

Negotiating and Maintaining the Spirit of a Partnership

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When making a deal between two parties—whether a large contract or an ongoing partnership—it is important to include not only clear deliverables, fees, and timelines, but also to make explicit the expectations of social norms and practices that each party has of the other.



There are many reasons for leaving social norms unspoken, but more often than not, they are simply overlooked; or the value of making them explicit is underestimated. Typically, both parties make assumptions about how they will “be” with each other. Too often these unspoken expectations lead to misunderstandings, disagreements, conflict, and poor communication, which can be damaging or even fatal to achieving the goals of the deal.

Social contracting helps us resolve or even avoid the difficulties of many of these relationship issues. In addition, social contracting helps accelerate the development of high-performing teams and partnerships and improve their results.

Social contracting happens in two stages: first, creating the social contract; second, sustaining it through the length of the deal.

Creating the Social Contract

Whenever two or more people begin to work together, social norms emerge and evolve. Is it acceptable to arrive late for a meeting, or does the other party expect you to be right on time? Is the best mode of communication through email messages, telephone conversations, or face-to-face meetings? Is “lobbying” for alignment before a decision formally comes before the group acceptable, or is it frowned on as being manipulative or political? When our assumptions about social and operating norms are not made explicit, and when both parties do not share the same norms for interaction, the results can include lost time and money and a deteriorating business partnership.

When an engagement begins using *implied* norms and behaviors, these “ways of being” are tried, tested, and adjusted. Eventually the parties will reach common ground for working together. However, this organic approach takes time, and the process of working out the kinks can produce a negative impact on relationships and team performance. The resulting frustration and lack of trust between the parties can sometimes destroy not only the original agreement, but also any thoughts the two organizations had about their ability to work together.

A social contract is an agreement between two parties that defines the *spirit* of the deal (Fortgang, Lax, & Sebenius, 2003). It outlines the social norms for team members, and it also reinforces the economic rationale that brought the teams together in the first place. Unlike the creation of a legally binding contract, which is an *event* that is documented, social contracting is an ongoing *process* that lasts the length of the engagement.

Social contracting is not limited to strategic partnerships and deals between Fortune 500 companies. The social contracting process can be successfully applied to mergers and acquisitions of all sizes, to vendor relationships, and to cross-functional teams made up of employees of different divisions within the same company.

We should note here that social contracting occurs whether it is approached consciously or unconsciously. The norms for working together, for creating the spirit of the deal, emerge regardless of intent. However, if the parties apply a conscious effort toward developing healthy social contracts, the relationships and results are likely to be more successful more often.

The Foundation

Foundational work on the social contract ensures that the economic (or legal) contract and the social contract will be mutually reinforcing. When developing the foundation for working together between the two parties, we create a set of principles as guidelines for the social components of the relationship by answering questions such as the following:

- How long will the relationship last? Are the parties building toward a long-term or short-term engagement?
- Is this relationship a partnership or simply a series of transactions?
- What, specifically, is the aim of the relationship? For example, is it open ended or task specific?
- What is our vision for the purpose and success of this social contract?

There are no right or wrong answers to these questions. The aim of this component of the social contract is to ensure that both parties are aware of and aligned with mutually understood expectations.

Operating Agreements

Once the foundation of the social contract has been laid, the operational working relationships must be defined. Representatives from both sides of the deal work to make clear their expectations for appropriate interactions, and they begin to systematically integrate these expectations into the culture and work of team members. Some operating agreements that result from this process include agreeing on norms for communication, decision making, handling

unforeseen events, conflict and dispute resolution, and conditions and means for renegotiations.

We ask some of the following questions to ensure that the representatives develop shared expectations about how the teams will work together:

- How and what will we communicate with each other?
- How and where in the organization will decisions be made? Are there different levels of decision making that need to be accounted for in this contract? How will they be documented, communicated, and managed?
- How do we handle unforeseen events? Who needs to be brought into the discussion when an unforeseen event occurs?
- How and at what level are conflicts and disputes resolved?
- What are the conditions and the means for renegotiation of the social contract?

