TRACE|3

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2006 "The Playbook" Questions

"Why would you incur all of the personal risk to start a business with your own capital?"

"What are you trying to achieve?"

These were the questions I was asked by my wife, friends and family when I decided I was going to start my second company one year after my first one failed. I would imagine some of the commission only sales people dealt with these same questions when deciding to work at Trace|3.

My immediate reaction/answer was, "That's a good question." At the time I really did not have a good answer. Even so, it was the same response I had two years later when I set the company goal at $24 million and one of the people in the company – for whom I have a great deal of respect – asked me, "**Why grow?** What does $24 million get us that we did not have at $16 million?"

This question may seem easy to answer but in a private business with limited capitalization, more revenue does not always mean more bottom line profits. So, if I eliminated profits as the reason for growth, "Why grow?" became another question that needed some thought. If you were asked those questions, would you have a serious, well-thought out answer?

Thinking about those questions of course brought up others that needed to be answered:

How much money is enough?

Am I doing this for the money?

How much risk can you and your loved ones tolerate before having your quality of life decline?

How do you rank your ability to spend time with your family vs. your career path goals vs. money?

I am going to give you my best answers to all these questions and here is why. Although most people would considered a bit risky to tell all of you this information, I think it is important that you all know where we have come from and what our values are. I also want each of you to think of this company as your personal business. I want you to take ownership of it and creatively help it grow.

As you read this apply it to yourself at Trace|3. You guys are running your own businesses within this organization and treating it that way will greatly improve your performance. There are two reputations being built as we grow this business, Trace|3's and your own. Whether it be technical people helping to decide which new products we carry or sales people establishing criteria for relevance within a region or operations folks accelerating receivable turns, you all greatly affect the speed at which Trace|3 travels. The more intelligently and efficiently we can act on our own, the better we will be. ***I have a great deal of belief and trust in this team and hope this information can be helpful to you.*** Please respect its privacy within the corporate walls of Trace|3.

Question #1: Why are you doing this?

I think people typically answer they start a business or switch jobs for money but if you really dig into it, it is for *relevance*.

This is not to say money is not a part of the reason, because it is, but smart, driven people can make money anywhere. Over half the people that work at Trace|3 made tremendous amounts of money at the company we lured them from. In fact, if they didn't, we would not have gone after them. I believe they leave and come here for relevance within their professional life that they did not feel was provided for them in their previous jobs.

This is the same reason I started this business and the main reason I continue to grow it. My original premise was to make Trace|3 an incubator for very talented people in the industry by creating an atmosphere providing similar autonomy to running a business without the significant personal and financial risks.

My daily goal is still to transfer my business values as best as I can so it is easier for my people to build this business as their own.

Relevance versus Autonomy

Before continuing I want to clarify something that I think is important. As for reasons to start a business or take a new job, I view *relevance* as a much different reason then *autonomy*.

People that want autonomy have completely different drivers than those that strive for relevance. Most often I have found that entrepreneurs desiring autonomy end up with small

businesses (under $20 million). Often, someone that wants autonomy focuses mainly on themselves and hitting personal income goals. They are the main piece in the puzzle that makes the company or division run.

Comparatively, entrepreneurs and managers that strive to achieve *relevance* drive high-growth large businesses and focus on the organizations ability to inspire its people to feel relevant in that growth. They can inspire this feeling in people because they lead by example and rarely think about themselves. They are focused on the entire organization and have a very personal interest in the success of the each employee. They know if their people are achieving their own personal and financial goals, it will be easier to generate loyalty, maintain and accelerate momentum and hire high-caliber people.

By focusing on making employees relevant to the business, they start to advertise to new hires for you. ***People want to work in an organization where they are going to matter.***

Relevance is crucial at every level of the business. The company that strives for relevance must have that need permeate every person in the business. The managers must reinforce it at every meeting. They must understand why their people took the job and what they are trying to achieve. Without knowing this, how can you contribute to making them successful?

