

Contract Versioning

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What is Contract Versioning?

Contract versioning is a process where the offering party drafts a new agreement each time they modify or renew a contractual arrangement. It involves creating a new document or revising an existing one, tracking the changes, and securely storing the documents in order to ensure parties negotiate and sign the most up-to-date copy.

Typically versioning a contract involves the following key steps:

- Draft the contract (e.g., for a new deal, reseller partnership, or vendor agreement)
- Negotiate terms based on the initial proposal
- Implement access controls and permissions
- Collaborate with decision-makers from both sides to revise the agreement
- Use a standard naming convention (such as a numbering scheme) to keep track of each version
- Archive all versions in a central repository for future reference
- Audit and review contracts on a regular basis

Creating new contract versions is a critical function in [contract redlining](#) and renewal negotiations. If parties sign the dotted line on an outdated document, they could find themselves legally bound to terms they don't agree with, or worse — have no legal recourse if they don't meet certain conditions.

Synonyms

- Contract document versioning
- Contract version control

Contract Document Control Challenges

At plenty of companies, the sheer volume of sales, partnership, and employment contracts can make it extremely difficult to manage individual versions within the same document. Without the help of [process automation](#), it's nearly impossible.

Briefly, here are a few issues companies deal with pertaining to version control:

- Version control** — Keeping track of a document's previous versions is difficult because small changes are frequently overlooked. This is especially true when multiple people work on the same document and make changes sporadically.
- Access control** — Large organizations with lots of employees and contractors often have trouble managing who has access to what documents. Managing permissions can become especially complicated when contracts are stored in multiple locations, such as cloud storage and physical filing cabinets.
- Document retrieval** — Finding specific documents among potentially thousands can be time-consuming and difficult, especially if the document management system is poorly organized.
- Security** — Keeping sensitive documents secure is a constant concern (and a potential cause of noncompliance). This includes both physical security — such as preventing unauthorized access to hard copies — and digital security (e.g., preventing cyber-attacks).
- Contract compliance** — Regulatory compliance and adherence to company policies are both tough tasks when they span hundreds of contracts across multiple departments. Many companies find themselves taking a reactive approach to non-compliance events (e.g., a breach of contract) after the damage has been done.
- Collaboration** — Collaborating on documents can be difficult, particularly when team members work remotely or in different time zones. If the other contracting party has multiple decision-makers, even small edits can take days to complete.
- Integration** — Integrating the document control system with other systems (like project management, accounting, and CRM) sometimes requires significant IT resources. If one software platform doesn't integrate with others, it throws off the whole process.
- Training** — Ensuring all employees understand how to use the document control system effectively can be a challenge, particularly in larger organizations.
- Audit Trails** — Keeping track of who made what modifications to a document (and when) is crucial for accountability and regulatory compliance. Without an audit trail, it's almost impossible to determine who is actually responsible for a particular document.

Importance of Versioning in Contract Document Control

Contract versioning is an important step in [contract management](#) because it verifies everyone involved agrees to and signs based on the same terms. Keeping everyone on the same page reduces confusion, helps avoid costly mistakes, and significantly reduces the possibility of a tarnished relationship.

Consistent Document Naming Conventions

Naming documents in an organized fashion makes it easy to identify and keep track of them. Each contract version should include:

- A unique ID number
- The name of the document
- The version number (e.g., v1, v2)
- The date the contract was created or revised
- Any other pertinent information

That way, contracting parties can save each copy of the contract while keeping the current version at the forefront.

Contract Enforceability

Everyone has their own lives — it's impossible for one party to continuously hold the other accountable. What they can do is have a system in place that lets them pull up the current version of their contract and refer to it during revisions, compliance audits, and disputes.

A contract isn't enforceable when there's ambiguity around current contract terms or inexplicable conflict between different versions. Contract versioning helps contracting parties avoid those scenarios by outlining who's responsible for what, and when each revision was made.

Regulatory Compliance

Organizations must have a system in place to ensure contracts comply with current laws and regulations. With effective contract document control, companies can quickly access relevant documents and ensure all parties follow the right processes.

