

# **All the Contract Clauses Existing to Protect Owners and Contractors from Event Cancellations<sup>1, 2</sup>**

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## **ABSTRACT**

Event management is a very big challenge as the risk of cancellation is omnipresent. Event planners have to be very careful with this risk in order to protect themselves from non-payment and excessive cancellation. This paper aims to answer the following statement: what are the best options for event planners to protect themselves from any cancellation. The solution lies in contract clauses. As many contract clauses exist, we use several methods to compare and analyse all the clauses existing to help event planners to choose the best contract clause to be protected from cancellation impacts or avoid cancellation itself.

This analysis highlight that the best clauses are the cancellation clause, the termination clause and the achievement clause.

**Key words:** Valid Cancellation, Event Management, Payment Schedule, Responsibilities, Force Majeure, Indemnification, Termination clause

## **INTRODUCTION**

Event management has always been a big challenge for project managers on account of all the risks opposed to the good proceedings of an event. Indeed, events do not always go as project managers planned. This is the reason why sometimes, events have to be cancelled or rescheduled. Everybody has ever faced a cancellation of an event, meeting or even of an accommodation. This is a big issue to know who is responsible for any damage caused by it, who is going to pay for it and what could the victims do with it.

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In order to avoid all those questions, project managers should use contracts properly. Indeed, with good contracts, project managers can define clearly the responsibilities in case of a cancellation from the event planner, but also from the client and guests.

To study the use of contracts in event planning, it is mandatory to analyse existing contracts and event planners' testimonies, including points of view. But it is also very interesting to examine some research literatures done by professors in event management, because cancellation seems to be one of the biggest issues according to them.

The scope of this research paper is all the information related to event cancellation, contract clauses, cancellation indemnification, force majeure, and responsibilities in case of cancellation from the owner, but also from the contractor of the project.

Through this paper, the following subjects will be considered. First, the cancellation of an event is analysed. Indeed, the conditions of a valid cancellation and in which case an event planner or a client can cancel an event. Then, the indemnification in case of any cancellation. Who has to pay for any cancellation? Another subject of research is the contract clauses that exist about event cancellation. The way of cancelling an event is also a big part of the research, because to reduce negative impact, it is mandatory to respect steps required to cancel an event.

For event planners, the cancellation of an event can cause the loss of the whole due payment. This paper aims to collect and develop all the information about cancellation with a view to helping and advising all project managers who would like to cancel an event and protect themselves. The cancellation can be from the project manager's suppliers (a renter of chairs or reception hall), from the client (the owner of the contract) or event from the project manager himself. To be well protected, contractors must use some specific clauses, which will be explained in the following paper.

## **METHODOLOGY**

### **Step 1- Problem or OBJECTIVE STATEMENT**

This paper aims to develop the following statements:

- valid reasons of cancellation of an event
- all the options given by contract clauses to protect event planners from their cancellation or even from suppliers or clients cancellation

### **Step 2- FEASIBLE ALTERNATIVES**

- Cancellation Clause

- Termination Clause
- Achievement Clause
- Management-change Clause
- Payment Clause
- Refund Clause
- Obligation Clause
- Agreement Clause
- Indemnification Clause
- Non-cancellation Clause

### **Step 3- DEVELOPMENT OF OUTCOMES**

#### **1) Cancellation Clause**

Cancellation clause is the foundation of the protection against event cancellation. It is the clause that will ensure that the event planner is paid for the work that he has done until now. This clause must contain what is a valid cancellation for both the contractor and the owner of the contract to determine in which case a cancellation could be acceptable. This clause is mandatory in a contract as it will be an agreement between the two parties to fix statements and rules about cancellation. This clause is often accompanied by other clauses to fix the consequences of a cancellation.

#### **2) Termination Clause**

Termination clause is the clause that is also known as force majeure clause. This clause protects parties in case of any act of god. That means that any event can be cancelled in case of circumstances that are absolutely not under control, such as extreme weather, war, terrorism, national strike, and so on. In that case, both parties are released from any obligation and can choose if they want this to be a temporary or a permanent cancellation. In this clause, all the acceptable circumstances must be defined. Then this clause should designate who is going to decide if the event is maintained, cancelled or rescheduled. And finally, additional clauses must define the consequences in terms of payments.