When starting or managing a segment of a business, relevance means different things to different people. For me, it was the need to touch many aspects of a business instead of just a niche within a company. I wanted to be rewarded for helping others within the business regardless of territories or business segments.

In other words, I wanted to be rewarded for what I felt I was good at: finding, hiring, and inspiring talented people across all aspects of the business and being an integral part of making them successful. I also wanted to be relevant in the strategic direction of the business.

My opinion is that companies for which I had previously worked made the common mistake of focusing on too many goals, and being from average to above average on most rather then the best, or second best, in all of them. This limited what I could do as an employee, since the number one and two businesses we competed against had all the mindshare with our partners.

I believe that company relevance provides an "unfair advantage" over competition. Without that advantage, it is VERY difficult to grow either a business or your career.

Question #2: Why Grow?

"How much growth is enough?" and "Why continue to grow?" is also half-answered with "Relevance." My belief is you need to be large enough to matter in the region or segment in which you are trying to operate, relative to your competition and partners.

When measuring growth, total sales and setting annual goals, discussions about what will make us relevant to our partners – and provide an unfair advantage in the field against the competition – should be a major part of those discussions.

Most books I read focus on growth through customer entanglement, organic vs acquisition, etc. These points have great insights but I run a consulting company, and our main

asset is our people. *My success or failure depends almost solely on them no matter how good I am*.

We represent products and services of carefully chosen vendors. My people must innovate to have value to our clients and we must be able to be #1 or #2 in our regional offices.

Vendor Partners

Two things drive relevance from a vendor's perspective.

First is the ability to help them achieve their goals. People do what they are paid to do and people are paid to hit their goals. If you ignore this, relevance becomes very difficult to attain no matter the revenue numbers you book.

Never forget companies regularly change the way they goal and pay their people. Staying in tune with their pay plans is of the utmost importance if you hope to add value in a vendor's eyes.

Second, you must represent a significant portion of revenue in the region. For us, that needs to be at least 15-25%. Anything less makes it difficult for them to allocate time to address our needs; anything more, and you now are more important than "average." The vendor will take great interest in what you need to succeed and grow.

This metric can also be applied to a rep on rep ratio, but I think for relevance at the street level, you need to be focused on a 30-50% share of a vendor rep's total revenue. That is what it takes to matter.

So how big is big enough? Unfortunately, as you can see, if your partners and competition are growing their businesses

aggressively, it may not be up to you. Striving for relevance is a constant effort and one that can absolutely dictate growth goals.

I firmly believe that relevance was, and is, a key factor that people come to work here, and is the reason they stay and thrive. I also believe it is why Trace|3 is attracting the best talent in the industry. Our challenge moving forward is to continue practices that inspire relevance throughout the organization.

So now that I have covered why we started it, let me explain how we started it.

The Beginning

Limiting Risk

When deciding to start Trace|3, I had many different discussions with Bret and my wife about what would be acceptable criteria for starting the business. Having a failure in my previous business, with creditors who were able to come to me for debts owed due to personal guarantees, taught me an important lesson about the true downside of taking risks.

Due to the bankruptcy of my previous company during my first year of marriage, I wanted to take every step possible to ensure the guidelines for Trace|3 kept me, my family and my employees safe. Most entrepreneurs do not think enough about that safety when planning to start a business.

By nature, entrepreneurs are spontaneous, hard-charging risk takers. A good, conservative planner is not what you normally find running a start-up. So, with Trace|3 and any venture I now get involved with, I now lay ground rules on what I am trying to accomplish, the downside personal and financial risk, and if an exit strategy is needed. Of these three, I really spent a lot of time focusing on limiting risk.

A Customer's Support

From the first, I talked with my clients about whether they would support me with orders if I started my own business.

Let me expand on this point. Even though it seems like the lowest level of common sense, it is often overlooked. When I had a software company in 1999, we developed a product for which we raised over $7 million from VCs and Angels.

As CEO, most of my time was spent with investors and potential investors. My product developers had the best pedigrees in the industry and were 70% of the reason we were able to raise the money. Where did we go wrong? We did a poor job of involving clients with the product design.

