

The Importance of

Standardizing Contract Language

Introduction

The process of drafting and negotiating contracts is not always a smooth one. Unnecessary complications and confusion arise frequently, and one contributing factor is a lack of consensus about the use of language. When language is inconsistent from one draft to the next, keeping up with deviations, as well as their intended meanings, can seem like an impossible task for everyone involved. In the worst cases, this can be more than a frustrating roadblock to an agreement, and can potentially result in legal issues.

Fortunately, contractual language can be standardized to avoid many of these issues, and provide various benefits to contract managers and their teams. In this eBook, we'll take a look at what standardization means, the issues it can prevent, and how it can ultimately transform legal practices for the better.

What is Standardized Contract Language?

Standardized contract language refers to a set of words or phrases adhered to by all parties throughout a contracting process. Standardized language usually exists in the form of contract templates, allowing contracts with similar objectives to share specific language. Whether it is a sale agreement or an employment contract, an effective template will include all information necessary for its purpose, but also allow for negotiation of terms unique to an individual client. Through the use of contract management software, companies can easily enforce standardized language with automation, drastically speeding up the negotiation process. This helps create consistency, maximize efficiency, and minimize ambiguity and deviation.

When there is no agreement between parties about which language is most appropriate for a contract, the possible uses and interpretations are virtually unlimited. With a reliable standard in place, everyone spends less time puzzling over language and more time negotiating the terms of a contract they can all understand.

Contracts can't always be simple -- they often won't be -- but standardization has the potential to eliminate a variety of complications where contract language is concerned.

What Issues Are Prevented Through Standardization?

There are plenty of issues that can arise due to a lack of standardized language in contracts. Whether it's a matter of wasted time and money or the threat of serious litigation, no problem is worth leaving unaddressed. Here are some common issues that standardization can help with.

Ambiguity - Any lawyer can tell you that ambiguity is the last thing you want from contractual language. But there are many cases in which lawyers are not the ones drafting the contracts, and it is rare that an inexperienced party has the ability to draft in clear, unambiguous terms. Unclear language might seem like a small issue in itself, but it has the potential to cause other, much larger issues down the line. Standardized language aims to mitigate this issue by establishing clarity before negotiations, rather than after, which is a significant time-saver for all parties.

Unclear Outcomes - When a contract is entirely unique in its use of language, it is difficult to know how its terms will hold up in court. Everything might seem perfectly in order on the surface until an unforeseen challenge arises. As more contracts begin to use standardized language, we can start to separate the terms that work from the ones that don't.

Regulatory Compliance Violations - Regulatory compliance is a legitimate concern for many organizations. When a contract is drafted entirely from scratch, it raises the possibility that an obligation will be missed, leaving the organization vulnerable to penalties and fines. Standardized templates can avoid this issue by including the language necessary for compliance at the outset of the drafting process.

Litigation - Potentially related to all of the above, one of a contract's sole functions is to protect against litigation of any kind. Standardized language aims to maximize transparency at all levels of the contracting process. Working from a reliable standard, all parties can more easily express clear intentions, have reasonable expectations about protections, and ultimately mitigate risks.

What Are The Current And Possible Benefits?

The reasons for standardizing contractual language go far beyond risk mitigation and human error prevention. And with advancements in technology continuing to mount, we are finding new positive applications all the time. Here are some of the known benefits as well as exciting possibilities for standardization in the future.

Enhancing Efficiency and Productivity - Managing contracts successfully requires a great deal of time and resources. When every contract needs to be drafted and reviewed, negotiated and renegotiated, the workload can quickly become overwhelming. Standardized contract templates make it possible to streamline many of these processes. Whether by reducing time spent on drafting, or facilitating more predictable negotiations, managers and their teams will enjoy a more productive and efficient environment.

Cutting Costs - Overall, standardization is a cost-effective practice. Less time drafting and negotiating terms equates to less money spent on each contract. Optimizing compliance efforts and preventing litigation in certain areas will save money in the long-term.

Potential for Predictive Analytics - One possibly game-changing benefit of standardization and contract management software in the future is its capacity for predictive analytics. The more a company experiments with standardized language, the more the software learns about its effectiveness. Eventually, systems develop the capacity to predict both positive and negative outcomes, giving companies the ability to know what sort of contract works for their existing and potential clients.

How Modern Contract Management Software Can Help

Most of the benefits of standardization would not be possible without the help of contract management software. Modern contract software centralizes all processes and automates tasks that once consumed hours of manual review and input. Using this technology makes it easier to enforce standard language by calling out deviations automatically. By instantly noting where deviations and inconsistencies occur, automation turns standardization from a great idea in theory to a viable solution in practice.

Conclusion

Contract management is complicated and there is always room for improvement and simplification. Standardizing contractual language is a reliable way to remove a significant layer of complication from the drafting and negotiating process. From risk mitigation to enhanced productivity, the benefits are impossible to ignore.

LinkSquares Can Help

LinkSquares is the end-to-end contract management solution that empowers legal teams. **LinkSquares Finalize** makes standardizing language across contracts easy and efficient, giving legal teams the ability to draft pre-approved contracts with standardized language.

LinkSquares can help you draft, revise, finalize, execute, monitor, and manage all your legal agreements with minimal error and maximum efficiency. If you're ready to take your contract management to the next level, **contact LinkSquares today**.