There are two primary differences between the social and economic contracts. The first difference is that although it is negotiated, documented, and agreed to by both parties, the social contract is not legally binding. Depending on the scope of the relationship, the organizations can conduct a formal review of a social contract, but they do not have to engage legal resources to draft it.

The second difference is in how the parties to the deal use the social contract. Generally, they file the legal contract documents for reference. Although people have milestones and deliverables to meet, typically, a legal contract is not a part of daily work. In contrast, the social contract is a living, working agreement that permeates all aspects of the relationship and the work being done. Depending on the scope of the work and the relationship, the parties may initiate formal processes to implement the social contract with all employees who are involved on both sides. This can include communication and training programs and criteria for goal-setting and performance reviews.

Sustaining the Social Contract

Just having the documented social contract in place does not mean that the process is complete. Making sure that expectations for behavior and performance are clear and understood at all relevant levels of both organizations is an essential step toward implementing the social contract and building a high-performance partnership. Clarity about the social contract is critical, especially in large engagements. The approach and importance of the socialization process for a business contract is no different than for any other cultural initiative, often requiring an ongoing oversight of policy or process change within the organization.

With the initial socialization process complete, the next step is to ensure that the social contract is working. To measure success along the way, the parties to the deal institute for-

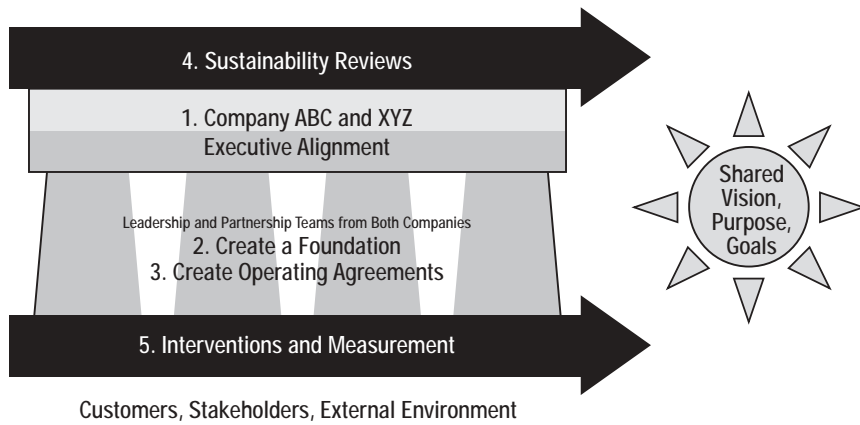


Figure 1. Five-step Process for Social Contracting.

mal sustainability reviews. The purpose of these reviews is to monitor the social relationships, to identify barriers to success, and to agree on interventions, as required, keeping the working partnership healthy.

How It Works: The Social Contracting Process

As mentioned previously, social contracting is a process that lasts the length of a deal or partnership. This process assists the parties to “manage the white space” (Rummler & Brache, 1990) between the functions and layers of multiple organizations. There are five major steps in our social contracting process. The first three steps are used to create the social contract, while the last two steps help the parties sustain it (Figure 1).

Many roles are required during all five steps of the social contracting process. Two roles in particular are critical to the success of the process. The first essential role is that of the sponsor. Regardless of the size or scope of the group involved, active executive or business sponsorship, from both sides of the deal, must be present for the process and resulting social contract to be viable. The second essential role is that of the organizational development or performance consultant who facilitates the process. A third important role, which is often combined with or jointly owned by the performance consultant and the sponsor, is that of the contract owner/project manager.

1. Executive Alignment

The overarching alignment for a social contract is negotiated during meetings with executives or senior representatives from each side of the deal. Each party provides representation of equal seniority and functional responsibility. The negotiations take place during one or more structured, facilitated working sessions to ensure that all essential alignment questions are explored and answered. This phase of social contracting can range from a half-day session to several multi-day sessions that span weeks or even months, depending on the nature and scope of the relationship and the initial differences in expectations and needs between the parties.

