

Entrepreneurship

Contract management:

Basic start-up problems

By

Dr. Santosh Kumar Lal

Dept. of Commerce

Sariya College, Suriya

Meaning of Contract Management

Contract management is the process of **planning, creating, executing, monitoring, and closing contracts** to ensure that all parties meet their legal and commercial obligations while minimizing risks.

In entrepreneurship, contract management helps startups **protect their interests, control costs, ensure compliance, and maintain healthy business relationships**.

Importance of Contract Management in Entrepreneurship

1. Ensures **legal protection** for the business
2. Reduces **financial and operational risks**
3. Helps in **clear allocation of responsibilities**
4. Prevents misunderstandings and disputes
5. Improves **supplier, customer, and partner relationships**
6. Ensures compliance with **laws and regulations**

Types of Contracts in Entrepreneurship

- **Sales Contracts** – Agreement between seller and buyer
- **Employment Contracts** – Defines employer–employee relationship
- **Supplier/Vendor Contracts** – For raw materials or services
- **Partnership Agreements** – Between business partners
- **Lease Agreements** – For office or factory space
- **Non-Disclosure Agreements (NDAs)** – Protect confidential information
- **Service Contracts** – For professional or technical services

Stages of Contract Management

a) Contract Planning

- ▶ Identifying business needs
- ▶ Defining objectives and scope
- ▶ Risk assessment
- ▶ Budget estimation

b) Contract Drafting

- ▶ Writing clear terms and conditions
- ▶ Defining roles and responsibilities
- ▶ Specifying payment terms
- ▶ Including dispute resolution clauses

c) Contract Negotiation

- ▶ Discussion between parties
- ▶ Modifying terms for mutual benefit
- ▶ Ensuring fairness and feasibility

d) Contract Execution

- ▶ Signing the contract
- ▶ Legal validation
- ▶ Official commencement of obligations

e) Contract Monitoring and Control

- ▶ Tracking performance
- ▶ Ensuring compliance with terms
- ▶ Managing changes and renewals

Common Contract Management Issues

- Poorly drafted contracts
- Lack of legal knowledge
- Ambiguous terms
- Non-compliance by parties
- Delayed payments
- Contract breaches

Role of Entrepreneurs in Contract Management

- Understanding basic legal terms
- Seeking legal advice when required
- Maintaining proper records
- Ensuring timely execution of obligations
- Regular review of contracts

Meaning of Start-Up Problems

Financial Problems

- ▶ Lack of initial capital
- ▶ Difficulty in obtaining loans
- ▶ High cost of operations
- ▶ Cash flow management issues
- ▶ Delay in receiving payments

Managerial Problems

- ▶ Lack of managerial experience
- ▶ Poor planning and decision-making
- ▶ Inefficient delegation of work
- ▶ Lack of skilled workforce
- ▶ Time management issues

Marketing Problems

- ▶ Identifying target customers
- ▶ Market competition
- ▶ Pricing strategies
- ▶ Lack of brand recognition
- ▶ Limited advertising and promotion

Technical and Operational Problems

- ▶ Lack of technical knowledge
- ▶ Poor infrastructure
- ▶ Use of outdated technology
- ▶ Production inefficiencies
- ▶ Quality control issues

Legal and Regulatory Problems

- ▶ Complex registration procedures
- ▶ Compliance with laws and regulations
- ▶ Taxation issues
- ▶ Licensing and permits
- ▶ Contract enforcement problems

Human Resource Problems

- ▶ Hiring skilled employees
- ▶ High employee turnover
- ▶ Training and development costs
- ▶ Maintaining employee motivation
- ▶ Labour law compliance

Environmental and External Problems

- ▶ Economic fluctuations
- ▶ Government policy changes
- ▶ Competition from established firms
- ▶ Technological changes
- ▶ Social and cultural barriers

Solutions to Start-Up Problems

- ▶ Proper business planning
- ▶ Adequate financial management
- ▶ Market research and analysis
- ▶ Use of professional advisors
- ▶ Adoption of modern technology
- ▶ Government support schemes

Conclusion

Effective **contract management** helps entrepreneurs avoid **legal disputes and operational risks**, while understanding **start-up problems** enables them to plan better and improve chances of business success.

Case Study 1: Poorly Drafted Supplier Contract

Background

A startup manufacturing eco-friendly packaging entered into a supplier contract for raw materials. The entrepreneur drafted the contract without legal assistance to save costs.

Problem

- ▶ The contract did not clearly mention **delivery timelines**.
- ▶ No penalty clause for **delayed supply**.
- ▶ Supplier frequently delayed deliveries, affecting production schedules.

Analysis

- ▶ Ambiguous contract terms caused operational inefficiency.
- ▶ Lack of performance clauses weakened the startup's position.
- ▶ The startup faced customer dissatisfaction and revenue loss.

Learning Outcome

- ▶ Contracts must clearly define delivery schedules and penalties.
- ▶ Legal review is essential even for small contracts.
- ▶ Proper contract management reduces operational risks.

Case Study 2: Employment Contract Dispute

Background

- ▶ A tech startup hired a software developer without a formal employment contract, relying on verbal agreements.

Problem

- ▶ The employee left abruptly with confidential source code.
- ▶ No Non-Disclosure Agreement (NDA) was signed.
- ▶ The startup faced data security risks.

Analysis

- ▶ Absence of a written contract created legal vulnerability.
- ▶ Confidentiality was not legally protected.
- ▶ Business continuity was disrupted.

Learning Outcome

- ▶ Employment contracts and NDAs are crucial.
- ▶ Verbal agreements are risky in entrepreneurship.
- ▶ Contract management protects intellectual property.