THE EMPLOYEE EXPERIENCE

EXPECTATIONS ALIGNMENT AND CONTRACTS

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Some mistakenly confuse the Employee Experience (EX) with popular terms like Talent Management, Human Resources Development, or Employee Engagement. While EX is certainly related to those terms, it's not synonymous with them. Employee Experience is much broader in scope. The Employee Experience is the sum of perceptions employees have about their interactions with the organization in which they work, and an effective Employee Experience doesn't come to pass without aligned expectations.

What Is Expectation Alignment?

Expectation Alignment (EA) is the level to which employees' expectations for their experience in the workplace line up with their perceived, actual experiences. Without EA, a transformational Employee Experience (EX) cannot be built.

Employee expectations are the linchpin of the Employee Experience, and they are the result of many factors. Some of the most influential are the explicit promises made to employees during recruiting, hiring, onboarding, and ongoing employment. These include clear expectations around compensation, hours, performance, and other express agreements.

But formation of expectations doesn't end there; expectations (implied and express) are constantly being formed throughout the employee life cycle, including:

- **Implied promises from the work environment and company culture.** The everyday environment of an organization implies all sorts of promises. Perhaps a new sales account executive has heard that top sales reps go on international business trips to China and Australia. If he surpasses his sales goals, he may have an expectation of such travel, and if travel budgets have been slashed, he may feel cheated and resentful.

- **Rumors and stories from colleagues and peers.** Rumors and gossip are the enemies of EA because they fill employees' heads with unsupportable claims. Perhaps one of the most common and dangerous is the "they're going to lay people off" rumor, which can lead to everything from panic to workplace sabotage. On the other side of the coin, there is the "management is talking to a venture capital firm and we're all going to be rich!" rumor. Both types can be damaging, and employee behavior will reflect their beliefs about the future state.

- **News stories and other information from the broader culture.** It's not realistic to expect employees to see news coverage of IPOs, unemployment rates, and other business events and not have that information affect what they expect from the future. Expectations are often formed by those outside the organization and transferred to employees.

- **Employer brand.** Your organization has two brands: one with its customers and one with current, future, and past employees—your employer brand. Your employer brand comes with a host of expectations that will be picked up and carried by your employees, even if some of it is the stuff of urban legend.
- **Unexpressed or unclear employer expectations.** Do your employees know what you expect of them? Are your expectations realistic? Results from our employee survey and 360-degree feedback databases tell us that nearly half of line-level employees feel the boss's expectations are often muddy, or at least not clearly spelled out.

Leaders who want a fully engaged workforce should be constantly aware of facts, opinions, rumors, and emotions flowing in and out of the organization. More important, they should be communicating with employees regularly and clearly about both erroneous expectations and what they should expect. But whether it's because they don't understand the need or are too busy, most leaders haven't been doing either.

> “*Aligning employee expectations with the company's is the linchpin of the Employee Experience …*”

DecisionWise's surveys over the past ten years reveal that employers consistently fail to understand some critical realities about their people and may be more disconnected from expectations than they believe. For instance, many managers operate under the understanding that money is employees' main motivator. Untrue. Yet, they blame employer turnover on the notion that "they got 5 percent more down the street, so they left." Many believe that bonuses and perks do more to impact engagement than simple gestures of recognition. Wrong. Other managers also believe that employees want a hands-off boss, when our research clearly indicates many employees, especially newer ones, crave an available mentor and leader.

The Problem with Unknown Expectations

It's hard to meet expectations when you don't know what they are. Yet, that's exactly how many organizations and managers behave—as if their employees do not have any expectations. We can assure you that they do. These organizations move along without a care, thinking that employees will figure it out. Some managers claim they are "empowering their employees to exercise autonomy" by not setting clear boundaries or expectations. In reality, they are simply setting employees up to fail.

As we study managers who have derailing behaviors, we find that one of the most prevalent and damaging is the failure to set clear expectations. In the course of our research, we monitored approximately 480 managers in a large technology firm over a period of three years. The purpose was to identify common behaviors among those managers who had teams that performed well as opposed to those teams that weren't meeting standards.

