



Contents

Acknowledgments ix

Introduction xi

- 1. Contracting: A Modern Dilemma** 1
- Why Contracts Aren't Well Understood 2
 - What We Know About Contracts
and What We Need to Know 5
 - Basic Types of Contracts 6
 - Illustrating Several Types of Contracts:
 - The Letter 14
 - The Features That Make a Promissory Contract 16
 - Promises 16
 - Limited Frames of Reference 18
 - Mutuality and Acceptance 20
 - Implications 21
- 2. Contract Making** 23
- Why Do People Keep Promises? 24
 - How Organizations Use Promise-Keeping Mechanisms:
 - An Example From General Electric 26
 - The Contract as a "Mental Model" 27
 - A Theory of Psychological Contracting 34
 - External Factors 36
 - Messages 36
 - Social Cues 39

Encoding	40	
Individual Predispositions	43	
Decoding	44	
Creating a Normative Contract	46	
Creating an Implied Contract	52	
Conclusion	54	
3. The Contract Makers	55	
Who Made the Contract?	56	
“The Deal That Wasn’t”	56	
Three Years Later: “The Deal That Came About”	58	
Types of Contract Makers:		
Principals and Agents	60	
People: Primary Contract Makers	63	
Structural Signals:		
Secondary Contract Makers	69	
Personnel Handbooks and Manuals	72	
Internal Career Ladders and Titles	73	
Compensation Practices	75	
Performance Reviews	76	
Disconnection: When Human and Administrative		
Contract Makers Disagree	82	
Employees as Contract Makers	83	
The “Real” Contract	85	
How to Make or Not		
Make a Contract: Illustration	86	
Conclusions	88	
4. Contemporary Contracts	90	
Features of Contracts	91	
A Brief History of Employment		
Relations and Contract Forms	93	
A 2 × 2 Model of Contemporary Contracts	97	
Public Accounting’s Transactional Contract	99	
Inland Oil’s Era of “No Guarantees”	99	
Lakeside Company’s Relational Contract	101	
General Electric’s Balanced Contract	102	
Mapping Contemporary Contracts		
to Particular Types of Employment Relationships	103	
Long-Term Insiders (Core Employees)	105	
Short-Term Insiders (Careerists)	106	
Long-Term Outsiders (Pooled Workers)	107	

Short-Term Outsiders (Temporaries and Independent Contractors)	107	
Some Floating Employment Arrangements	109	
Missing Workers Revisited: The Case of Part-Timers		109
Implications	110	

5. Violating the Contract 111

What Is Contract Violation?	112	
How Contract Violation Occurs: A Model		115
Contract-Outcome Discrepancy	118	
Changing the Meaning of a Loss: The Function of Remediation and Credible Explanation	120	
Procedural Justice	128	
When Is Violation Most Likely?		133
What Features Create Resistance to Violation?	133	
When a Contract Is Violated	134	
Types of Responses	134	
Violation Isn't the End of the Contract	139	
Summary	140	

6. Changing the Contract 141

Forms of Contract Change	142	
Internal Change: Drift	142	
Practical Implications of Drift	151	
External Change	152	
Accommodation: Adjustments Within the Existing Contract	153	
Conclusion	160	
Transformation	160	
Challenging the Contract: Creating Legitimacy and Felt Need for Change	163	
Preparation for Reframing: Loss Reduction Strategies	167	
Contract Generation: Creating a New Schema		172
Contract Testing and Reliance: Promoting New Contract Acceptance		175
Successful Transformation	177	
Conclusion	177	

7. Business Strategy and Contracts	180
Conceptual Framework	181
Types of Organizational and Human Resource Strategies	183
Employment Contracts and Customer Relationships: Contracts in Parallel?	193
Conclusion	197
8. Trends in the New Social Contract	202
Shifts in Meaning	203
Traditional Social Contracts and Change	204
Contracts in Transition:	
The Threats to Contracting	211
Out of Transition: Trends to New Contracting	216
Changing the Rules: New Criteria for Fairness	218
Restoring Voluntariness: New Contract Making	221
Implications	223
References	225
Index	236
About the Author	246