



# Effectively Using Template-based Contract Authoring to Enforce Corporate Governance

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***Organizations are responding to growing investor concern over corporate integrity by utilizing contract templates to enforce company policies and to meet new standards for corporate governance.***

## Overview

A shocking number of high-profile cases of corporate governance collapses have brought significant attention to the weaknesses in governance programs and a reduction in overall confidence in global financial markets. Corporate governance is often defined as the system by which organizations are directed and controlled, and characterizes the relationship between the company and its shareholders. Good corporate governance is about doing the right things for the organization and its shareholders, which ultimately influences a company's goal setting, risk management, and performance monitoring.

In the wake of corporate wrongdoing and failure, organizations have focused their attention on establishing greater control over their contract management processes in order to comply with government regulations and good corporate governance principles. In particular, regulations such as the Sarbanes-Oxley Act (SOX) – a direct response to large corporate meltdowns – and privacy protection rules like the Health Insurance Portability and Accountability Act (HIPAA) have accelerated the adoption of better contract lifecycle management programs.

With estimates showing that more than 80% of business-to-business transactions are governed by contracts and the typical Fortune 1000 firm maintains between 20,000 and 40,000 active agreements, organizations are employing contract management solutions to help better define and enforce corporate policies and mitigate business risk.

## Boost Internal Control

Effective internal controls within the contract management process can curtail careless contracting practices and enforce compliance with corporate standards and rules. By using the template-based contract authoring functionality within UpsideContract, companies have realized an increase in overall contract accuracy and consistency, and now have an effective means of discouraging violation of corporate and regulatory policies.

A template library allows organizations to create and store pre-defined and pre-approved contract templates in a central contract repository, virtually eliminating possible errors to or omissions of required terms and conditions. By ensuring that negotiations are initiated using standardized terms from the outset, companies can mitigate risk exposure and track non-standard contract terms.

To provide the required level of consistency a contract management system must be able to support corporate templates, provide a mechanism for templates to be localized for use in different jurisdictions and languages, allow for alternative clauses based on contract criteria,

## UpsideContract's internal control mechanisms help improve corporate governance

UpsideContract's flexible, template-based contract authoring system alleviates much of the uncertainty surrounding the contract creation process thereby improving overall contract accuracy and consistency.

The essential elements of template-based creation are:

### Version Control

Version control and tracking allows contract administrators to see what variations of the original template are currently in use, and allows Users to compare clauses to examine changes during the negotiation process.

### Change Management

The template hierarchy enables localization of templates and supports multiple language variants of a single template to improve centralized management of standard contract terms and conditions across disparate geographic, cultural, and political boundaries.

### Alternative Clauses

"Smart" templates can be created by defining alternative clauses that are conditional based on criteria present in the contract, including jurisdiction, contract value thresholds, contract durations, and risk.

support active control of the content, and provide effective workflow (including notifications) to ensure the proper governance rules are applied.

The template-based contract management structure within UpsideContract provides a valuable system of centralized control over contracts giving assurances that the company's agreements achieve the highest level of accuracy and consistency in order to comply with good corporate governance policies.

### ***Improve Regulatory Compliance***

Corporations are using UpsideContract's contract template functionality to ensure compliance with external regulatory policies. Two prominent examples of such regulations currently in effect are the Sarbanes-Oxley Act and the Health Insurance Portability and Accountability Act.

#### *Sarbanes-Oxley Act*

Confidence in corporate contract management processes is a cornerstone to ensuring compliance with the Sarbanes-Oxley Act. In order to be able to report correct results, as mandated by SOX, an organization must be certain that its agreements are accurate, meet all regulatory requirements, and have the necessary tools in place to monitor contract compliance and supplier performance.

UpsideContract's template-based authoring structure has given organizations the ability to control and ensure that standard clauses, terms and conditions are contained within specific contracts, thereby guaranteeing that agreements comply with internal policies. This template approach to contract management helps identify and minimize financial risk and results in increased contract compliance consistent with SOX.

#### *Health Insurance Portability and Accountability Act*

Healthcare organizations face additional challenges in achieving HIPAA compliance due to very specific and detailed requirements regarding the language (clauses, terms and conditions) that must be included within the various contract types. For instance, contracts with business associates – lawyers, auditors, consultants, etc. – must contain explicit language to assure that all business associates safeguard the privacy of the protected health information that it may obtain or create through its work with the organization.

Companies that are obligated to comply with HIPAA regulations are now using UpsideContract to ensure that correct and requisite language is included within contracts by utilizing the contract template functionality in the application. By creating a library of templates with standardized contract terms and conditions for each specific contract type, organizations effectively eliminate User uncertainty which can ultimately lead to non-compliance and governance problems; organizations are now assured that they are meeting the requirements of HIPAA.

### ***Enhance Contract Efficiency***

Embracing template functionality has facilitated the adoption of more efficient processes, in some cases resulting in a reduction in contract cycle time by as much as 50%. The ability to develop and define standard clauses, terms and conditions for different contract types ensures the correct language is being used and improves confidence in the overall process. Companies using UpsideContract spend far less time throughout the creation, negotiation and approval stages of the contract management lifecycle than is usually the case.

### ***Conclusion***

Ensuring accuracy and consistency of contractual agreements is now an enterprise-wide priority particularly after the fallout from numerous corporate fraud cases. Governmental regulations like the Sarbanes-Oxley Act have established new standards for corporate accountability, bringing contract management solutions to the forefront. UpsideContract, with its template-based authoring structure, has quickly become a major component in corporate governance programs aimed at increasing internal control of the contract management process, improving regulatory compliance, and enhancing contract efficiency.

**Upside Software Inc.**  
Suite 310, Manulife Place  
10180 – 101 Street  
Edmonton, Alberta, Canada  
T5J 3S4

Phone: 1-877-984-2455 (toll free)  
1-780-702-1432 (local)

Fax: 1-780-702-1438

Email: [ask@upsidesoft.com](mailto:ask@upsidesoft.com)

Web: [www.upsidesoft.com](http://www.upsidesoft.com)

