

**THE FEATURES OF CONTRACTUAL RELATIONSHIPS  
IN MODERN BUSINESS PRACTICE**

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**Abstract.** *The modern business environment is developing very dynamically. According to economic trends the business contracts and relationships are transformed and improved continuously.*

*The main features of the contractual relationships in modern business practice of the entities are covered in the article.*

**Keywords:** *business contracts, relationships, products contracts, services contracts, solutions contracts, turnkey contracts, outsourcing contracts, product, price, delivery terms, warranty*

**Introduction.** Business relationships take many forms and before appropriate terms can be established, it is critical to determine the type of relationship that will best fit the capabilities and goals of the parties. Contracts assume great significance in business-to-business relationships. They are a means of assigning risks and responsibilities to the parties and provide a description of and discipline to the relationship. In the supply of services, the contract frequently represents the only tangible definition of what it is that will be delivered and establishes important procedures.

**Purpose.** The purpose of the article is to review the main approaches to the design of contracts in modern business practice.

**Methods.** To achieve the main goal in this article were used the following research methods and techniques: induction; deduction; methods of causation and abstraction.

**Results.** There is a variety of contractual relationships that are common to large businesses [3]. The features of modern types of contracts and their key terms will be covered in this article.

Contracts for the sale or purchase of products have simpler concerns than those for services, or for products and services together. In most jurisdictions, certain principles will apply unless specifically agreed otherwise.

Contract terms will differ depending on whether it is perceived as a one-time sale or an ongoing relationship. Major corporations often compete to impose their standard terms – in which case a ‘battle of the forms’ can ensue.

In the case of ongoing product acquisition, the parties may agree changes and modifications to the agreement, and there may be more flexibility over which party's standard form is used as the base for negotiation. Such agreements may take the form of a commitment contract or an 'as ordered' contract with each order being given to the seller on the agreed-upon purchase order form. There may be allowances for variation in the type or amount of goods shipped [1].

The important terms in Product Contracts are: Product and Price; Delivery Terms; Warranty and Performance; Intellectual Property and Termination.

If you want to limit disputes or their consequences then it is wise to have a contract. In the agreement, there must be certain essential terms included: a clear and definite description of the type, quantity and quality of the goods; a specified total price or a price given per unit or by weight or other measurement; price change – often contentious, may address reductions, which have become increasingly common; an indication of whether other costs, such as delivery charges, taxes and duties, especially when dealing internationally, will be charged separately from the price; whether or not prices can be adjusted (up or down) based on circumstances within or beyond the seller's control, such as general price movements, technology changes or the cost of raw materials; letters of credit or other payment assurances; the method and terms of payment as well as reference to the currency and/or exchange rate to be utilized; rights or obligations to upgrade products over time, or as a result of new product introductions; delivery and title terms.

It is important to ensure that the delivery terms are clear and suit the business purpose. Moreover it is equally important to understand and set boundaries around Warranty and Performance: are the goods being sold 'as is' or does the sale include a warranty? Are the goods new, or warranted to perform as new? Is the seller obligated to maintain or service the goods after delivery? Does the buyer have the right to return the goods? At whose expense? Can the buyer pass on the warranty to others? If so, what provisions must be incorporated into their agreement?

Intellectual property includes inventions, computer programs, product and service names, technical and business information, logos, artwork, etc. Protecting intellectual property is very difficult and can be a sensitive topic. Losing control places a business at risk. Intellectual property litigation can be a very long and complex process.

Buyers may want specific performance obligations, or the right to terminate for convenience. Sellers will be anxious to avoid both of these scenarios; they want their costs and liabilities to be predictable and their revenue to be protected.

Some things to ponder: what remedies are available to either party in the event that things go wrong? Are these remedies adequate and realistic in the context of the consequences and the alternatives available? This is a fundamental area of any agreement. What termination rights do the parties

have and with what consequences or obligations? (notice, cause, financial etc.) Are damage awards limited per incident or are they cumulative?

A contract for services may include products, in which case the same issues as previously discussed will arise. Some of the specific items to consider are set out below [4].

In services contracts it is essential to be clear on the scope of work, particularly (for the seller) where the contract is fixed price, or (for the buyer) time and materials. It is important to ensure that everything is quantified or qualified with milestones for when the major deliverables will be done. Also specification on resources, skills needed, or process for things has to be done.

It is important to determine and declare how much control the buyer and seller have over engineering, design, installation and testing.

Buyers and sellers will have different views on liability. Striking a balance can be a challenge. Vendors will take a view that risks should be shared, whereas the buyer would prefer the deal to be risk-free. Each has legitimate concerns and they need to be balanced with the degree of caution each should reasonably take.

In a services contract it is important to set down milestones for payment, for example, upon contract signature, upon delivery of project plans, after testing etc. Ideally, services should be based on an hourly rate, but this is often difficult to agree, as customers will typically want a fixed rate. In either product or service contracts, the method and timing of payments is of great importance.

'Solutions contracts' differ from other types of arrangements because the buyer is relying on the supplier's expertise to determine the package of products, services, engineering, design, and consulting necessary to solve a business issue or problem.

