

## Contract Redlining

By [DealHub Experts](#) · Updated December 27, 2023

### Table of Contents

- What is Contract Redlining?
- Synonyms
- The Contract Redlining Process**
- Challenges of Contract Redlining
- Best Practices for Managing Contract Redlining
- Contract Redlining Tools
- People Also Ask

### What is Contract Redlining?

Contract redlining is the process of making edits to a business [contract](#) when two or more parties are negotiating or working on a deal together. Redlining enables contract contributors to mark up text and annotate changes. The goal is to produce one version of the contract that satisfies all parties.

The term "redline" comes from the original, paper-based method of editing contracts, where each change was marked in red pen. Now, contract redlining software makes it easy to edit documents collaboratively during the negotiation process.

### Synonyms

- redline a contract
- contract editing

### The Contract Redlining Process

Redlining is a necessary step in the [contract lifecycle](#) before the parties sign the contract. In contract negotiations, the "contract redlining" process is used to identify and remove any clauses or terms that are unfavorable to one party. Redlining is done for several reasons, such as understanding the contract better, improving the chances of negotiation success, or protecting one's interests in the event of a dispute.

The redlining process involves making edits to a document without changing the basic structure of the contract itself. It often involves adding comments to a contract, indicating where the party needs to make changes. The comments are often written in red ink (or red font), making them easy to spot, even in black-and-white copies.

The process is similar to editing a document, except there are no formatting changes. A person might add text or delete paragraphs, but the overall structure stays intact. Once both sides agree on the changes, the edited document becomes the final contract.

There are several ways to do redlining. Some people use software like Microsoft Word or Adobe Acrobat. However, these tools come with version control issues. New contract generation tools in the SaaS industry have automated contract redlining as part of the [contract management](#) process. These tools are now integrated into the contract, quote, and sales [proposal generation processes](#).

### Challenges of Contract Redlining

Contract redlining plays a crucial role in protecting all parties' interests, but it comes with its own set of challenges. In this section, we'll examine the difficulties in contract negotiations, version control, and discuss a potential solution for a smoother process.

#### Navigating Complex Negotiations

Contract negotiations are never easy. But when multiple parties are involved, each with different goals and objectives, things can become even more complicated. Contract redlining and negotiation is an iterative process; the average contract goes through three or four iterations before it is finished. And while some contracts are straightforward, others require extensive edits and revisions.

#### Effort-Intensive Review and Approval Process

Tracking, reviewing, and approving contract redlines creates more work than just creating the document itself. Managing the reviews, versions, and approvals takes several hours per agreement, which doesn't include the time spent tracking down missing signatures and ensuring everyone is happy with the final contract.

#### Version Control Challenges

When multiple parties are involved in the contracting process, version control can also be challenging. Each party may have its own version of the contract, making it difficult to track changes and ensure that everyone works from the same document. This can lead to confusion and frustration and ultimately slow the contracting process.

#### Central Repository as a Solution

One way to avoid [version control](#) issues is to use a central repository for all contract versions so everyone involved can access the most up-to-date document version and see exactly what changes have been made. This can help avoid confusion and ensure everyone is on the same page.

### Best Practices for Managing Contract Redlining

Regarding contract redlining, businesses can use a few best practices to manage the process effectively. First, as mentioned above, organizations must have a central repository for all their contracts so all stakeholders can easily access and review any agreements that need to be changed.

Another key best practice is establishing clear guidelines for what can and cannot be changed in a contract. This policy should outline the specific circumstances under which redlining is allowed and the procedures that must be followed to prevent confusion or disagreements.

In addition, all parties involved in the contract negotiation process should be aware of the redlining policy and what it entails. This includes the contracting organization and the vendor(s) being contracted with. All parties should also be trained on how to properly use the redlining tools that will be used during negotiations.

Communication is key throughout the entire redlining process. Both sides should keep each other updated on their respective positions and any changes made to the contract to avoid misunderstandings. Using a [deal desk](#) team to coordinate the contract process can be helpful in this respect.

It is also important to document everything during the redlining process. This includes all changes that are made to the contract, as well as the rationale behind those changes. This documentation can be beneficial if there is a dispute later on.

Finally, once the redlining process is complete, it is essential to review the entire contract carefully before signing it to ensure that all of the agreed-upon changes have been made and that there are no errors or omissions.

By following these best practices, organizations can help ensure that the contract redlining process is managed effectively and efficiently.

