
Standard Contracts: No Laughing Matter

How often do you sign a contract without reading it? You do that for hundreds of reasons.

Six common excuses:

1. If I delay to allow time to negotiate the contracts, the deal might go away.
2. Been doing business with them for years. They've always done what they say they'll do.
3. They said the contract is non-negotiable.
4. Lawyer cost too much.
5. Contract is two pages long, how bad can it be?
6. "It looks standard to me."

If you have money to burn, sign a contract without reading it thoroughly and negotiating it aggressively. If you don't ask for help, be prepared for a bumpy ride. Why? A written agreement remains long after the honeymoon glow wears off. Equipment breaks. Service falters or is inconsistent. The equipment doesn't do what they promised it would do. Supplier and financial companies' plus their contracts are frequently sold to competitors. You have new relationships to build. When times get rocky, neither old nor new relationships may carry much weight.

Contracts are written by attorneys to protect their client, not you. Written agreements are one-sided and the balance on this teeter-totter is never equal. What can you do?

Play Worst Case

Assess the potential damages if the deal blows up in the first year. Be sure to add in the cost of paying the other guys legal fees, assumed damages, fines, late payment fees and penalties. If the case goes to court, there will be an expense to hire your attorney, pay court costs, filing fees, tax penalties and the list goes on. This expense is to defend you from the "unprincipled scoundrel" who used to be your trusted vendor/buddy.

Penalties usually include paying all remaining payments for the full term plus an amount to make up for lost profits the supplier experienced during the legal battle. And you still need to locate and pay for replacement service providers or equipment.

Weigh the Options

1. Read the agreement yourself. Consider how often you read contracts. What is your familiarity with the legal and contractual terms contained in the agreement? Do you know the laws in your

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state and how they apply to this contract? How familiar are with the laws in the state in which the case might be litigated. Seldom is the matter handled in your home state.

2. Hire an attorney. You can save the attorney a little review time by highlighting what you are most concerned about after you're read the contract. Ask for a flat rate to review the agreement.

3. Hire a contract expert who is not an attorney. Propose that they work under a gain share agreement. Some agree to a flat rate (lower than that of an attorney) and a percent of the savings they achieve for you through their review and negotiation process. These experts usually come from within your industry and have specialized knowledge of either the equipment or the service you require. They should also have knowledge of contract terminology and the financial terms and conditions specific to the project or transaction.

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Mary A. Redmond, The FearLess Negotiator, works with business professionals who want to become stronger negotiators. After attending one of her workshops or coaching sessions, clients feel more confident in stressful business situation whether they need to close bigger and more complex sales, secure the perfect new job, ask for that well-deserved raise or improve communication with their colleagues, bosses or families.