

Contract creation and management



Contract Creation and Management Simulation Every day in this country someone is entering into a contract. Whether it's purchasing a new car, leasing an apartment, or buying a caramel macchiato at your favorite Starbucks; we all participate in forming a contract agreement. Contract Law has its roots thousands of years earlier when early civilization began to trade and barter with each other.

A legal system was created to support and promote trade. From that came a branch of jurisprudence that studies the rights and obligations of parties entering into a contract. In this paper we will discuss the legal issues involving Span Systems and Citizen-Schwarz and tactics used to remedy the contract dispute. Legal Issues Contract Law (n. d.), according to the New World Encyclopedia is based on the Latin phrase *pacta sunt servanda*, meaning a promise must be kept. In the simulation banking giant Citizen-Schwarz and Span Systems have both accused each other of breach of contract.

C-S believes the contract was breached under substantial performance of contract or a material breach. This occurs when a group exhibits inferior performance of their contractual obligations which decreases the validity of the contract write an essay on my journey to a village (2010). According to C-S, deliverables were constantly behind schedule and the quality of work was poor due to all the software defects. Span Systems argues that C-S violated the contract under Requirements Change. Since the beginning of the project all change request have been outside the norm of ordinary requirement changes that were specified in the contract.

This caused major strain on Span Systems to adapt user and system requirement changes, maintain original timelines, and keep project budget from skyrocketing. Citizen-Schwarz believes they have the right to rescind contract offer based on Span Systems performance alone. Span Systems believes that C-S is being unreasonable because of all the system enhancement changes they demanded. Contract Formation Citizen-Schwarz looked to break into the highly competitive and lucrative retail financial services industry in the United States. They agreed on a one year contract that would pay Span Systems \$6 million dollars at the completion of the project.

Span Systems agreed to build a state of the art java based transaction processing software for C-S. Both parties agreed to follow the five contractual guidelines: contract cannot be canceled if fifty percent or more of project has been completed; internal escalations for disputes must be in writing and sent within five to twenty days based on level within project group; must notify Span Systems of any ordinary user/system changes during business hours and as soon as possible; communication and reporting frequency will be administered by both project managers; and intellectual property rights will not be released until all payments are made to Span Systems (University of Phoenix, 2002). Span System agreed to metrics guidelines of schedule slip must be plus/minus five days, defects must be zero, and size (in function points) must be 940 (University of Phoenix, 2002). At the end of project if all requirements are met, Span Systems has the potential gain Citizen-Schwarz's™ multi-million dollar e-commerce business. Administration of Contract Before the contract is implemented both

Span Systems and Citizen-Schwarz should review key contract clauses to make sure the content used is clear of misinterpretation and double meaning.

This would minimize the amount of disputes and potential breach of contract. With any project you want some checks and balances in place, because most contracts do not cover the unforeseen. With that in mind, the contract should be administered with a risk management plan.

The risk management plan should be developed in line with contract requirements and the organizational policy and procedures. Both project management teams would be involved in the risk management plan. They would determine what could happen, how to prevent it, and what to do if it does happen. By implementing a risk plan, they can monitor and control risks effectively, increasing their chances of achieving success.

Contract Dispute Resolution Because of the sensitive nature of this relationship, negotiation would be the best alternative dispute resolution. This shows the willingness to resolve issues between the two parties without bringing in expensive lawyers or a third party mediator. Span Systems showed their willingness to work with Citizen-Schwarz by accommodating their constant user and system changes, even though it was out of the normal scope of ??? ordinary??? as define by the contract. The mutual right to remedy would be useful in the negotiation, because it gives both parties the equal right to remedy the problem after a breach of terms (Brooks & Stremitzer, 2011). After eight months working on the project, it would only be fair to allow Span Systems a chance to resolve Citizen-Schwarz dispute.

Decision Making After reviewing all the information in this simulation, I would not change my decision to administer the contract with a risk management plan or use negotiation as my choice of alternative dispute resolution. Span Systems cannot be successful in completing this project without a risk plan. Their failure to manage change is a direct result of lack of preparation.

Negotiation is not just about lessening the financial burden, but more about a joint willingness to find a win-win solution for all parties involved.

Conclusion Whether the contract is oral or written we all participate in one form or another. The tricky part is do both parties really understand the language in the contract.

Has anyone taken the time to make sure it's clear In the case of Span Systems versus Citizen Schwarz misinterpretation of "ordinary" changes and lack of communication led to a dispute that potentially could cost them the contract with Citizen-Schwarz. Important lessons learned are always make sure wording in contract is clearly understood by both parties and proactively seek resolution to problems at all times. References Contract.

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