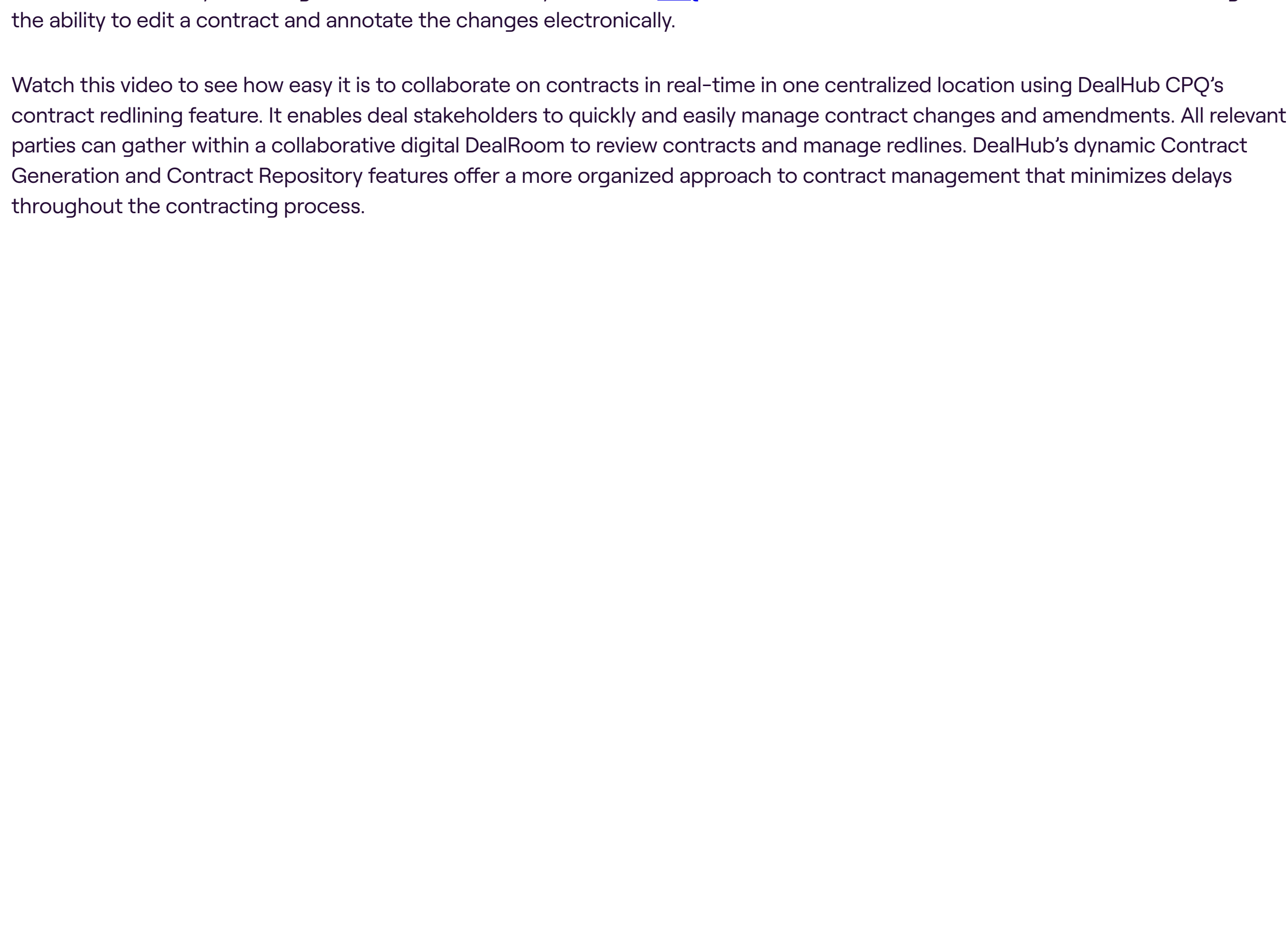
### Contract Redlining Tools

Businesses use digital [contract redlining tools](#) in their contract management process to help them collaborate on contracts in real time in one centralized location. These tools help streamline the contract negotiation process and make it easier to track changes. They replace manual redlining, reduce errors and friction in the sales process, and reduce the time to get contracts signed.

Using contract redlining software as part of the [contract approval workflow](#) enables parties to the contract to negotiate and make edits until both sides accept all of the edits. Once accepted, both parties will actively "approve" the revised contract, ensuring all parties are satisfied with the agreement.

Some contract lifecycle management (CLM) software systems and [CPO](#) solutions have features that allow for contract redlining or the ability to edit a contract and annotate the changes electronically.

Watch this video to see how easy it is to collaborate on contracts in real-time in one centralized location using DealHub CPO's contract redlining feature. It enables deal stakeholders to quickly and easily manage contract changes and amendments. All relevant parties can gather within a collaborative digital DealRoom to review contracts and manage redlines. DealHub's dynamic Contract Generation and Contract Repository features offer a more organized approach to contract management that minimizes delays throughout the contracting process.



### People Also Ask

- Why is contract redlining software beneficial? ▾
- When is contract redlining required? ▾
- What is the difference between redline and backline edits? ▾

### Related Topics

- Glossary: Contract Generation ▸
- How the Right Contract Management Software Helps Close Deals Faster ▸
- DealHub.io Introduces Online Contract Redlining for Sales ▸
- DealHub.io Ranks #1 in G2 Momentum Grid® for CPQ ▸
- Top 15 Questions from the DealHub Contract Redlining Webinar ▸

## Transform your price quote process

[Request a Demo](#)

### Revenue Hub

Configure Price Quote (CPQ)  
Contract Management  
Billing  
Subscription Management

### Top Features

DealRoom  
Buyer Engagement  
eSign  
DealStream  
Sales Proposals  
Document Generation

### Top Integrations

Salesforce  
Microsoft Dynamics  
Freshworks  
HubSpot  
SugarCRM  
DocuSign  
Gong  
Slack

### Rev+

RevMeet Events  
RevAmp Podcast  
RevPath Jobs

### Resources

What is CPQ?  
What is CPQ in Salesforce?  
What is a DealRoom?  
What is Contract Management?  
What is Subscription Management?  
What is Sales Operations?  
What is Billing?  
What is Quote-to-Cash?  
What is Quote-to-Revenue?

Learning Center  
DealHub Glossary  
CPQ Scope Tool

### Company

About Us  
Customers  
Partners  
News  
Careers  
Customer Portal  
Contact Us  
Media Kit



[Security](#) [Terms](#) [Privacy](#)

GDPR Compliance | ISO 27001 Certified | Copyright © 2024 DealHub Ltd. All Rights Reserved

This website uses cookies

We use cookies to enable the proper functioning and security of our websites, and help us offer you the best possible user experience. By clicking OK, you consent to the use of these cookies for advertising and analytics. You can change your cookie settings at any time.

Necessary  Preferences  Statistics  Marketing  Show details ▸

OK

X