Whether your business is product or consulting based, it can not be built solely in a boardroom or on a white board. Clients must have input in your products and company if you expect to truly provide something someone is willing to buy.

If you want someone to spend real hard dollars on you, your ideas, or your products or inventions, the simple "would you buy from me?" over lunch will not suffice. You need to ask difficult questions.

What would stop them from buying, even if they or their whole team wanted your product?

Are there complications in adding a new vendor to their organization?

What value do they see in you and where would they like to see improvement?

If you performed certain actions, would they move business away from other vendors and give it to you?

Most people will want to help you, but that does not necessarily mean they can actually get an order processed. These questions will clarify and identify the true risks. If you do this, when these trusted clients run into roadblocks, they can relay information to you so you can make the proper adjustments to overcome the objections.

Only your best, most trusted clients will be willing to give you this type of insight and leeway. You need to leverage that trust so when you decide to start something, you know it has a real chance of success.

Funding, Vendor Partnerships and Relevance

I will tell you from experience the best type of start-up money is orders.

Orders are an immediate validation in the eyes of your partners, employees and potential clients. It is also a huge mitigation of risk. If people are willing to spend money with you – often just because of who you are and how you treat them – then you know you really have potential to build something special.

At the same time I was consulting with clients, I was also expending a great deal of effort with vendors establishing their thresholds for relevance. For a product consulting business (which Trace|3 is), it is very important to know what provides relevance at both a field and corporate level.

In the field, it is foremost an ability to operate on the vendor's behalf. In other words, vendors want to feel you are internalizing their goals, are an extension of their team and allow them to increase their ability to scale. This will start to give you a solid perception of the type of people you need to hire and what the team must become.

Next, and almost equally as important, is revenue. You need to understand how your partners get paid in order to help them make more money.

In our industry, as in most, my partners get paid on revenue and have MBO's based on margin. I always ask these two questions of partners when first meeting with them:

How do the reps, managers, and regional managers get paid and what is the total goal for the region?

Who are the top three partners you have in the region and how much of your total goal do you expect each of them to individually contribute?

The answers to these two questions usually gave me all of the information I need to know about how to be relevant to that vendor. It also exposed whether the manufacturer was a company with whom I wanted to partner. There had to be a sense that I could become relevant (i.e., important) very quickly or I could not base a company around that product.

Relevance is the main reason Trace|3 did not start with an IBM or Cisco. The ability to be relevant to a company of that size, with such a saturated partner program, is very limited. Trace|3 did not engage with IBM until we had over 300 clients and did our best to set it up so that they came to us.

In the beginning, we based the company around Network Appliance due to its excellent products, established high growth rates and channel presence. My great respect and access to their leadership allowed me to find out what it took to be relevant at a corporate level.

I found their biggest partners in the nation and the products they carried. I found out incremental business, especially pulling share from EMC, was on the top of their minds. I

found 30-35% was the minimum growth rate acceptable on an annual basis.

This information is key. It allows you to line up your goals with (or above) their goals, as well as differentiate your messaging about the type of company you are building and why it is compelling for them to help you build it.

If you have clients and partners contributing to your business plans and messaging, you know they bought in. You have mitigated risk tremendously with their support and you are going grow.

Once I had established there was a serious potential for a high-growth business that both clients and vendors would support and nourish, I had to conquer how to get credit for the business.

Having a degree in business and good knowledge of basic accounting and operations, I did all of the finance and ops for Trace|3 for the first 10 months we were in business. This meant that I, personally, as the President of the business, established relationships with all of the credit people of our manufacturer and distribution partners.

This was a daunting task since I had established two financial rules when I started Trace|3.

Setting Rules

Here are the rules I set when starting Trace|3.

Rule #1: Provide significant value so that clients and vendors fund the business.

Rule #2: Do not leverage personal or corporate assets for speed.

Before I go further, I want to talk about setting up rules like our first two financial rules. This early experience illustrates it.

