



TruMethods

# FRAME WORK

## TRACK 2

### PACKAGING AND PRICING



**STEP 5 | MSP Agreements**



# INDEX

Introduction	03
Goal of the Agreement	04
Basic Agreement	05
Master Services Agreement	06
Tips	08
Summary	09
Next Steps	10

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# INTRODUCTION

*Creating agreements is necessary to manage client relationships as a business owner or service provider. However, knowing where to begin and what to include in the agreement can be overwhelming. We designed this guide to help you understand the considerations when producing your agreements.*

The guide covers several key topics to help you create a comprehensive agreement outlining your service's terms and conditions. First, you learn about defining the agreement's goal and why it is necessary. You will discover how to define your services, including the scope of work, timeline and limitations. Clearly defining your edges guarantees that you and your client have a mutual understanding of what is included in your service offering. You can expect billing and payment terms information and protect yourself from liability.

Finally, we discuss the importance of including non-compete and non-disclosure agreements and the role of the agreement in the sales process. To help you get started, we provide tips on creating a solid and effective agreement.

**Please note that the information provided in this guide is not legal advice. You should seek guidance from a lawyer familiar with your state's statutes and regulations before producing legal documents, including agreements. The content provided in this guide is for informational purposes only and should not be considered a substitute for legal advice. Laws and regulations vary by state and may change over time, so consult a qualified legal professional to ensure your agreements are legally sound and enforceable.**

# THE GOAL OF THE AGREEMENT

*When creating a service agreement, consider the following points to achieve the goal of the agreement:*

## **Define the business relationship**

Outline the specific nature of the relationship between you and the customer, including the services provided, both parties' responsibilities and the agreement's duration.

## **Protect your business interests**

Define and protect your business interests, including intellectual property, confidential information and proprietary technologies. It will help prevent disputes and maintain the confidentiality of sensitive information.

## **Remove entrance barriers**

The language in the agreement should be straightforward, avoiding any technical jargon or legal terms that may deter customers from signing the agreement. The goal is to make the agreement understandable and accessible to all potential customers.

## **Set expectations with your client**

Establish clear expectations between you and the customer. Expectations include the scope of services, timelines for deliverables, exclusions or limitations, and the process for addressing any issues that may arise.

## **Consider a two-part agreement**

A two-part agreement can help simplify it and make it more manageable for both parties. The basic agreement covers the relationship aspect in plain language, while the master services agreement (MSA) covers the legal and liability terms and conditions.

- » **Basic agreement:** The basic agreement should outline the services provided, the timeline for delivery, and any exclusions or limitations. It should describe the responsibilities of both parties and any termination provisions.
- » **Master service agreement (MSA):** The MSA should cover the legal and liability terms and conditions, such as indemnification, warranties, limitations of liability and dispute resolution. The MSA helps ensure both parties understand their legal obligations and provides a framework for addressing disputes.

# BASIC AGREEMENT

*A basic agreement clearly defines the scope of work, including the services provided, the timeline for delivery, and any exclusions or limitations. Additionally, a basic agreement describes the responsibilities of both parties involved and provides termination provisions as well. Let us look at some of the components of a basic agreement:*

## DEFINE YOUR SERVICES

The agreement must define the relationship between you and the customer and specify included services. It can consist of the Four Blocks, delivery areas or additional services, such as backup, security and cloud services. It is essential to focus on the end result rather than specific tools.

## DEFINE YOUR EDGES

Clearly define your service edges, such as included services, support hours and the handling of after-hours support. Also, define how exceptions to the edges are managed, such as moves, adds and changes (MACs). The agreement should specify how to handle projects, what is considered part of the monthly fee and how billing works.

## SERVICE LEVEL AGREEMENTS (SLAS)

SLAs should be used cautiously and not overused. Avoid using SLA metrics as edges, such as response times on specific ticket emergencies. Instead, inform customers how you define ticket priorities, the handling process and what to consider a higher priority.

Basic SLAs are acceptable for backup, cloud, VoIP and internet services. SLAs are suitable for internal use but not client-facing in the agreement. Do not commit to anything in the agreement you cannot guarantee.

## EXPLAIN BILLING AND TERMS

You should explain the financial relationship between you and the customer. Essential details include billing frequency, amount and billing increments, such as by user, workstation, server or endpoint. The agreement should include payment terms, such as how payment is accepted, whether payment is billed a month in advance and what happens if payment is not received. A termination clause is vital to explain the penalties, if any, for canceling a contract. Address price increases by noting how and why they increase by a certain percentage, linked to the Consumer Price Index (CPI) or another method.

# MASTER SERVICE AGREEMENT

*Your MSA provides a framework for future projects and services, outlining both parties' rights, obligations and responsibilities. The MSA serves as a foundation for any subsequent statements of work, describing the specific details of a project or service. This way, the MSA helps streamline negotiations, minimize legal disputes and promote mutual understanding.*

In the following information, you will learn more about the essential components of an MSA and how to create one that meets the needs of your business and your customers.

