypothesis ($H_2$) which states that a positive psychological contract does lead to higher job satisfaction which leads to decreased stress at work and increased work motivation. The results confirm previous studies (Willems et al., 2004; Guest et al, 1996). A linear regression model was employed to validate the stated hypothesis.
Table 3 presents results on linear regression estimates on the relationship between psychological contract and employees’ job satisfaction. The R-squared of 0.3884 indicates that about 38.84% of variation in employee job satisfaction is explained by the explanatory variables included in the model. Furthermore, the F-statistic (4.94) is statistically significant at 1% level, implying that the explanatory variables jointly influence employee job satisfaction. The results indicate that the psychological contract of postgraduate employees and employees with work experience of 10 years and above are the significant factors that affect employee job satisfaction. It is expected that psychological contract tends to increase employee job satisfaction. The result of the linear regression shows that there is a positive relationship between psychological contract and employee job satisfaction. The effect of psychological contract is statistically significant at 1% level. The implication of the result is that employees feel satisfied with their jobs when there is delivery of both the implicit and explicit contract between themselves and their organization. The satisfaction level becomes higher when the unspoken and implicit contract is fulfilled, and this ends in higher job satisfaction. Further to this, the higher the fulfilment of employees’ psychological contract, the higher the level of employee job satisfaction. When this relationship existed within the selected firms, psychological contract breaches were less evident and so were the violations that resulted from these contract breaches, supporting the declaration that was made by Lester & Kickul (2001) and Robinson & Rousseau (1994).

In addition, there was a negative association between employee’s with postgraduate degrees and their level of job satisfaction which was found to be statistically significant at 10% level. This result indicates that postgraduate employees tend to be less satisfied with their job as compared to those with undergraduate degrees and basic education. From the point of view of the three audit firms the modal category of education of employees, which was undergraduate/bachelor’s degree had employees satisfied on the average because this category of employees was assumed to have lesser expectations as compared to post graduate degree holders.

Lastly, the coefficient of employees in the range of 10 years and above, negatively related to employee job satisfaction and is statistically significant at 10% level. This shows that employees with more working experience are less likely to be satisfied with their jobs as compared to their inexperienced counterparts. Postgraduate degree holders who ranked second to highest were likely to be low on job satisfaction mainly because it was expected that these employees rely on their qualifications and the fact that they have many responsibilities. Also, it could be inferred that the higher the years of work experience of employees with higher levels of education the lower their level of job satisfaction because expectations of employees accumulates with the years of work experience as declared by Guest et al. (1996).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard error</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological contract</td>
<td>0.703***</td>
<td>0.135</td>
<td>5.21</td>
<td>0.000</td>
</tr>
<tr>
<td>Gender (male)</td>
<td>0.053</td>
<td>0.093</td>
<td>0.57</td>
<td>0.574</td>
</tr>
<tr>
<td>Education2 (High school)</td>
<td>0.0001</td>
<td>0.212</td>
<td>0.000</td>
<td>1.00</td>
</tr>
<tr>
<td>Education3 (Technical)</td>
<td>0.274</td>
<td>0.329</td>
<td>0.83</td>
<td>0.408</td>
</tr>
<tr>
<td>Education4 (Degree)</td>
<td>-0.128</td>
<td>0.104</td>
<td>-1.23</td>
<td>0.223</td>
</tr>
<tr>
<td>Education5 (Postgraduate)</td>
<td>-0.229*</td>
<td>0.124</td>
<td>-1.84</td>
<td>0.069</td>
</tr>
<tr>
<td>Workexperience2 (5-10years)</td>
<td>-0.082</td>
<td>0.119</td>
<td>-0.69</td>
<td>0.492</td>
</tr>
<tr>
<td>Workexperience3 (10 years &amp; above)</td>
<td>-0.333***</td>
<td>0.111</td>
<td>-3.00</td>
<td>0.004</td>
</tr>
<tr>
<td>Constant</td>
<td>0.915</td>
<td>0.524</td>
<td>1.75</td>
<td>0.085</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.3884</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistics</td>
<td>4.94***</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*, ** and *** denote 10%, 5% and 1% significant levels respectively.
Source: Field work, 2015.
A linear regression was employed to establish the relationship between job satisfaction and competitive advantage. It was hypothesized that there is a positive relationship between job satisfaction and competitive advantage. The results of the estimation are presented in Table 4. The R-squared value of 4.223 which is high indicates that it is significant at 1% level. The significance level indicates that the explanatory variables included in the model jointly influence the firms’ competitive advantage. The outcome means that job satisfaction relates positively and significantly to the firms’ competitive advantage as hypothesized, suggesting that the firms’ competitive advantage depends upon job satisfaction.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard error</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>1.277***</td>
<td>0.020</td>
<td>64.46</td>
<td>0.000</td>
</tr>
<tr>
<td>Constant</td>
<td>4.223***</td>
<td>0.214</td>
<td>19.78</td>
<td>0.000</td>
</tr>
</tbody>
</table>