Versioning also helps organizations comply with privacy and data security regulations (e.g., HIPAA). By tracking which documents have access to personal information, companies know it's stored securely, and authorized team members can access it if they need to.

Record Retention

Contracts don't just disappear after they're signed. Disputes don't always play out during the contracting period. In some cases, it could be years or decades later. In that sense, contract lifecycles last far beyond their actual period of execution.

When documents are version-controlled, organizations can easily store and retrieve previous versions. This eliminates the need to sift through hundreds of pages of paperwork in the event of a possible future claim against the contract.

Track Redlined Changes

During redlining, parties will jump on calls, message or email back and forth, and make sporadic changes to their contract as they carry through [contract negotiation](#). Without updated and labeled document versions, each editor has no way of knowing whether they're editing the correct one. If one team member missed part of the discussion, they may find themselves working off the wrong version.

Contract versioning prevents costly mistakes inconsistent document handling often causes. It also gives everyone a detailed audit trail so they can go back and review contract modifications if needed.

Document Transparency

When everyone involved is aware of what's in the contract, it significantly reduces the possibility of costly contract disputes — for example, a party that doesn't uphold their contract obligations simply because they were unaware of them in the first place.

This inherently facilitates distrust between parties. Contract versioning opens the collaborative dialogue between each member and gives them the ability to access their documents whenever.

Versioning Best Practices for Efficient Contract Management

Versioning is just one part of the bigger picture. Contract management — which involves creating, editing, and organizing contracts — requires several steps.

Here are a few versioning best practices organizations can use to make the whole process more efficient:

Automation with Contract Management Software

The first thing every organization should do is invest in [contract management software](#) (if they haven't already). Every contract management platform offers features like:

- Document creation and templating
- Comparison of contract versions
- Document control and collaboration tools
- Integration with other systems
- Workflows for signature approval
- Audit trails to quickly access past versions

Since it's cloud-based, it streamlines every facet of the [contracting process](#) (and versioning is a feature it takes care of without much intervention). Contract management software allows teams to work faster, make fewer mistakes, and stay compliant. Plus, team members don't need specific technical skills to use it — they can log in and start collaborating immediately.

User Access Levels

Organizations should create different user access levels — for example, allowing only certain employees to delete documents or make edits. If something goes wrong, it's easier to track where the breakdown occurred.

User access starts from the top. Company leaders can create user groups for their teams and assign custom roles to each one. Then, they can specific team members edit access for each deal, while others can observe and give feedback.

Regular Version Reviews

The best way to stay on top of contract changes is to hold regular version reviews with all parties involved. Everyone can review and confirm they're working off the same, up-to-date version of the document.

These reviews also allow everyone to update their documents, whether that means adding clauses or addressing any issues that have arisen during the contract lifecycle.

Document Backups

Backups prevent businesses from losing important data if their contract management system fails or something happens to the organization's on-prem equipment. Companies should back up every contract document to the cloud so they can access them at any time. The added benefit to this is any team member from either party can access it with or without internet access.

Revision History

With contracting or [document generation software](#), nobody has to worry about marking their revisions because everything is time-stamped. This becomes especially important when integrating with sales or project management software to track progress on new deals.

Rather than asking each contributing member to keep an updated version, teams can simply review the document history. Users can quickly see each contributor's edits and their associated times.

Audit Trail

During contract versioning, teams use audit trails to identify who made changes, when they were made, and what was changed. The ability to track each contract and individual update back to its source is a valuable asset for legal and accounting teams in the event of a dispute. It also helps organizations comply with data privacy rules since it shows exactly who has access to sensitive information.

Contract Repository

A contract repository makes it easy to find contracts based on who's involved, keywords, document types, and contract categories (e.g., sales deals, partner channels, vendor agreements). Having all the contracts in one place provides an extra layer of security.

A centralized database also makes it easy to spot discrepancies when comparing multiple contract versions. During contract versioning, it's easy to forget which elements to change and which to keep the same. Being able to retrieve multiple documents from one source and compare them side-by-side helps teams work more efficiently (and accurately).

People Also Ask

What is the difference between version control and versioning? ▼

How do you correctly version a document? ▼

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