## LIABILITY PROTECTION

- » Businesses must consider potential errors and the resulting liability when entering customer agreements. You achieve liability protection by setting caps, specifying a dollar amount or limiting billing duration. As businesses add services, they must evaluate their liability clause's impact — cloud services, backup, disaster recovery and security stack require careful consideration. Matching client technology decisions with a lawyer and insurance protects your business against errors and omissions.
- » Businesses need awareness of cyberattack liability and a comprehensive cyber insurance policy. They should consult with a qualified lawyer and insurance agent so that their liability holds up in court (if it ever comes to that). These measures can help businesses protect themselves against potential financial losses from liability issues.



## NON-COMPETE AND NON-DISCLOSURE AGREEMENT (NDA)

- » To maintain a positive business relationship, include a clause in the agreement that prohibits each party from hiring the other's employees. Both parties should respect each other's talent and avoid potential conflicts that could arise from poaching employees.
- » Suppose the client has trade secrets or sensitive information they want to keep confidential. In that case, it may be necessary to include a separate non-disclosure agreement (NDA) so the data remains private. A more secure environment for working together is how you build trust between parties.

## OTHER CONSIDERATIONS

- » When dealing with sensitive information such as medical records, businesses must comply with regulations like HIPAA. Having a HIPAA Business Associate Agreement (BAA) in place outlines the obligations of your company and the client regarding handling this data. Similarly, businesses operating in (or managing data from users in) the EU must comply with GDPR and have a Data Processing Agreement (DPA) to protect personal data privacy. Failure to comply with these regulations can result in severe legal and financial consequences.
- » Specific industries like defense and finance may require additional business and client agreements. It is important to seek advice from experts in these fields to ensure that all necessary contracts are in place and that the company is protected.

Data privacy and security are often of utmost importance in these industries, and businesses must take the necessary steps to protect their client's sensitive information. Proper legal and professional advice ensures the business complies with all applicable regulations and has adequate protection against liability.

## SALES AND THE AGREEMENT

- » The sales agreement is a critical component of any business transaction, and it should be introduced at the right time in the sales process. It is advisable to present the agreement toward the end of the sales process after the customer has already expressed interest in working with you. By this stage, the customer should have gathered sufficient information about your MSP and its products or services and is ready to proceed with the transaction.
- » If a customer explicitly requests the agreement early in the sales process, it is important not to treat it as the next step. Instead, it is advisable to address any questions or concerns the customer may have and continue building the relationship before presenting the agreement later in the sales process.

Protecting yourself against liability in all aspects of your business is crucial. Ensure proper agreements are in place and seek advice from lawyers and insurance agents when needed. Understand the details of your cyber insurance policy and align your vendors with your terms and conditions. Lastly, introduce the agreement phase after the customer has agreed to work with you.

# TIPS

*When creating an effective MSA, a few tips can help streamline the process and ensure the agreement meets the needs of all parties involved.*

## **KEEP IT SIMPLE BY ONLY ADDRESSING THE CRITICAL ISSUES**

One essential tip is to keep it simple by only addressing the critical issues. By focusing on the most important aspects of the agreement, the document will be easier to read and understand, making it more likely that all parties will be satisfied with the terms.

## **THE AGREEMENT SHOULD REFLECT THE EXPECTATIONS OF BOTH PARTIES**

Another important tip is to make sure the contract reflects both parties' expectations. It would be best if you comprehended the client's needs, goals, and limitations or requirements of the business. By creating an agreement that meets the needs of both parties, there is a higher likelihood of success and a positive long-term business relationship.

## **IDENTIFY WHAT IS NON-NEGOTIABLE**

Know from the beginning what is non-negotiable in the agreement. By identifying areas that are not open to negotiation, the business can avoid wasting time and resources on talks that are unlikely to be successful. It will expedite the process and create a more efficient and effective agreement.

## **GET STARTED**

Finally, once you address the critical issues and both parties agree, start implementing the services outlined in the agreement. Both parties should commit to their obligations and work together to achieve the goals outlined in the MSA. By keeping these tips in mind, businesses can create effective MSAs that meet their needs and those of their clients.



# SUMMARY

*A solid MSP agreement between your MSP and your customers is crucial for establishing clear expectations and responsibilities for both parties. The agreement outlines the scope of services provided, pricing and payment terms, SLAs and other important details related to the ongoing IT support relationship.*

A well-drafted MSP agreement can help avoid misunderstandings and disputes and provide a foundation for a solid long-term business relationship. It protects both parties in case of legal or financial issues that may arise. By clearly defining the terms of the agreement, both parties can have peace of mind, knowing what to expect from each other and how to resolve any issues that may come up.





# NEXT STEPS

*Continue your journey towards “world class” and check out more resources to help you along the way.*

~~STEP 1 | Packaging Your Service Offering~~

~~STEP 2 | Defining Your Edges~~

~~STEP 3 | Pricing Your Service Offering~~

~~STEP 4 | Packaging & Pricing Workshop~~



STEP 5 | MSP Agreements

STEP 6 | [Micro Picanomics](#)

STEP 7 | [Macro Picanomics](#)

STEP 8 | [Understanding Picanomics](#)

*If you have any questions about what you’ve read here, please contact your Channel Enablement Manager (CEM) for more information about the TruMethods Framework.*



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