Examples of Solutions arrangements include, but are not limited to the following: Systems or network integration and management; Managing and optimizing customer resources, facilities or networks; Implementation and operations – for example, marketing, billing, distribution or inventory management systems.

This movement towards 'solutions' has spread to other industries, in part because it is seen as an effective way to reduce buyer risks, but also because it can substantially reduce their costs of managing multiple vendor relationships. For the vendors, it is a means to differentiate and thereby avoid or delay 'commoditization' and the associated downward spiral on price and risk terms. Solutions contracts require much more effective 'teaming' and information flows between buyer and seller organizations.

The term "turnkey" means that the buyer needs only turn the "key" to the system and it will work. An integral part of a contract to buy a turnkey system of any type are the terms and conditions for the acceptance of the system and when / how payments will be made. Defining acceptance and associated milestones is a critical task for such contracts [5].

For Information Technology companies, a turnkey project might include network planning and design, detailed engineering, procurement of equipment

and software, installation, network integration and network interfacing, project management, the provision of civil engineering (if required), testing of the network and handing over of the network to the owner/customer “ready for commercial use”. The network as delivered must meet the specifications and parameters as described in the contract.

A primary attraction of the turnkey contract for the buyer is the ability of the customer to consolidate and transfer risk from itself onto the supplier. In theory the vendor should be able to perform the project at lower cost and with reduced chance of failure. In addition to relieving the customer of a number of management-related risks and responsibilities, the turnkey contract provides the customer with single point responsibility. Increase in costs, errors or misjudgments in design, coordination and management of sub-contractors etc. are entirely for the risk of the turnkey contractor.

In business, outsourcing involves the contracting out of a business process to another party. Many companies are refocusing their efforts on the areas where they have the greatest skills (their ‘core competencies’) and outsourcing other functions. Large organizations may simply acquire the needed areas of skill by purchasing other companies, particularly to support market or product development /diversification. Even areas like the development of new distribution programs (for example, through resellers or agents) are a form of outsourcing, since the alternative is to further develop in-house resources or capabilities.

Areas of outsourcing: in the high tech environment, operation and maintenance of networks or help desks. Further more, there has been significant growth of outsourcing in such areas as logistics, human resources, building facilities management and back office accounting services [2].

Outsourcing includes both foreign and domestic contracting, and sometimes includes offshoring (relocating a business function to another country). Financial savings from lower international labor rates can provide a major motivation for outsourcing or offshoring. Advantages of outsourcing: opportunities to leverage scale; opportunities to leverage capabilities; opportunities to reduce risks / manage complex relationships; source of investment; source of idea and source of energy.

**Discussion.** Contractual relationships require further study for the improvement of partnership in business in the conditions of dynamically developing management and marketing.

### **Literature**

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## ОСОБЛИВОСТІ ДОГОВІРНИХ ВІДНОСИН У СУЧАСНІЙ ПРАКТИЦІ БІЗНЕСУ

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*Анотація.* Сучасне бізнес-середовище розвивається дуже динамічно. Відповідно до економічних тенденцій, бізнес-контракти та відносини постійно трансформуються і вдосконалюються.

*Розглянуто деякі особливості договірних відносин у сучасній діловій практиці суб'єктів господарювання.*

*Ключові слова:* ділові контракти, відносини, контракти на продаж чи купівлю продукції, договір на послуги, контракти на пошук рішення, контракти під ключ, аутсорсингові контракти, продукт, ціна, строки поставки, гарантія

## ОСОБЕННОСТИ ДОГОВОРНЫХ ОТНОШЕНИЙ В СОВРЕМЕННОЙ ПРАКТИКЕ БИЗНЕСА

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*Аннотация.* Современная бизнес-среда развивается очень динамично. Согласно экономическим тенденциям, бизнес-контракты и отношения постоянно трансформируются и совершенствуются.

*Рассмотрены некоторые особенности договорных отношений в современной деловой практике субъектов хозяйствования.*

**Ключевые слова:** *деловые контракты, отношения, контракты на продажу или покупку продукции, договор на услуги, контракты на поиск решения, контракты под ключ, аутсорсинговые контракты, продукт, цена, сроки поставки, гарантия*

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## **BIOENERGY DEVELOPMENT IN POLAND AND UKRAINE IN THE CONTEXT OF INCREASE OF SOCIAL BUSINESS RESPONSIBILITY**

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**Abstract.** *This article is devoted to the improvement of social responsibility due to the development of bioenergy sector. The basis of this research was to investigate the Polish experience in the field of bioenergy and evaluation of its development in Ukraine. The study of the relationship of social responsibility and bioenergy based on an assessment reduction of primary energy resources and increase of biological.*

*Considered features of the legislative framework of bioenergy sector in both countries. Obligations of Poland in line with measures taken by the European Commission restrict the use of first generation biofuels because of indirect land use change in the cultivation of raw materials for their production needs and in accordance with the increase of greenhouse gases when burned. The social and environmental factors of increasing the use of biological energy are analyzed.*

**Keywords:** *bioenergy, renewable energy sources, primary energy, environment, social responsibility*

**Introduction.** World production and use of bioenergy is growing due to factors such as increase of energy safety and environmental security. However, the interest to invest in the industry also manifested by the following factors: the development of effective technologies and state programs. As a