I remember meeting a vendor Regional Channel Manager within the first 6 months of starting Trace|3. He berated me for not going to a bank, giving a Personal Guarantee, and getting a credit line. His point was I was not committed to my business and would greatly limit growth by my inaction.

I knew, in some ways, he was right. Raising money absolutely accelerates growth. If you get credit lines from banks by leveraging your house, getting vendors and partners to support you will be easier. The problem is neither mitigates risk, they increase it.

I informed him that it was my experience speed is not always in line with quality and he would just have to wait and see what Trace|3 would become.

What was the result? We became the fasting growing NetApp reseller within the first two years and grabbed the attention of everyone at corporate for cracking the code on how to go from $0 to $10 Million.

Obtaining capital does not mean you know the best way to grow a business. In fact, I believe limited resources will FORCE you to create solutions that will make you and your business stronger.

Truth be told, I have found that operating without money for the first 3 years of the business has made Trace|3 significantly stronger than my last business. Every decision is more important. Let me give you an example of this that I have carried into my personal life.

In the pre-bubble days, I used to trade in the stock market daily. My results were pretty good but I bought and sold stocks without a ton of consideration. Now I have a rule that I will not make more than five trades per year in my "fun money" account.

In the past 12 months, I have not lost money on a trade. In fact, my average gain per trade is over 60%. I am naturally spontaneous, hard-charging, and decisive. My rules counteract this and make me stop and think. If it is a good idea today, it will also be a good idea next week.

Speed, while a necessity in some emerging markets, is not a necessity in our business except as to how it relates to relevance.

Following Rules

Make rules that challenge your immediate reactions and surround yourself with people that compliment your strength and carry your weaknesses. That guy at the vendor was right that if I raised money I could potentially go faster, he was dead wrong on my commitment to my business, its growth and success.

As it turned out, one of our partners, GE Access, had a very mature finance organization. GE Access is a distributor of high end Technology Products and was very interested in

setting up finance programs that would help to accelerate a partner's growth.

They had a program called Assignment of Proceeds. This contract for their Assignment of Proceeds (AOP) program stated that Trace|3 could go and secure orders from clients, then assign the receivable (including the risk of default) to GE without any charge or client knowledge. AOP is a totally risk- and cost-free transaction for Trace|3 that enables us to have an unlimited credit line with the vendor.

The only downside is the additional 2 weeks it takes to get the money, since the check needs to be processed by the vendor. It is very similar to an escrow transaction, less any fees. The AOP gave us virtually unlimited credit lines, so it is much more valuable than a letter of credit or ABL line (secured against your receivables) with a bank. Through it, we were able to secure the upside potential of any deal size and eliminate bad receivable risk.

With this option available to us, we quickly started letting our vendor partners know about the program. We were then able to convince the finance division of almost all our partners to implement the AOP program.

How did we do that? Remember when I established relationships with all of the credit people of our manufacturer and distribution partners? By leaving the beaten path, and taking the time to personally tell our story to these finance departments, they willing to take a risk on us.

If for no other reason, setting tough rules will make the best minds stop to consider options. I think many well-funded companies do not take the time to negotiate and explore new

ways to do things. Tweaks on traditional business methods can often provide a serious advantage.

Changing Rules

This leads me to the next problem that I needed to conquer early on: How could Trace|3 quickly change the rules in the industry and be viewed differently than our competitors?

When I interview people or first meet clients they often ask how we are different from everyone else. When starting a company, or selling consulting/products, it is very important to have a strong, concise answer to this question.

It was clear to me, especially when small, commitment and loyalty to a select group of vendors would be essential to success.

I visited all the vendors and offered them exclusivity with Trace|3 in their respective areas of infrastructure and outlined a financial plan for re-investment. I disclosed my internal financial requirements for adding headcount in sales reps and SE's, and let them know the hiring speed was be affected by the reciprocation in the relationship.

Vendor district sales managers typically have limited ability to increase sales by adding head count in their territories. We outlined a plan whereby shifting some business to the channel could directly affect their "local head count."

