

What Makes For a Quality Business Agreement - or a Contract?

The contract is the foundation of doing business. Does that sound too formal to you? Is a handshake agreement good enough for many? Well, even though it may not be as airtight as, say, a contractor agreement, a handshake deal is still a contract. The moment two people agree to terms when it comes to the exchange of goods and services for a price, they have entered into a legal contract. It's why knowledge of contracts and the issues involved should be important to all people in business, and why knowing the difference between a good and bad contract can protect your interests.

In fact, knowing more about contracts is like knowing more about life and history in general. Contract law is certainly not the creation of a few thoughtful individuals, nor is it part of any kind of grand design. Indeed, contract law has much of its roots in the common law foundation of American society.

That is, contract law is somewhat a textbook example of how common law developed in Britain and the United States. People engage in business transactions. Eventually, some of these become sources of disputes between various parties. Some laws already on the books may cover the dispute. Very often, they don't. So that's where a court needs to step in to cover so-called tricky cases and establish new laws. These are called precedents, which are then carried over to similar cases in the future.

It's the establishment of these precedents alongside legislated law that forms the foundation of common law in general, and contract law specifically. Although it's certainly not necessary to do extensive research in case law to gain a better understanding of things like legal contracts and the contractor agreement; contacting those specialists who do might be wise. They're called lawyers. Alternatively, just knowing that contract law isn't always written in stone should perhaps make it more imperative that good contracts can cover your interests in as many situations as possible.

It is the desire to avoid grey areas and matters of interpretation that creates the need to form contracts to protect your interests. In other words, a handshake can get you in trouble, since the specifics of such a contract can be a matter open to interpretation. What is less open to interpretation is a legal contract or contractor agreement that specifically states the obligations of all parties of a contract. The more the contract clearly outlines these obligations, the better off all parties will be, especially if there ends up being a dispute.

It's not just the simple exchange of goods and services for a fee that are subject to contractual arrangements, of course. There are numerous components of business and related activities that come under the umbrella of contracts.

If you want to outsource your activities to someone else, that's a contract. You hire people for a period of time, that's a contract. You hire people to fix something in your office, that's a contract. Almost any decision to form an arrangement with someone else, especially when money is involved, can form the basis of a contractual arrangement carrying with it all the duties and obligations of a legal contract.

Another way of putting it is this: If you're doing business with anyone to any degree, there's a contract involved there somewhere. And if it could potentially impact you and your business, you better get it down on paper. Some contracts may not need to be as formal as a contractor agreement, but the more specific a legal contract it is, the better position you can be in to protect your interests and that of your business.

Indeed, laying out as much specificity in the contract, while keeping it simple, goes a long way towards creating the good legal contract. It should lay out things like the parties obligated to the contract, the financial arrangements agreed upon, what circumstances would lead to the termination of the contract, what mechanisms can be used to resolve disputes, and what jurisdiction applies to the terms of the contract. The more that's outlined in the contract, while making it easy to understand for all parties involved, the less of a chance that a court will even be needed to sort it all out.

After all, one of the benefits of a good legal contract is that it discourages people to resort to the courts to try and settle disputes in their favor. If most applicable terms are laid out in a good contract, the temptation to try and score through a lawsuit will be mitigated. No one wants to waste time and resources disputing an airtight contract. If the terms are laid out properly, and each party knows specifically what their obligations are, then further difficulties down the road are that much more unlikely.

Perhaps nowhere is this more true than with respect to the contractor agreement. Companies are hired to do projects of all sorts for all kinds of clients. While it's great to answer the phone, learn that someone wants to contract for your services, and pay you a lot to do it, it really doesn't hurt if you already have prepared a contractor agreement that covers both your interests before getting started. It lets the client know what kind of people they're hiring, while also protecting you from somebody who plays loose with the notion of what a business contract is.

About the Author

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