You’ve Landed Your First Big Contract. Now What?



Opinions expressed by Entrepreneur contributors are their own.

Landing your first major contract is a pivotal moment. You’ve worked hard to establish your company’s value and reached a new level to showcase the brand through a retail agreement or supplier contract. The excitement of the moment can quickly give way to stress. A lot is riding on the company’s ability to execute the request and deliver on this monumental opportunity successfully.

As a former entrepreneur and now a banker, the best advice I can offer is to fully understand and balance the risks and rewards of accepting this contract.

Related: Don’t Let Your Biggest Client Become Your Biggest Nightmare — You Should Fire Them Instead. Here’s Why.

Risky or rewarding?

When evaluating your first big contract, it's important to understand three things:

- **Your ability to execute against the contract terms.** That is, whether you have the infrastructure and staff in place to act on a large-scale project – or are prepared to expand to meet the needs if necessary. Your legal team should work with your operations lead or a reputable logistics planner to provide an infrastructure assessment, ensure proper resource allocation and optimize operational efficiency, among other necessary strategic guidance.
- **Sufficient capital is in place to execute on a larger contract.** In many cases, payment terms will be 90 or even 120 days, and you'll need funds to continue operating during this period. A banker or financial advisor can help to account for your business's current and future financing needs.
- **How will this impact your ability to deliver on existing contracts?** While addressing the needs of this new client, you need to maintain the same quality of service and product for existing customers. Your COO or logistics planner can support operational efficiency, supply chain management, and resource allocation.

Once you've consulted experts and fully assessed the scope of this contract, you can make an informed decision about whether you want to proceed. But remember, never sign on for more than your business is equipped to handle. Failing to execute against the agreement can impact short-term and long-term financial goals, brand reputation and business relationships. I have, at times, advised clients against signing a large contract when it was clear they weren't adequately prepared to meet the obligations.

For example, several years ago, I had a client in the consumer

space who was presented with an opportunity to sign a large national contract with one of the biggest retailers in the world. They decided to turn it down in favor of a smaller, regional contract.

Why would someone change the terms of a potentially life-changing contract? It was simple. The business wasn't ready.

My client determined they did not have the infrastructure — including systems, suppliers and people — to support the national contract requirements. Instead, they decided to start the relationship on a smaller scale and use that opportunity to build the pieces they needed to succeed in the long run. Today, my client is excelling in a long-term, national partnership with that major retailer, enjoying success that may not have been realized had they tried to take on too much too soon.

Related: My Startup Scored a Multimillion-Dollar Contract With a Fortune 100 Client in Just 3 Years. Here's What We Learned.

Establishing your new partnership

Once you've committed to pursuing the contract, you can engage your legal team to negotiate terms.

As you're negotiating, don't lose sight of the client management. This contract marks the start of a new and important partnership for your business. To forge a strong client relationship:

- Make it clear that this is a partnership and that you are working toward a common business goal.
- Embrace transparency and communicate challenges early.
- Don't just deliver at the lowest price. Educate clients on the value of your product or service so they believe in it, too.

What’s next

You’ve assessed the risks and signed on the dotted line. Take a moment to enjoy this milestone with your colleagues and partners. What was once a dream is now part of your success story.

Leverage this business momentum and consider these guiding principles to keep building:

- Utilize this project as a compelling case study and a reference point to share with prospective clients. This provides a tangible example of the business’ capabilities and accomplishments while serving as a powerful testament to your expertise and reliability.
- Leverage the capital from this contract to reinvest in your team and infrastructure in preparation for the next big opportunity.
- Cultivate your professional relationships with suppliers, investors, bankers, and other industry players to expand the rolodex of experts you can tap for advice or assistance in the future.

The success of your first major contract serves as a testament to your capabilities as a business leader and a strategic step toward sustained growth. Remember this advice, continue to embrace excellence and watch your business soar.

https://www.entrepreneur.com/growing-a-business/youve-landed-a-big-contract-now-what/468113