For example, if we close $2 million in business we can hire another Sales and SE team; if, however, we close $2 million and they give us $1 million, I would hire 2 teams to sell their products. They knew I was completely committed on re-investing Trace|3's earnings at an accelerated rate if they would help me.

The caveat to this plan – and the reason it worked solely for Trace|3 – is we decided to be exclusive. Vendors and Resellers are naturally paranoid because each must give up some control of the deal to work with each other.

There are two things that reduce the paranoia. The first is hiring very talented sales and technical people. The second is not carrying competitive lines. If these two things can be accomplished, the local DM's can treat us as an extension of their sales force and trust we will go to the mat with them on deals.

I also let the vendors that invested in us review the potential hires before we brought them on. This allowed them to take significant ownership of the decision and furthered the feeling of being on the same team. From my perspective, it was also a great tactic because I had multiple vendors trying to help me find people and make sure they were successful when hired.

When NetApp agreed to the plan, we immediately over-invested as quickly as possible to show them the return on their investment. You know the result.

Sales Strategies

As a VAR, we are glorified middle-men/women. It is an unavoidable fact. You have to constantly convince people of your value and why you should be involved in deals.

A client-base that treats you as trusted advisors is the biggest card you can play. If you can play that card, you can begin to dictate the margin you make in those accounts. At that point, both sides need you.

The second biggest value you have to the vendors is the quality of your sales and SE's (SE's often being more important) and your collective ability to work deals with very limited assistance.

Year 1 – Footprint

As the company has grown over the years, it is not easy to remember the tactics we used in the beginning when starting from scratch. I realized, in watching my young Denver office, that these start-up methods must be used in order to quickly gain the credibility needed to grow.

The first operational year at Trace|3 was all about getting a client footprint. Footprint is everything in the beginning. You need to get installed with as many clients as possible, as quickly as possible, or you will have almost nothing to talk about with your vendor partners.

There are many strategies for getting clients but the fastest, and hardest, way to get a client footprint is to convince your vendors to give it to you. The second best way is to hire reps and SE's from your vendors or competitors that have the clients you want. The third way is to leverage your current relationships with clients to buy from you and in the absence of that, work your butt off proving to your partners that you can hunt down deals and close them.

My recommendation is to do all three.

If you are in your first year of sales, or currently have sold to less than 15 accounts in your tenure at Trace|3, don't spend all your time focusing on margin. Even though I know you are paid on margin, go get as big of a client footprint as possible.

That footprint is your leverage to making big margins next year. Let your managers worry about how to get you extra margin this year. By getting a good footprint and proving you can hunt and close, you empower everyone in the chain to help you.

Your first 15 clients are the investment that pays better than any stock or mutual fund in which you have ever been involved. They give you relevance. Let's dig into how to get them.

Getting Vendors to Give You Clients

This is the toughest, yet most efficient way, to quickly grow a client base. It is difficult to do from scratch, but all of you know reps on your team that are masters at it. They are the ones that are always on the top of the numbers board and the most frustrating part of it is they probably work half as hard as you do. They just work smarter.

Comforting isn't it?

Step 1 – The First Appointments

Here is what works.

I have always called it round-robining (we will call it RR for short) leads. To RR leads, you need to determine your lead vendors and commit to them. Pick three vendors, then go with one that has a high average selling price product and two with cool technology that people want to discuss.

For this example let's take Riverbed, F5, and NetApp. I would first go my Manager and the Riverbed territory rep and let them know I have been calling for a couple of days and hope to have some accounts for us to go into very soon.

(I would also include an inside rep in these conversations if the vendor you choose has one). I would let them know the accounts I have been working and then I would ask for a lead. If the rep gives you a hard time, leverage your manager to get a lead for the team and have him give it to you. If you do actually set up any appointments for them, make sure you do a good job publicizing it and ask for something in return.

I would do this initial plea for help pitch with three vendors you know will reciprocate deals if you can find them leads. The hope is that between the three vendors, your manager, and your own skills you can get 3-4 account calls (if not deals). If you can do this you are set up to RR.