The goal of this first step is to ensure that the leadership of both parties is in agreement regarding what the social contract will and will not do, what they want and need out of social contracting, and what their leadership roles are in the process. In Figure 2, the relationships of executives and others from both parties are illustrated as they relate to the social contracting process.

2. The Foundation

Although the first step is usually completed by a smaller group of senior leaders and key players, creating a foundation for the operational work expands the senior team to include key team leads, business owners, process owners, and key stakeholders. Like the alignment work, however, there should be equal representation of both parties during this step of the process. Building and agreeing on the foundation for the social contract typically takes longer than the executive alignment step, spanning several working sessions of one to three days each.

The core of the partnership team works together to establish a shared team vision and purpose. Although the goals and deliverables were defined during the economic phase of negotiating the deal, the core members of the partnership team must articulate for themselves a compelling statement about the vision and purpose of their work together.

The goal of this second step is a clear and shared definition of the partnership’s purpose, end state, and success measures. During this step we also explore what is working or not working to move the partnership along.

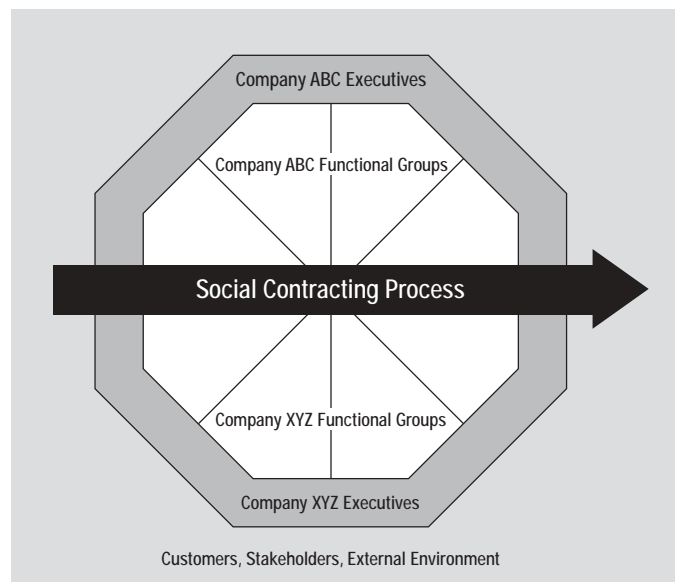


Figure 2. Relationships Between Key Players in Two Different Companies During the Social Contracting Process.

3. Operating Agreements

The third step of social contracting is working out the operational agreements that will guide the social contract through the day-to-day project work. The same senior leaders and key players who created the foundation of the social contract participate in this step. Once the foundation is in place, this step takes just a few hours to complete.

The goal of this step is to build specific operating agreements that will help people interact in a way that will ensure success for the partnership.

4. Sustainability Reviews

We have found that sustaining the social contract can take many forms, which, depending on the situation, can vary in depth and breadth. At its most complete, the socialization process includes multi-day training sessions for everyone involved in the project, from business sponsors to administrative assistants. The project's sponsors may launch a formal communication strategy and process to aid in sustaining momentum. In some cases, components of the social contract are reinforced through the performance management process, with bonuses for key leaders and stakeholders tied to the success of the contract.

On the other end of the spectrum, some social contracts require only health checks or an auditing process to sustain them. Either type of review can be formal or informal, including such tools as interviews, observations, and formal surveys.

Health Check Reviews. Health checks are designed to help the leaders and key stakeholders identify how well the social contract is working for them and what can be improved, changed, or removed from the contract. In this step, the teams re-evaluate and sometimes renegotiate components of the social contract. This is a natural consequence of having more experience and exposure to the social contract in the work setting.

Internal key players who created the social contract conduct the health checks with the assistance of individuals and leaders who are involved in the social contract on a daily basis (decision makers, communicators, those who interface with the teams regularly).

