

Business plan on recognizing contract risk and opportunities

Law



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A contract is a promise for breach of which the law gives a remedy, or the performance of which the law in a way recognizes as a duty. Usually, a contract is signed only after the parties agree and understand the terms and conditions governing the contact. Some parties tend to encounter contract issues down the line because he/she did not proof read or ask questions. Negotiating contracts give each party the opportunity to make changes and give input before anything is made final.

According to the agreement, the following legal issues must be adhered to:

1. Neither of the parties can cancel the agreement in whole or part subsequent to more than 50% of the consideration having been tendered by the other. This particular clause is a barrier to the cancellation of the contact by CS since the contract has already proceeded for eight months, which is beyond the fifty percent mark.
2. Internal Escalation procedure for addressing disputes. This states that prior to filling any formal proceedings pertaining to disputes shall call

for progressive management involvement in the dispute negotiation by <https://assignbuster.com/business-plan-on-recognizing-contract-risk-and-opportunities/>

a written notice to the other party and this throws CS into confusion since nothing of such a procedure occurred and it unilaterally indicated rescission thereby leading to a violation of the progressive management involvement in the dispute negotiation.

3. Intellectual property rights on the payment of all sums due to span as per the agreement bars CS from demanding delivery of all since some of the deliveries have not been paid for.
4. Requirements change; in the event that CS require a change to the user and systems requirements originally agreed to, it will notify span as soon as possible during the regular business hours and pay span any accruals at an agreed rate: there have been against the ordinary changes to unusual growth in requirements agreed to in the contract.
5. Communications and reporting: during the project, there was to be regular schedules of status meetings between the project managers which failed because of a change in project management at CS.

Several problems arose in this contract, first, the issue that Spans deliverables had been behind schedule and that the quality of those deliverables has been faulty in the user test phase of the project. CS also had some issues with performance as a result of a change in the project management staff of CS. These underlying issues are at the heart of the performance argument which seem to be totally linked to schedule and quality of products. The issue at hand was that the original contract was written with no clear and concise wording as to an approach to project completion or specialty clauses.

MEMO

Topic: Risks and opportunities

Recognizing contract risks and opportunity can be a tedious task for everyone involved in the specific contract. Citizen-Schwarz (C-S) contracted Span to develop a banking software system. C-S and Span have entered into a \$6 million one year agreement that is not working for either one of them. The dispute is that Spans deliverables have been behind schedule during the last eight months. Span also admits that the quality might have declined based on the pressing need to meet deadlines.

The contract is worth six million with the opportunity to secure the contract to build a bigger program for Citizen-Schwarz AG. When the contract reached the eight million mark, Citizen-Schwarz became dissatisfied with Span Systems performance and delivery and asked for rescission from the contract. Both sides started identifying their needs and risks and negotiations were begun with each side working toward contractual agreements.

Span Systems Needs and Risks

The primary risks in this contract between Schwartz and Span System was the ambiguity of the language used in the contract. The definition of the scope of the project was not clear nor was the responsibility of each party clearly defined. User and System requirements were also not established. The potential cost and timeliness, therefore, loomed as a point of dispute as the project progressed. It is important to look at each point of contentment.

In summary, the following needs and risks can be identified on the side of Span:

- Maintain a good working relationship with the client; Citizen-Schwarz
- Develop a and delivering a dependable and reliable software product
- They also risk being questioned by client regarding performance on deliverables which in turn affects quality and the software's time schedules.
- Turn Around time on the approval and review times at Citizen-Schwarz AG.

On the one hand, Span has several opportunities including the fact that, despite the delay and the quality, CS can not stop the contract and so it has to receive all payment due to it since over 50% delivery is already made. Another is the fact that no case can be filed against it without its prior consent and negotiation with a written notice.

Citizen-Schwarz AG Risks

- Span Systems deliverables are behind schedule
- The quality of the already delivered code is substandard
- Citizen-Schwarz also has a deadline within which to release the new software.
- Demanding immediate transfer of all unfinished code and asserted rescission is not possible instead it risk making payment even for the undelivered.
- Need to address schedule slips and quality issues

- They also risk agreeing that scope of project has changed and does not recognize any breaching of contract.

So both parties agreed that the five areas below needed revisions; performance, change control, dispute resolution, project structure and communications & reporting.

To overcome the above risks, the managers to be responsible will act independently to minimize the following problems.

The managers of CS would minimize the periods of recruiting new project managers until the period for the completion of the project so as to enable the organization of the meetings to discuss progress and limit frequent training.

They also have to constantly and thoroughly review every contract before accepting to append their signatures in future.

They will also have to constantly verify the quantity and quality of the deliverables so that they do not have to wait for the last minute rush.

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