We weren't surprised by the results. They clearly showed that managers who had teams of engaged people were far more likely to deliver stellar performance than those who didn't. These results are what we expected (in fact, we wrote our last book about that very topic). However, when we broke them down, it was interesting to see one of the key reasons strong teams were engaged was because they had clear expectations. In fact, the need for clear expectations outweighed factors like compensation, working conditions, perks, and training. The results were unequivocal: Teams performed well when performance expectations were clear.

The only other area that even came close to the need for clear expectations was recognition. Interesting, as it's hard to recognize and reward for good performance if you don't know whether targets have been hit. (Hint: Recognition and expectations go hand in hand.) This principle is so basic yet so misunderstood (or at least not practiced): Stellar performance without clear expectations is like hoping to hit a target without knowing what that target is, and doing it blindfolded.

The Expectation Gap is the most significant source of employee performance problems organizations face today. Many employees simply don't know what's expected of them. And, by the way, managers: Remember that just because you think expectations are clear doesn't necessarily mean that they are clear to employees, or that expectations are aligned.

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The Contract

The Contract is a concept, a mental construct that we use to understand and tweak the expectations at stake in any relationship, whether it's business or personal. Every relationship has a Contract. The Contract is the totality of explicit and implicit expectations that define the operating rules of the relationship, whether we are aware of them or not. Manager to subordinate, spouse to spouse, student to teacher, company to customer—every relationship comes with a Contract.

The Contract is a perceived set of promises that establishes the terms of that relationship. Some Contracts are explicit, such as a written statement of work from a vendor or the Contract you sign when your daughter breaks her third mobile phone. Others aren't openly or clearly expressed or agreed on. These Contracts are implicit. But, whether implicit or explicit, every relationship carries a Contract.

Contracts exist at the organizational level, at the division or functional level, at the team level, and on a personal level. Like human beings, Contracts come in every shape and size, and they have multiple contributors and beneficiaries. The Contract is a container for an employee's many expectations about his or her workplace experience. It distills those expectations down into a few easily expressed, all-encompassing ideas.

For example, Mary L.'s Contract with Her Employer:

- I'll be paid what I believe I'm worth. My manager cares about me on a personal level and wants me to succeed and to develop my professional talents.
- The company will support me while I go for my graduate degree.
- The company will reward me for innovative ideas that help our customers.
- I will have a chance to advance to a management position within five years.

- I'll be able to dress as I please, so long as it's appropriate.
- This will always be a fun, informal place to work.
- The company will always behave responsibly toward the environment.
- We'll never downsize.

But management's Contract with Mary expresses those expectations in a very different way:

"Provided that Mary continues to meet expectations for performance and conduct, we will pay her graduate school tuition, offer her incentives for good performance, offer a clear path to advancement, pay her at market value, and continue to reflect the values she cares about to the best of our ability."

Lots of qualifiers and room for misunderstanding in that sentence, aren't there? There should be. The Contract is where employee expectations meet the hard realities of running a complex organization and satisfying all stakeholders. A nearly limitless variety of factors—some reasonable, some less so—impact the Contract, from the options package at a competitor company to marriages, births, and divorces. The Contract contains the promises that an organization can be reasonably expected to keep (e.g., no organization can be expected to promise that it will never downsize). On the other side, it implies that in order to get what they believe they deserve, employees must keep up their end of the bargain.

Around our offices, we've started to discuss the Contract when talking about what our employees expect from us and what we're expected to deliver. It's not uncommon to hear one of us say, "Was such-and-such part of our Contract with that person?" That's a useful check on our own actions, as well as a call to be ultra-aware of what we may have led our people to believe, intentionally or otherwise. This double-check forces us to look through the leader lens. Sometimes it might be something as simple as listening attentively to a subordinate's ideas. It doesn't matter. If we've learned anything from our research for this book, it's that while there are reasonable and unreasonable expectations, there are no trivial ones.

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The Contract Is Much More than Words on Paper

Often, the Contract is both written (express or explicit) and unwritten (implicit), but the unwritten version is no less important than an agreement set down on paper.