Step 2 – The Calls

During the initial call, I assume you know the Trace|3 pitch, how to get the client needs, and know how to talk about our vendors without any advice. Let's move on to what to do with a call that goes well. Remember, we are all about footprint at this point.

If the call goes well, the end goal is to have them interested enough to take a meeting on the other two product lines that did **not** give you the lead. For instance, if Riverbed gave you the lead, at the end of the meeting you should set up a meeting for NetApp and F5 to visit.

Now you can call the other two vendors and let them know where you were, and that you think there is potential for their products in the accounts. If you were able to set appointments, invite them along. This is clearly the point that you ask for something in return, *whether or not they can attend*.

If you get something, do that meeting and go back to the beginning of Step 2, and repeat. Soon you will have 10-15 meetings, of which you have to generate almost none of them. A lead to a vendor from you is still a lead, even if another vendor initially brought you into that account. Leverage it.

I know this seems like common sense and hopefully you are not insulted by how obvious it is. However, I have been totally shocked at how many sales reps – especially those that come from vendors – do not do this. Instead, they will partner with one vendor they are comfortable with and never lift their head out of the sand to get momentum with anyone else. Manufacturer reps fall victim to this quicker than others because they are usually used to selling one product line. If you do that at a VAR, you are asking for trouble.

I just flew out to Phoenix to interview someone for a sales position and, at lunch, he repeated the following statement a couple of times, "I took this reseller into this account and he adds no value. I could unplug him in one phone call."

While slightly pompous, there is often an air of truth to this statement under one condition: If you, as a reseller, are only selling one product to your client.

At that point, you are really just a middleman constantly trying to prove value to the client in order to justify the extra 15% markup that is needed for us to be in the deal. That is also 15% the vendor could have if you were not there. No matter how talented the sales and technical people at a VAR are in an account, if you are only selling one product you are asking, if not begging, to eventually get kicked out of the account.

Most times it is actually the client that will ask the vendor to boot you because the subconsciously know they could get better pricing without the VAR.

Sales Strategies – Year 2

Going wide

You can not be "unplugged" if you go wide.

I am not going to overly explain this because it is as simple as it sounds. Once you have 15 clients, the easiest way to get a new sale is go into one of the 15 and sell them a different product line (and of course leverage that with the vendor for another account).

That first year you were probably only focused on selling 3-4 lines and Trace|3 carries 6-8. We used to jokingly call this the Trace|3 SB ("SuperBundle").

What really put Trace|3 on the map in the early days was the solution we architected at Mazda. The original request was for a SAN where IBM and Dell were the incumbents. The first order was NetApp Filers, NetApp NetCache, ADIC, and Extreme Networks. After that we went on to sell Blade Servers, Commvault, and F5. Basically, everything Trace|3 sells.

They became the reference site that we used to assist in closing Quiksilver, Mitsubishi Motors, Homestore, Teradyne, and multiple others. When I shipped the first "SuperBundle" deal to them, I actually gave them two Racks with smoked glass front doors that had Trace|3 etched on them. It was one of the best marketing moves we made early on. Every client we took through their data center for a walk through saw 6 different product lines and our logo on the

racks; for that matter, that is what every vendor saw as well. Good luck unplugging us.

We were, and are, valuable to Mazda because we consult on most every area of infrastructure for them. They want and need us around. We are often the first people they call if there is any kind of problem and we manage the vendors for them, giving them a tremendous level of consistency of service.

And even though they need to get three bids on most deals, it is very difficult to find someone that can put a bid in for all those products at one time. Going wide and selling multiple products solves most all of that problem traditional VARs run into. ***Everything improves when you go wide: customer relationship, vendor perceived value, and margins.*** Going wide is not an option at Trace|3, it is your primary objective.

The Importance of Our SE's in Going Wide

SE's at Trace|3 need to be specialist in a minimum of three products in order to effectively go wide. Our goal is for an SE to do pre on most all products we represent and post effectively on three. Going wide is quite often as much a post sales installation activity as much as it is a white board sale. It takes time to gain expertise in multiple products but it is what will truly set you apart from the rest of the field. I feel the SE's at Trace|3 understand that these sales tactics discussed above are just as important for them to employ as it is for the actual sales reps.

