

Title	Master Service Agreement in IT Outsourcing: Definition and Template
Description	Learn about Master Service Agreement that streamlines projects with outsourcing companies. ⚡ Check our MSA template for software development.

Master Service Agreement in IT Outsourcing: Definition and Template

Imagine that you've found a suitable IT outsourcing vendor. You have a complex product that requires multiple phases of development, and your companies need to collaborate for an extended time. Maybe you already finished a project with the developer on a high note, and you're positive about partnering up for next ventures. With the Master Service Agreement, companies can streamline software development by simplifying general contract regulations for ongoing projects, while still being able to make decisions during development.

With MSA, you can make the regulations clearer for both parties in advance to eliminate confusion. It also reduces legal expenses and bureaucracy associated with developing new documentation.

Let's take a wild guess and assume you've already browsed the web for a high-quality MSA template. I wouldn't be surprised if you didn't find a good example so far. If so, you don't need to worry, because below you'll find the MSA template tailored for outsourcing development organizations.

What is a Master Service Agreement in software development?

Master Service Agreement (MSA) defines as a contract between IT-vendor and a client that outlines project expectations, responsibilities, roles, provided services, terms, and other essential agreements between parties.

What makes this document stand out from other agreements, like NDA, DPA, and SOW? The key difference is in the goal. MSA in software development can help the IT vendor and the client if they plan to work together repeatedly. Do you want to learn how exactly it boosts the firm's collaboration in the IT field? Stick with the article to find out.

What is MSA needed for?

When a company and software vendor decides to work on a project over a prolonged period, the Master Service Agreement will make the process cleared out. It also helps to cut costs and save a lot of nerves for involved parties by removing the need to renegotiate and re-review most of the already approved conditions. MSA in software development is a complex document that takes a lot of time to draft. However, after sides reach consensus on it, it can be used as a template for the subsequent ventures.

It allows organizations to focus on essential concerns, like goals, objectives, and timetable of a separate project. Additionally, MSA helps software developers (outsourcing companies) and their clients to avoid contractual disputes or potential legal action. It can state who is going to be responsible for failures, unexpected costs, or intellectual damage, thus providing guarantees and indemnification for both sides. If some disputes do arise, meticulously outlined MSA aids in determining the guilty party faster, which helps with the risk allocation.

Given the importance and complexity of this document, your next question can be...

Who provides the Master Service Agreement?

In software development, MSA is usually written by an outsourcing vendor and then given to the client for a review. It's a typical practice for the industry because software companies specialize in nuances and specificities of the project's development. Additionally, an outsourcing company can compile a Master Service Agreement with other necessary agreements as a part of a documentation package.

It's possible for the customer's team to write the MSA and give it to the software company for examination, but there's a high chance that the revision process can drag on for far too long. Outsourcing vendors, on the other hand, specialize in working with other companies and have more expertise compiling proper documentation.

For example, at Relevant Software, we have collaborated with more than 200 customers from over the world and provided most of them with all the necessary paperwork, including SOWs, NDAs, and MSAs.

Therefore, an experienced software company can effectively write the first draft of the Master Service Agreement in the course of days instead of weeks, and then present it to the client for examination. Outsourcing firm is also going to be swift with editing and adjusting the document to reach mutual consent faster.

What does the MSA consist of?

Simply put, a high-quality Master Service Agreement must state every important and minute detail to convey business expectations and provide financial guarantees to both parties. It should also be clear and understandable to guide project managers. For that reason, the MSA document is typically structured into the following sections.

Provision of services

After an introduction section with names of the participating parties, official contact information, and legal addresses, comes one of the most critical parts of the document with general conditions.

Provision of Services section of the MSA must contain:

- Overall goals and objectives for future projects.
- Client's expectations.
- Services provided regarding individual SOW.
- Clauses, fees, and processes associated with order adjustments or SOW changes.
- Regulations for progress reporting.
- Description of the work model and weekly working hours standards with reference to the time zone under which the outsourcing agency operates.
- Rules and limitations for solicitation with other contractors during software development.
- Guarantees of independence for the IT vendor and the employer.

