Types of contracts

Name

MGT-440

Grand Canyon University

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According to the appendix 12.6 in Larson and Gray, it would be effective to implement a fixed-price contract when outsourcing products. Not every contractor will spend wisely when they can work before pay. Even when an agreement has been made, a contractor is highly likely to include costs that are often not relevant to the project. Under fixed-price contracts, you give contractors an opportunity of biding, after which you decide who will provide you with the best result from our proposed project. A contractor working under a fixed price will try as hard as possible to work within the price limit while at the same time ensuring quality because, after all, there will be no payment without quality outcome.

The same way people perceive, to be honest, is the same way you cannot know when and why you are unethical in a negotiation. Unethical negotiations are always present in a negotiation. That is the reason why a contractor my present false prices at the end of the project if it were cost-plus contracts because they are sure enough the work is appealing, and you will be more than willing to provide the extra cost. Also, proper resource management depends on whether a contractor is restricted to a given cost. For instance, you have a project alongside a proposal with a budget of $200,000. If you put this to be bided upon by various contractors, there are chances that you will get some contractors who will be willing to provide a quality job for less cost. Whether it is for the same cost, the contractor will work with the idea of having a $200,000 limit. So, every move, every labor, and even supply will be within the price range because of the restriction (Joshi et al., 2020).

A fixed-price contract with guidelines to be followed yield good results and of higher quality than a cost-plus contract since they must observe both the cost and time limit to avoid any conflicts with the contracts. Also, there is a risk of resource wastages when there is payment after work than having an agreed payment before the start of a project. However, this type of contract is risky when the price is paid first before the job but is effective for most outsourcing activities.

**References**

Joshi, S., Krishnan, R., & Mani, D. (2020). PRICING YOUR OUTSOURCING CONTRACT IN UNCERTAINTY. *Strategic Finance*, *101*(11), 21-22.