SE's are often the perceived "Trusted Advisor" in the account and being cross trained is a must if you are going to truly take on that role. As we grow, I expect proactive requests for training, lab work, and certifications in order to keep us on the cutting edge. Staying ahead of the curve is

difficult because we tend to get so buried in day to day tasks and this is why setting rules is so important. In order for Trace|3 to go wide effectively sales reps must understand the SE's need training and work to actively help make this to happen.

Sales Strategies – Year 3

Being a "Trusted Advisor"

I love the term "Trusted Advisor" because it is so cliché. It seems most manufacturers and VARs are throwing it about with the frequency of other over used tech clichés like reliability, availability, and scalability. At least trusted advisor does not end in "ity." Regardless, it is the perfect term for an IT Consulting company.

At Trace|3 we take the term seriously and here are some of the prerequisites we need to attain in order to truly be considered a trusted advisor (TA):

1. The client consults with us first before making major technology decisions in our areas of expertise.

2. The client knows the rep, the inside rep, the DM, and at least two SE's from Trace|3 and has cell phone numbers for all.

3. Client calls Trace|3 first for any problem that occurs with equipment sold by Trace|3.

4. Trace|3 is known by all levels of management within the client.

5.   The client will **ethically** bend the rules for you in bid situations because they know we will take better care of them than anyone low balling the account.

6.   The client would: speak at an event on our behalf, do a case study, be a phone reference, and do an on site walk through.

7.   You would consider them your friend(s).

Of all of these, I think the last three are the most rewarding. Business is actually fun when you are doing it with people you like and can trust. In your third year with Trace|3, whether SE or Sales, I would hope you have a handful of clients that you can answer yes to most of these questions. If you do, then most everything else should be taking care of itself. The vendors at this point need to work through us to get deals done with these clients.

The smaller up and coming manufacturers actually might need your sponsorship in order to get a meeting. This is in fact how we stumbled upon what I hope to be one of our best product finds of all time in Riverbed.

Sales Strategies – Looking Forward

After three years you all should have a very good sense of what to do as it relates to building your business. I believe you must start to do things that are creative and pushing the edge to continue to separate your reputation from the rest of the field. This is why I would like all the rep and SE teams to formalize a Client Advisory Board.

A Client Advisory Board (CAB)

When Riverbed first came to us and wanted us to carry the product, we responded by telling them that if their product could do what they claimed, everyone would buy it. Before signing the line, we decided we would take it to our informal client advisory board. I believe it consisted of Mazda, Quiksilver, and Mitsubishi Motors. We took the rep out to each of these sites and pitched the client and every one of them wanted an eval. That really tells you something. It is rare an idea or product claim can garner that type of response, so we proceeded with Riverbed.

At this point, 4 years into it, Trace|3 has over 300 clients. What needs to happen going forward is we need to formalize these clients into regional advisory boards in order to boost our reputation and ability to negotiate with up and coming manufacturers. One of the values we provide to our clients is the selectiveness we have in picking up new products. Many of our clients, like us, get a barrage of calls from new companies wanting to meet with them and sell bleeding edge products.

By filtering out most and picking companies like Riverbed, we are providing an extremely valuable service to your clients which truly helps reinforce our trusted advisor status. As an IT consulting company we really need to be in the business of staying on top of technology for our clients.

Having regional Client Advisory Boards allows us to do three key things:

1. It puts the client on a pedestal and lets them know their opinion is important to Trace|3. In other words, we consider them very **relevant** to our business.

2. It allows us to double check our evaluation of new products by confirming our results with the markets to ensure clients will spend money on the product.

3. It gives Trace|3 considerable leverage with vendors wanting a way into our install base if the companies on the CAB are large enough.