#### **3) Achievement Clause**

Achievement clause is a clause that permits to fix some objectives that have to be realised by the contract. Indeed, this clause guarantees that the event is going to take place, no matter what happens. That means that if an act of god (for instance) takes place, the event is not going to be cancelled, but rescheduled. This is very useful, because the event planner is sure to

organize the event and so to get his / her money. And both parties are satisfied as the contractor will have his / her payment and the owner his / her event.

#### **4) Management-change Clause**

Management-change is the fact that the ownership or the board of a company is changes. In that case, lots of companies decide to stop some partnerships and to cancel some events. To protect their interests, event planners should include in the contract a management-change clause stipulating that in case of any organisational change, the current partnership cannot be broken or cancelled easily and directly by the company, meaning that scheduled events have to take place before the end of the partnership. Often, the current board is going to agree this clause, as they want their job to be finished and realised before leaving.

#### **5) Payment Clause**

Payment clause is mandatory if an event planner wants to be paid on time and reduce cancellation impact. Indeed, this clause aims to plan all the payment spread on all the period of time during which the event is planned and organized. That means that even if the event must be cancelled for any reason, the event planner would have had his first payments already. This clause will not prevent cancellation, but help to reduce its impacts.

#### **6) Refund Clause**

Refund clause is a clause that forces parties of the contract to refund the other party in case of any cancellation which does not meet acceptable cancellation terms. In that case, the party that cancelled has no choice but to pay for the damages caused (represents all the expenses already paid by the event planner). This clause is not often well-seen and accepted by people involved in contracts, because a refund must be accepted and means that there is a failure in the event organisation. Moreover, this clause allows people attending an event to cancel their participation with a total or partial refund. But event planners disagree with this clause because if guests can cancel their attendance, it is harder to plan and organize events.

#### **7) Obligation Clause**

Obligation clause is created to force contractors to respect their commitments no matter what can happen. This is a very strict clause that is not really realistic, as if acts of god occur, both contractors will not be able to respect the contract on time.

#### **8) Agreement Clause**

Agreement clause is a utopic clause that could permit for both parties to agree on all the cancellation terms and conditions to avoid any conflict or misunderstanding. In reality, this clause would not be efficient, because it would take too much time to discuss all the terms of this clause in order to reach to an agreement.

### **9) Indemnification Clause**

Indemnification clause is a clause that provides an amount of money that the canceller will have to pay to the other party if he cancels an event. This clause aims to make the canceller pay the whole due payment even if he has cancelled the event. This clause is rarely accepted by the owner neither by suppliers, as it is a big risk to promise a payment without being sure that the event is going to run well.

### **10) Non-cancellation Clause**

Non-cancellation clause is the clause that would forbid any cancellation for both owner and contractor. This clause is clearly impossible to respect, as acts of god are not spare any event.

## **Step 4 - SELECTION OF CRITERIA**

In order to protect event planners, which are the contractors of the contract, it is necessary to analyse all the clauses available in contracts. To do so, some attributes are used to compare them:

- level of protection: corresponds to the efficiency with which the contractor will be protected, it is the importance of the protection.
- level of power: corresponds to strength of the clause, it is the impact that the clause will have on the parties involved in the contract.
- level of acceptance: corresponds to the degree to which both contractors and owners will accept the conditions contained in the clause.

To measure the impact and importance of this attributes, a notation has been established, from 1 to 5.

This notation is gradual, and the lower is the attribute, the less impact it will have. Indeed, the purpose of a clause is to bring efficiency to solve the problem of cancellation; power to force parties to agree; but also, acceptance to make parties sign it.

So, the clauses are going to be classified from the best one (with the highest grade), vital, to the worst one, or useless:

Contractual Clause FEASIBLE ALTERNATIVES	Attributes			TOTAL
	Level of protection	Level of power	Level of acceptance	
Cancellation Clause	5	5	5	15
Termination Clause (Acts of God – Force Majeure)	5	5	4	14
Achievement Clause	5	5	3	13
Management-change Clause	3	2	5	10
Payment Clause	3	2	3	8
Refund Clause	4	2	2	8
Obligation Clause	4	3	1	8
Agreement Clause	2	2	2	6
Indemnification Clause	2	2	1	5
Non-cancellation Clause	2	2	1	5

Figure 1: Multi-Attribute Decision Making analysis: **non-compensatory approach**, by author