Independent Audits. Another type of sustainability review is the independent audit. Its purpose is to ensure objectivity in diagnosing potential barriers or problems, especially when the parties involved in the relationship are from two different companies.

A third party can perform the audit, or representatives from both parties can do it together. Another option, if both parties agree, is to ask an organization development or performance consultant from within one of the companies

involved to perform the audit. The key is to follow a prescriptive diagnostic process consistently throughout the life of the contract. Results from the audit are shared with both parties at the same time in a working session to allow for discussion and agreement on interventions, as required.

The goal of this fourth step is to discover, explore, and discuss what works, what does not work, and how to accelerate growth to a high-performance partnership.

5. Ongoing Interventions and Measurement

Once barriers to success have been identified, key players determine what changes to make to remove those barriers. These can include a wide range of options, from increased executive communication to changes in decision making or project management procedures.

As these interventions are implemented, those responsible for managing the project monitor measures of success—both for removing the identified barriers and for the project as a whole.

The goal for this step is to maintain and accelerate team growth and to measure the overall success of the project.

Barriers to the Social Contracting Process

Although this process has often worked in projects with new partners and helped to mend relationships in situations with unhealthy ongoing relationships, there are situations where the social contracting process works well, and those where it may not work.

Organizational cultures that encourage and reward open dialogue, timely conflict resolution at the source, risk-taking, shared accountability, and collaboration have a better chance of building meaningful social contracts. Those cultures that foster passive-aggressive behavior, that do not provide direct, honest feedback to the source, or that encourage individual accomplishment over that of the team or enterprise are less likely to see success in a social contract. Key success factors also include active and engaged executive or business sponsorship on both sides of the deal.

Other barriers that can impede progress and make the social contract irrelevant include the following:

- Superficial agreement—A client-consultant relationship where “the client is always right,” so the consultant or partner “goes along”
- Conflict between the economic/legal contract and the social contract
- Time/resource constraints that prevent sustaining the contract
- Loss of momentum (usually corresponds to a lack of active sponsorship)
- Misalignment of values (or utility) between both parties

A consultant who assists with the social contracting process between two groups should look for these potential pitfalls—and resist the temptation to proceed until they are addressed and remedied.

Social Contracting Triggers and Benefits

We have found several key characteristics of business relationships and partnerships that indicate a need for social contracting. These include the following:

- Business relationships that require high levels of interdependence and collaboration between both parties for success of the project
- New relationships where the entities have not worked together before and the work is novel
- When the entities' cultures are so different that they don't readily understand the perspectives of the other, for example, a partnership between an agile, entrepreneurial company and a traditional, bureaucratic company
- Situations where there is a business imperative to accelerate team formation and team development of the two entities into a high-performance partnership
- Situations where successful attainment of the shared project goal has utility and value for the business direction and strategies of each individual entity

Business relationships that have one or more of these characteristics can benefit from this process. Situations where this is likely include the following:

- Strategic partnership/alliance between firms
- Mergers and acquisitions
- Internal department interdependencies
- Cross-functional teams
- Vendor relationships

Organizations that have used this process have seen benefits such as the following:

- Faster time to decisions
- Decisions made at lower levels
- Disputes resolved at the source
- Faster implementation
- Quicker time to high-performance partnerships

These benefits have resulted in a significant financial return on the investment in the process because the partnerships “fail faster” (figure out what is not working quicker—and then fix it) and because the partnerships have successfully pushed decisionmaking much deeper into the project teams.

Summary

A sure way to make working together more difficult is to ignore social contracts. There are social contracts between individuals and groups who work together, whether we notice them or not.

We've seen that a partnership can get off to a good start through social contracting, and we've seen that it is possible to repair relationships where the social contracting was not clear before.

For long, ongoing projects, for large projects, and when there is a fair amount of risk involved, we recommend a systematic process for developing, monitoring, and improving the social contracts between groups—the benefits to performance can be enormous. 🏔️

References

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