Think about the unwritten rules of baseball. There's a thick rulebook, but there's also a long list of things that players, coaches, and umpires know to be permissible. There's also another mental list of no-nos. Stealing the other team's base-running signs or signals is frowned on but accepted. Heaving a fastball at a batter who admires a home run for too long? That's okay . . . until you throw at his head. There's an unspoken agreement based on mutual trust that neither side will take things to excess, and it changes based on game circumstances and the players involved. Break an explicit rule and you get penalized or thrown out of the game. Break some of the implied rules, and you won't get ejected, but you're not likely to have a long career.

The Contract hinges on four questions that all organizational leaders—executives, managers, church leaders, head coaches, hospital administrators, and college deans—must ask:

1. Are we creating clear, reasonable, aligned expectations for our people that contribute to our mutual well-being?
2. How are our employees translating our expectations into individual, personal beliefs and promises?
3. Which employee expectations are reasonable and realistic and which are not?
4. Are our choices, words, and actions fulfilling or violating employee expectations?

Every relationship, from a company to a marriage or a parent and child, forms around a core of explicit and implied expectations. The health of the relationship depends in great part on whether the expectations are legitimate and realistic and whether the parties live up to what's expected and earn trust. That's why clarity is critical. In the Contract, both parties have to be clear about what they're agreeing to and what is simply off the table.

By the way, our mention of marriages and parenting is no accident. The Contract may center on organizations, such as for-profit corporations, healthcare organizations, universities, business teams, and nonprofits, but the interplay between expectations and trust applies everywhere, from families to sports teams to churches to the military.

Where there are people, there are Contracts.

Why Is the Contract Like an Iceberg?

Contracts are essential to a civilized society. Practically every aspect of daily life, from the house you live in and the car you drive to the cable television you watch at the end of a long day, brings with it a Contract that guarantees or incentivizes a certain behavior. You sign Contracts promising to make payments on a mortgage or auto loan, pay your cable or Hulu bill, drive your motor vehicles lawfully, and vote only once in any election, among many others. So it makes sense that contract law makes up the majority of the first-year curriculum at most law schools. As a first-year law student learns, a Contract has three basic parts:

1. The offer, in which one party agrees to do something in return for the other party agreeing to do something else.
2. Acceptance, in which the other party indicates they agree to what is being offered and the terms under which it's being offered.
3. The consideration, which refers to something of legal value (whether large or small) given up or exchanged that makes the agreement something more than a mere promise. You might think of consideration as the reason you are entering into the contract. "I give you money, and you give me ESPN on channel 142."

When these basic elements exist, you have a Contract that is enforceable, rather than an arrangement that is more akin to your shallow promise to pay for lunch the next time around. A promise that is enforceable is powerful. Because of the power of Contracts we spend a great deal of time and money drafting, revising, making, and fighting about them. Whenever there is a dispute, the question is whether there was a meeting of the minds: "What was agreed on?" The answer to that question is simple, right? Just look at the written Contract. Okay, not so fast . . .

Offer and acceptance represent alignment: "What have we agreed on?" But Contracts quickly become more complex than mutual agreement. The written, or express (explicit), aspect of a Contract, for all its dense legal folderol, is the easy part. It clearly and precisely defines the parties, terms, prohibitions, time frames, and other essentials of any agreement between parties, and spells out who's giving what to whom. At their core, Contracts are about aligning and managing expectations.

Nearly all disputes that occur in connection with a Contract arise due to one of three causes:

1. Expectations were not clearly established or understood from the beginning.
2. Expectations were not met.
3. Expectations were not properly aligned and managed.

The problem is that not every expectation makes its way into the written Contract. The implied part of any Contract is what carries the weight of the subconscious, unspoken expectations that each party brings to the relationship. These implied Contracts are the type your grandfather meant when he talked about doing business based on a handshake back in the day—nothing formal, other than a mutual belief that each party would act with the best interest of both sides at heart. With an implied Contract, there exists a tacit understanding—an awareness that's understood or implied without being stated—among all parties about the terms of the Contract and what is expected of everyone. Trust is everything. Without it, there's no deal.