1- Poor / 2- Fair / 3- Good / 4- Very Good / 5- Excellent

## FINDINGS

### Step 5- ANALYSIS AND COMPARISON of the feasible alternatives

Contractual Clause FEASIBLE ALTERNATIVES	Attributes			TOTAL	RANK
	Level of protection	Level of power	Level of acceptance		
1) Cancellation Clause	1,7	1,7	1,7	5,1	1 <sup>st</sup>
2) Termination Clause (Acts of God – Force Majeure)	1,7	1,7	1,3	4,7	2 <sup>nd</sup>
3) Achievement Clause	1,7	1,7	1	4,4	3 <sup>rd</sup>
4) Management-change Clause	1	0,7	1,7	3,4	4 <sup>th</sup>
5) Payment Clause	1	0,7	1	2,7	5 <sup>th</sup>
6) Refund Clause	1,3	0,7	0,7	2,7	6 <sup>th</sup>
7) Obligation Clause	1,3	1	0,3	2,6	7 <sup>th</sup>
8) Agreement Clause	0,7	0,7	0,7	2,1	8 <sup>th</sup>
9) Indemnification Clause	0,7	0,7	0,3	1,7	9 <sup>th</sup>
10) Non-cancellation Clause	0,7	0,7	0,3	1,7	10 <sup>th</sup>

Figure 2: Multi-Attribute Decision Making analysis: **compensatory approach, with MADM ratio scale**, by author

1- Poor / 2- Fair / 3- Good / 4- Very Good / 5- Excellent

### **Step 6- SELECTION OF THE PREFERRED ALTERNATIVES**

To select the best alternatives, the method used is the following: each clause got a grade for each corresponding attribute. Then the points given to each attribute are summed in order to get a grade on fifteen. The clauses having the best total grade are the best clauses.

To go further, we used the method of MADM ratio scale to be able to compare each alternative with a percentage. Indeed, applying this approach, we can see that the cancellation clause with a total score of 5,1 is 3 times better than the non-cancellation clause ( $5,1/1,7 = 3$ ).

According to the figure 2, the clauses that event planners should choose to protect themselves from any cancellation appear clearly. Indeed, cancellation clause is the best clause. This clause is the base of the contract terms concerning cancellation, as it defines what is a valid and accepted cancellation for the owner of the contract. But it is obvious that this clause be accompanied by other clauses. The second-best clause is the termination clause, as it protects owner and contractor from cancellation caused by acts of god. The third one is the achievement clause that permits to fix objectives and be sure that they be respected even if any setback appears.

The worst clause is the non-cancellation clause, because it seems unrealistic to use it. Indeed, this clause is mostly impossible to exist as some setbacks can appear and force owner and contractor to cancel the event.

### **Step 7- MONITORING POST EVALUATION PERFORMANCE**

In this paper, we found the best clauses in order to protect the owner of a contract from any cancellation from contractors (venues or performers). To help owners to choose which clause to put in their contract, we decided to sort them from the most efficient one to the worst one. Depending on the scenario, owners can select the best clause that fits their expectations. The advantage of this method is that if owners are not satisfied by a chosen alternative, they can choose the next one in the rankings and see if it fits their needs.

### **CONCLUSION**

This paper aimed to answer the following statement: what are the best options for event planners to protect themselves from any cancellation. The solution lies in contract clauses. As many contract clauses exist, we used several methods to compare and analyse all the clauses existing to protect from cancellation impacts or avoid cancellation itself.

Finally, we highlighted that the best clause for event planners is the cancellation clause, as it fixes the terms of a valid cancellation. But this clause needs to be accompanied by the termination and achievement clauses, as they protect from acts of god and insure the respect of established objectives.

The worst clause for this topic is the non-cancellation clause as it is unrealistic to apply.

## **FOLLOW ON RESEARCH**

After the analysis that we have just done, one follow-up topic to this paper appears clearly. Indeed, an interesting subject for a following research can be the steps and processes to follow in order to reduce the negative impacts of a cancellation on public audience.

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## About the Author



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**Sacha LEFILS** is a student in SKEMA Business School. Born in Lille in 1994, he studied in Lille and entered SKEMA Business School in 2013 to start the *Grande École* Program. During the beginning of his SKEMA life, he entered a humanitarian association called “Bout du Monde” as the Vice-President. And then, he created an association – with SKEMA friends – of more than 80 members called “Humanitarian Organization Promoting Equity”. In this association, he was responsible for fund-raising, and was managing a team of 30 students with the view to raising 30 000€ for the purpose of the association.

He is now a student in MSc Project & Programme Management and Business Development in this school in the campus of Lille. During this master, he is studying mainly project management and attending the following courses: portfolio management, leadership skills, sustainability, global project management and international contract management.

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