*** denotes Significant at 1% level
Source: Field work, 2015.

It is thus true of the third hypothesis ($H_3$) that job satisfaction significantly relates to competitive advantage as ascertained by Hatch and Dyer (2004), Luthan and Youssef (2004), Macey et al (2011), Seidu (2011), Mazurenko and O’Connor (2012) and Curwen (2014). They all pointed out that when employees are of themselves satisfied with the fulfilment of the psychological contract they become motivated, engaged and committed to being innovative, delivering unusual quality and outstanding service, exhibiting special skills, and being exceptionally productive.

The Mediating Effect of Job Satisfaction

There are four steps to establishing mediation and this was found by Baron and Kenny (1986). Their four-step approach is discussed as follows:

Firstly, show that the causal variable is correlated with the outcome. In this case, competitive advantage which is labelled as Y is used as a criterion variable in a regression equation and X (psychological contract) as a predictor. This step establishes that there is an effect that may be mediated. Secondly, show that the causal variable (PC) is correlated with the mediator (job satisfaction). Use M (JS) as the criterion variable in the regression equation and X (PC) as a predictor. This step essentially involves treating the mediator as if it was an outcome variable. Thirdly, show that the mediator which in this case is job satisfaction affects the outcome variable (CA). Use Y as the criterion variable in a regression equation and X and M as predictors. It is not sufficient just to correlate the mediator with the outcome because the mediator and the outcome may be correlated because they are both caused by the causal variable X. Thus, the causal variable must be controlled in establishing the effect of the mediator on the outcome. Fourthly, to establish that M completely mediates the X-Y relationship, the effect of X on Y controlling for M should be zero. It is important to note that the effects in both Steps 3 and 4 are estimated with the same equation.

From Table 4.5 the summary results of the hypothesis test can be observed that the first hypothesis ($H_1$) which states that psychological contract positively relates to competitive advantage was supported in the study. The second hypothesis ($H_2$) was also supported, meaning that psychological contract positively relates to job satisfaction. The third ($H_3$) too was supported and which affected the fourth hypothesis ($H_4$). Thus, it is true that job satisfaction positively relates to competitive advantage and job satisfaction does mediate the relationship between psychological contract and competitive advantage. Baron and Kenny (1986) states that if all the four steps to establishing mediation are met, then the data are consistent with the hypothesis that job satisfaction completely mediates the relationship between psychological contract and competitive advantage.
Table 5. Summary results of hypothesis test

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Coefficient</th>
<th>p-value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_1$: Psychological contract positively relates to competitive advantage.</td>
<td>0.298</td>
<td>0.032</td>
<td>Supported</td>
</tr>
<tr>
<td>$H_2$: Psychological contract positively relates to job satisfaction.</td>
<td>0.703</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>$H_3$: Job satisfaction positively relates to competitive advantage.</td>
<td>1.277</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>$H_4$: Job satisfaction mediates the relationship between psychological contract and competitive advantage.</td>
<td>1.277</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Source: Field work, 2015.

The results of the Sobel test of the mediating effect of job satisfaction on the relationship between psychological contract and competitive advantage are presented in Table 5. The Sobel statistic was estimated to be 5.190 and it was found to be statistically significant at 1%. This implies that there is a mediating effect of job satisfaction on the relationship between psychological contract and competitive advantage. The survey, conducted indicates that job satisfaction does mediate the relationship between psychological contract and competitive advantage at the firms ($H_4$). This points to the fact that satisfied employees are more likely to become strong human assets, resulting in greater profit-generating potential. Furthermore, according to the resource-based theory of the firm, employees could contribute to a sustained competitive advantage for the organization as suggested by Barney (2015) and Luthan and Youssef (2004).