So a Contract really is like an iceberg: You might see the written, express part bobbing above the water, but the larger part—the implied part—is submerged. The implied component is the most important section of any Contract, and that's where things can go sideways. This is where Expectation Alignment Dysfunction runs rampant.

In law, you do your best to draft a Contract that covers all contingencies, but for all practical purposes, that's impossible. At the end of the day, the Contract isn't the one you put on paper; it's the Contract that people think they agreed to. Everybody might be happy on the day they sign, but two years later their expectations and view of the Contract's fairness can change completely. That's what keeps divorce attorneys in business.

Take, for example, the case of a retail store's relationship with a customer.

The customer insists that the store didn't deliver her product within the agreed upon time frame, and that it's not the quality that she had anticipated. Basically, it won't meet her needs. As the store looks at the written Contract, it realizes they goofed. Sure enough, it was a day late. But it shouldn't have been a big deal, the delivery people reason—the customer postponed delivery several times. That said, the customer is clearly wrong about the product quality. She got exactly what she ordered. If she wanted the better product, she should have gone with the next model up. At least, that's what the delivery people think.

The customer phones the firm, and really lays into them. She tells the firm they are wrong, citing the conversation she had with the salesperson where she clearly outlined her needs. The delivery people, along with the salesperson, pull out the signed contract. While the salesperson remembers the conversation and the customer explaining her needs, the contract in front of them clearly tells them they delivered the correct item.

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But the customer doesn't see it that way. She is fixated on the late delivery and the fact that she trusted the salesperson to understand and resolve her product needs.

So, who is right? The truth is, it doesn't matter—at least to the relationship.

Similarly, when we step into the world of employer-employee relationships, we forge Contracts that are even more complex than a retail agreement. The implicit, unstated components of these contracts are enormous in size and scope and as potentially dangerous as that iceberg was to the Titanic.

Consider this: How important are our working lives to our hopes, dreams, and identities? For many of us, our working life is one of our greatest expressions of our creativity, purpose, and aspirations for the future. After all, we spend most of our waking hours at work.

Because of this, our relationships at work, whether with our boss, employees, peers, customers, or others, have tremendous impact on our health and well-being. Each of these relationships comes with its own Contract, and most of the terms of those Contracts are implicit, not spelled out. That means those implied Contracts—and the relationships they depend on—are both more ephemeral and more perilous than anything printed up by a bank or enforced by a court.

That's why it's so important to understand what's beneath the surface. It's where the three lenses come into play. Only when you can look at a relationship from the perspectives of everyone involved can you manage it to its fullest expression.

Contracts are inherently problematic and incomplete. So why do we offer them as tools to help foster EA? We aren't talking about using typed documents. We are suggesting that you use Contracts as devices for establishing, understanding, managing, and aligning employee expectations.

As we explained, every relationship is based on a Contract, but there's more to it. Every Contract is actually made up of three subcontracts.

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The three subcontracts are:

1. **Brand Contract.** The Brand Contract is how we are viewed publicly or are seen by others. It consists of the promises that our brand identity—what we profess to be and what we stand for as an organization or team—makes to the people who are exposed to it.

2. **Transactional Contract.** The Transactional Contract is the mutually accepted, reciprocal, and explicit agreement between two or more entities that defines the basic operating terms of the relationship.

3. **Psychological Contract.** The Psychological Contract is the unwritten, implicit set of expectations and obligations that define the terms of exchange in a relationship.

The quality of every relationship is dependent upon whether expectations set by these three contracts align. **Ultimately, these three contracts—the Brand Contract, the Transactional Contract, and the Psychological Contract—determine the quality of the Employee Experience.**

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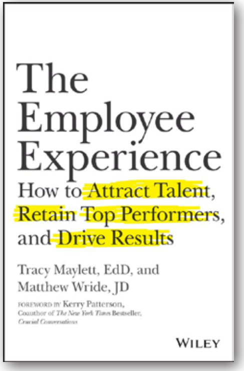

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