Payment and acceptance of services

There are three main methods of payment in software development:

1. **Fixed price method.** Preferred method of work for projects with detailed plans and presupposed delivery dates. Payment is usually tied to milestones, completed tasks or phases, or it can be made as a one-time fee after employ accepts the product.
2. **Time and Materials (T&M).** Suitable for flexible products with unidentified scope. In this contract model, the employer covers the costs of the materials and pays for actual hours engineers devote to work.
3. **Dedicated team model.** Best payment type for multi-layered and complex products where the client can effectively manage the core development crew. The customer pays monthly based on the developer's hourly project input.

MSA covers the acceptance process for the provided services, the causes for rejecting the work, or demanding a modification and revisions. The fees, taxes, timesheets, and causes for unplanned expenses compensation, as well as payment transfer methods, also go into this section.

Management and monitoring of performance

Individual projects should have the involvement of each side in operating processes and performance monitoring described in a separate SOW. However, the Master Service Agreement can mention the overall managerial structure of software development. Companies may even create a Management Guide attachment with the clarification of their administrative roles.

Terms and clauses for termination

Individual projects have their own deadlines and timeframes. The Master Service Agreement, however, states the duration of the developer's and client's partnership. MSA also describes causes under which a contract can be terminated prematurely. Alternatively, the document can establish an automatic renewal procedure if both sides deem it desirable.

Intellectual property rights and ownership

This MSA chapter lays out what results of work on projects under individual SOWs fall within the intellectual property and who retains ownership, copyrights, and other rights, associated with the contract deliverables. It also specifies which data and materials need to be delivered or transmitted to the customer. Meanwhile, the paper needs to state which software, inventions, technology, and data developed prior to or during collaboration, belongs to the software company.

Confidentiality

To ensure the protection of data that became known during the collaboration, the agreement must clearly state what information should be considered confidential and is no subject for disclosure to public or third parties. The MSA needs to clarify if the software development vendor can refer to his partnership with the employer in advertisements.

Liability, warranties, and representations

Section that sets liability limitations. Usually, both sides aren't responsible for indirect or consequential damages. However, if exceptions are made, then they should be listed in the MSA. Furthermore, the agreement lists employees and participating partners who assume the risks for operational incidents that lead to direct losses.

Indemnification

In case the client or software company fails to comply with the Master Service Agreement, which leads to the monetary losses, data breach, copyright infringement, or reputational damage, the contract explains how the responsible side compensates such harm. Additionally, it should mention exclusions from indemnities.

Communication and notices

To stay in touch during development, the MSA must state the representatives of each side, their preferred methods, and tools for communications, locations chosen for real-life meetings, as well as the process of receiving official notifications.

For example, the agreement can establish the process for delivering the MSA and its revisions. It can also cover the procedure of approval or rejection of the deliverables.

Miscellaneous

The paper can have other conditions that don't fit the sections addressed above. However, if organizations consider them necessary, your MSA can also provide the following information:

- Disclosure about data protection.
- Governing laws and jurisdiction.
- Procedures for minute amendments to the documents.
- Clauses for severability of the agreement's provisions.
- Revision process for deliverables, as well as the set review periods.
- Arrangement for post-production support and testing of the product.

Master Service Agreement template

As I mentioned before, it's challenging to find a good MSA template for software development. And, in case you've been searching for it everywhere, I got you covered.

At Relevant Software, we managed to provide our services to more than 200 companies from all over the world, to whom our organization usually compiles all necessary business and legal documentation. This gave us enough expertise to tailor our own effective approach for creating the Master Service Agreements.

You can feel free to use our MSA template for software development by following this link.

Summary

Proper Master Service Agreement provides guidance for the IT outsourcing company and employing organization, forms the basis of their relationship, and streamlines future agreements.

Relevant Software provides software development services exclusively under MSA. Therefore, our company is very meticulous with documentation preparation to ensure ours and our client's mutual satisfaction.

If you found our template useful and your company is interested in IT outsourcing services, feel free to drop us a line.