In other words, competitive advantage results when job satisfaction mediates psychological contract and competitive advantage. When employees were offered the most suitable, safe and congenial working environment for instance at the three firms they showed off signs of tremendous psychological contract fulfilment. This was certain in the works of Parzefall and Hakanen (2010) who said ‘the fulfilment of employees’ expectations is often noticeable in the performance of employees, which makes them more engaged to deliver positive outcomes that yields valued rewards’. An evaluation of the preceding findings by Parzefall and Hakanen (2010), Macey et al (2011), Barney (2015), Seidu (2011), Hatch and Dyer (2004), Luthan and Youssef (2004) and Armstrong (2012) backs the mediating role of job satisfaction between psychological contract and competitive advantage (see Table 6). When job satisfaction mediated the relationship, it was found to validate the results of the studies by Mazurenko and O’Connor (2012) who obtained a positive relationship between job satisfaction and competitive advantage among health workers, thereby agreeing with Curwen (2014) who enumerated the benefits of a satisfied workforce to include; stamping out detrimental turnover costs, retaining vibrant talent, and encouraging efficient and productive employees committed to the welfare of the business.

Table 6. Sobel test of the mediating effect of job satisfaction on the relationship between PC and CA at the three selected firms

<table>
<thead>
<tr>
<th>Item</th>
<th>Coefficient</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction and psychological contract</td>
<td>0.703</td>
<td>0.135</td>
</tr>
<tr>
<td>Job satisfaction and competitiveness</td>
<td>1.277</td>
<td>0.020</td>
</tr>
<tr>
<td>Sobel statistics</td>
<td>5.190***</td>
<td></td>
</tr>
<tr>
<td>Probability</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

*** denotes Significant at 1% level
Source: Field work, 2015.
As shown in table 6, job satisfaction mediates the relationship between psychological contract and competitive advantage in line with the stated hypothesis.

Conclusions

The study set out to examine the relationships between employees’ psychological contract, job satisfaction and the organisation’s competitive advantage. Questionnaires were administered to 150 respondents out of which 121 (80.7%) responses were used for analysis. On the relationship between psychological contract and competitive advantage at the three audit firms, the findings were that there is a significant positive relationship between psychological contract and competitive advantage and is statistically significant at 5% level. This result validates the hypothesis stated in the study that psychological contract positively relates to competitive advantage. This positive relationship can be linked to the rate of increase of the psychological contract fulfilment by employers which translated into higher rates of competitive advantage for the firms. At the three audit firms both the psychological contract and the competitive advantage variables were found to be faring well and so reflected the outlook of the firms’ businesses. The regression model $CA = \beta_0 + \beta_1 PC + u_t$ proved the relationship.

The results indicated that the psychological contract of postgraduate employees and employees with work experience of 10 years and above were the significant factors that affected negatively or positively employee’s job satisfaction. It was seen that psychological contract tends to increase employee job satisfaction which was the result from the regression test. The implication of the result is that employees feel satisfied with their jobs with the rate of delivery of both the implicit and explicit contract between themselves and their organization. The satisfaction level of employees becomes higher when the unspoken and implicit contract is fulfilled. Further to this, the higher the fulfilment of employees’ psychological contract, the higher the level of employee job satisfaction. Thus, psychological contract breaches were less evident when this relationship existed within the firms which led to lower rates of PC violations such as exiting the company, voicing out grievances and so on. The positive and significant relationship that exists between psychological contract and job satisfaction was proved by a regression model $JS = \beta_0 + \beta_1 PC + u_t$.

The association between job satisfaction and competitive advantage was significant even though a few of the employees expressed some degree of dissatisfaction with the job they held. The employees who were dissatisfied at their jobs were found to be more of males than females. The dissatisfaction of male employees was due to the many family responsibilities which they were expected to be holding. Also, due to the greater number of male employees than female employees that was found at the three firms, job satisfaction was high. This was because employees generally felt their PC were being fulfilled and so led to competitive advantage in the firms. Job satisfaction was revealed in the study to be positively significant with its relationship with competitive advantage and was proved by the regression model $CA = \beta_0 + \beta_1 JS + u_t$.

The estimation of the mediation of job satisfaction between PC and CA was found to be statistically significant. This implies that there is a mediating effect of job satisfaction on the relationship between psychological contract and competitive advantage. This means that when the firms diligently fulfilled the PC of employees (transactional, relational, balanced and transitional), employees felt motivated, engaged and committed to yield to competitive advantage. In other words, competitive advantage resulted in the firms when job satisfaction mediated the relationship. A Sobel test based on the above regression models confirmed the mediation.

