

Always get it in writing!

Joe Michels, PhD, P.E., C.P.L.
Principal
Solomon Bruce Consulting LLC
www.solomonbruce.com

When I was at Rotary the other day, a new member joined the table that I was sitting at and said that he wanted some counsel. I said, "Sure, what is going on?" He had mentioned that he had engaged a local service provider for some services; however, the delivery of the services was not going as planned.

My first question was, "Did you have some type of contract or written agreement for the delivery of the services?" His answer was yes, they did, however, he had paid for all of the work agreed to, but had not received all of the deliverables. As we explored the challenge he faced, he identified that he had contracted for five different, but related, tasks that the service provider was to provide solutions for. The service provider had completed 4 of the 5 tasks; however, the last task had not been completed. In fact, he had tried to call and contact the service provider for the past several weeks, however, had not gotten anything other than excuses and reasons why the project was not yet complete. That is when he was able to talk to a warm, cheerful human voice. All other times, he either got the voicemail or a phone that was never answered.

The next question involved a delivery and payment schedule contained within the contractual agreement. Unfortunately, there was no formally documented delivery and payment schedule agreed upon by either party in the contractual document. The service provider, another small business, had discussed cash flow problems and asked that the company be paid on a monthly invoice arrangement. My friend agreed to that, fully believing that no problems

would arise. At this point, my friend had paid in full for all services contracted, however, was still short one deliverable.

His frustration was high because he needed the last deliverable in order to effectively operate his business. I told him that, depending upon the size of the overall project, he may be best suited to forgetting about it and finding someone else to complete the project. Another option explored was going to court and entering into litigation for the value of the last project. I did suggest that idea was probably, at best, a foolhardy approach. The cost of litigation was probably greater than the value of the work yet to be completed. My friend agreed that was indeed the case. My friend did indicate that he had called the principal of the company and gave the firm an ultimatum. He needed the work fully completed by Wednesday or Else! When I asked what the "Or Else" meant, he stated that he had not thought that far ahead, however, would come up with something! Luckily, literally, at the 11th hour, the firm did complete the project, provided the final deliverable and my friend was satisfied that he had received what he had originally envisioned as a final finished project.

Fortunately, this case ended in an acceptable manner to the client. However, the frustration and time wasted was unacceptable and caused much discontent and unhappiness.

Circumstances such as these never need to occur. When you enter into a contractual service delivery agreement, you should always insure that the agreement clearly specifies the full terms and conditions of the engagement. Deadlines and due dates should be clearly identified, as well as what amount of payment will be provided when each task or phase of the project is completed. As

the work progresses toward completion, more payments are given to the contractor. That is why these types of payments are known as progress payments. The payment is made as progress is made on the overall task.

In our practice, we normally request some portion of the overall fee to be paid upon initiation of the engagement. Depending upon the length of the engagement, we may invoice the client on a periodic basis, or wait until the project is finished before invoicing for the final amount. This is a matter of negotiation between our firm and our client.

Always, write down all terms and conditions of work, service delivery, products provided, etc., before the work begins. A clear and unambiguous understanding of roles and responsibilities of each party will preclude frustration at the end of the engagement.

If you need help in this, or any other business management matter, call Solomon Bruce Consulting LLC at 406-672-6387. We can help you enhance your profitability and service delivery.