Issues of people assumed by many companies validate how the psychological contract is at the heart of delivery of HR strategies. Based on this finding, the successful management of the internal matters of businesses resulting from the offering of HR policies and practices that were crucial to employees stimulated a robust, healthy and functional corporate society. Moreover, the adherence of psychological contract at the firms was not only practiced to yield to competitive advantage, but was essentially defined, measured, and mended in terms of perceptions and work delivery gaps to lead to a satisfied workforce.
The purpose of the study was to investigate the effect of psychological contract on job satisfaction and competitive advantage at the three selected audit firms. But then, for an easy generalization of HR issues within the industry of professional services that is employees and managers at KPMG, Deloitte and Touche (D & T) and PricewaterhouseCoopers (PwC) were considered for the survey. While employees provided data to help determine the presence of psychological contract, managers helped the researchers to explain the firm’s competitiveness in relation to the management of the psychological contract. The results showed that there is a significant positive relationship between psychological contract and competitive advantage and it was statistically significant at 5% level. An association was also established between psychological contract and job satisfaction with a significant relationship between job satisfaction and competitive advantage. Lastly, job satisfaction was found to mediate the relationship between psychological contract and competitive advantage. Altogether, employees were satisfied with the contract deal between them and the organization and said they were ready to work for the common good of the firms’ businesses.

Giving these findings, it is important for management to provide benefits that are informed by employees’ values. This way, the organization will minimise spending considerably on ways to “motivate” their employees using a variety of tactics which are often costly and ineffective. Luthans and Youssef (2004) and Seidu (2011) suggested that these cost inefficiencies do not translate into higher yields for firms. It is also recommended that organizations must put in place policies so that all the dimensions (namely transactional, relational, balanced and transitional) of the psychological contract are adhered to. These policies can be structured around recruitment and selection processes and the on-going communications in the firms.

Findings showed that respondents with postgraduate degrees and those who had stayed with the organization for ten years and above had higher expectations which were not met and therefore affected their job satisfaction negatively. It is therefore being recommended that the organization should match individuals’ expectations before hiring them because the satisfaction of employees depends on the rate of delivery of PC. This way, when potential employees are given a sense of what the organization can provide prior to hiring, expectations are defined to contribute to a positive psychological contract and consequently job satisfaction among employees. Also, by adopting or adapting a current formal induction process will help ensure new employees receive accurate information in order to better shape and align their psychological contracts. An initial induction meeting would also give employees opportunity to ask questions and negotiate the terms of their new employment relationship.

Since psychological contract is dynamic and accumulates over time, supervisors must manage employees’ expectations from time to time through dialogue and frequent formal and informal interactions. In other words, there should be free flow of communication, both top-down and bottom-up. The three audit firms should continue to ensure that the dimensions of PC exist in the management of its people through on-going meetings. This therefore requires organizing on-going meetings such as biennial durbars and annual general meetings to announce the financial performance of the organization to employees or employee representatives. This will ensure that employees know the performance and profitability of the organization and what they need to do in terms of contributions so that their limitless needs are met.

One key factor of psychological contract solution is the matter of communication. By making the psychological contract salient, opening up possibilities for negotiation and fostering thorough understanding of each party’s expectations will help ensure a satisfied, vibrant and effective workforce. It is therefore recommended that management must be trained about the existence and importance of the psychological contract and that they must be trained to interact with employees to help manage their expectations. The expectations of employees can be well managed through frequent formal and informal dialogue between managers/supervisors and employees to get to know what employees’ expectations are and also to manage those expectations. Other techniques such as questionnaire, one-on-one interviews, the use of checklist and electronic-HR like intranet and internal electronic mail can be areas to train manager/supervisors. This is because Martínez-León (2012), Sirota et al. (2005) and Billsberry (2000) looked to these communication channels as important to elicit costly information from employees.
Channels of communication such as these help to resolve negative-impacting breaches sooner before severe violation occur which often lead to negative work outcomes.

Many at times employees’ expectations are unrealistic and too many to be properly managed by organizations. For instance, graduate employees who are employed within the first few years by the organization outline high expectations which are above what the organization can actually offer them. These employees become dissatisfied with their jobs when within the first few years of their employment they are not given cars to drive in. Employees therefore must be made to manage their psychological contract in the light of limiting themselves to what the firm agreed to provide them when they were being hired. This is because in the studies of Curwen (2014) and Gottschalk (2013) such unrealistic demands of employees from organizations do not help organizations achieve competitive advantage. Employees must be made aware that psychological contract is in two ways. This calls for supervisors to explain the expectations of the firms to them and how well they can contribute valuably to meet the firms’ needs. Also, in addition to the initial managerial meetings at the induction stage of hire, follow-up meetings by the managers/supervisors would allow the psychological contract to be openly discussed and re-evaluated if necessary. This way, even if contracts are being fulfilled these meetings can foster engagement within the organization and ensure employees that their welfare is of concern.

References


The Effects of Psychological Contract on Job Satisfaction and ...


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