If we can successfully build out a horizontal CAB in each region we do business it will help in many areas of the business. For those of you that consider this your business, which I hope is all of you, I want you to think of this is your CAB.

In truth, rep and SE teams should each informally already have a CAB if you have been at Trace|3 for over 3 years. I would like you to formalize it this year with quarterly events in each region that show the CAB we can bring them value and value there feedback. I welcome everyone's input on how to most effectively do this. There is a very interesting end game along this line of thinking if we can effectively build and market these CABs.

Sharing the Upside

As companies continue to grow I think they often forget where they came from. It is important as we strive to hit our goals in the next three years that we stay humble and enjoy our success in a classy way. As I stated earlier, in my career I have always tried to employ a set of rules to abide by. One of my general rules is "treat others the way you want to be treated."

For instance, when I write comp plans, I try and make sure it is a plan I would have been happy with which means it has to have significant upside and give me some control of my destiny.

Another example – When I was a rep at my first job I was paired with a guy named Bret MacInnes as my SE. In my opinion Bret completely carried the team and without him I would be half the rep doing half the number. I therefore convinced the CEO of the company we worked at to allow me to give 3% of the 20% I received as commissions and add it to Bret's paycheck every month.

If you depend on people for your success, they need to know that and you need to show it in more than words. Knowing you are appreciated is why the Inside Reps kill themselves trying to get quotes done at 7PM. It is also why the SEs will do installs on the weekends without the rep being present. I hope everyone at Trace|3 knows that I value what they do and do everything I can to compensate them above market. I will continue to do so.

The fact is, as we go to the next level and we start to make more and more money, we need to remember to take care of the employees that take care of us. There is only so much a company can do with salaries and bonuses without risking

the well being of the organization. This is especially when we are growing at above 60-70% per year.

Hopefully as people make 2x to 3x more than they have ever made before they remember what got them there. That is how you generate loyalty and respect. If you want to work with the best, treat them that way. To date being to generous has not failed me when focused on people that appreciate and deserve it.

The Next Level – 100-08

On the theme of sharing comes the next level.

100-08.

$100 million in sales in 2008. 100-08 is why I have written all of this. The only way for us to hit this goal is for me to give you everything I know about this business. I need every one of you to think like business owners because we are going to try something that I have not seen done before. ***We are going to grow a business from $0 to $100 million in six and a half years.***

We will do this with no outside funding. We will do it by hiring extraordinary people. We will do it with less than 55 people. Lastly, as you will find out at this kickoff, I am going to give all of you a significant amount of upside for pulling this off.

TRACE|3

2007
Preparing for Scale

Trace|3 is well on its way to being very relevant to all of our partners' businesses in all the regions we operate. Establishing relevance was the first step in reaching this company's potential. We have many more steps to take.

I have spent most of my time this year writing about what I think it will take for us to achieve scale as a business.

First, we have relevance. I believe this relevance is due to the core of talented people we have been able to attract to Trace|3. What we've done, just with personnel, is considered by most people in our industry to be nothing short of astounding.

I am not sure that I would completely agree with that assessment. I think what we have *begun* to do with our personnel gives Trace|3 the *potential* to be astounding. In order to realize that potential, many of you will have to change the way you think. I am trying to encourage that change by giving you the SARs program. The reality, though, is that this isn't about money.

Creating something out of nothing (the way we have with Trace|3 over the last 5 years) is really about a desire to be a part of something special.

I find that as I personally focus on that goal, instead of myself, this job truly feels very rewarding. I feel an incredible sense of accomplishment.

On a macro scale, consider that the $100 the company started with 5 years ago has created 45 jobs. Realize that every time *we* hit our goals as a team, *you* all are individually

responsible for creating jobs and adding bricks to the foundation of something I hope will one day be a company worth admiring.

Some of you have been here a long time and some have just started. Regardless of your tenure, know this: What we have done in the past is the past. You must all take the responsibility on a go-forward basis for scaling Trace|3. If you do not, we will just be something that "*could have been great*."

Scale is possible if every part of the whole takes it upon themselves to achieve it. Scaling a business is a mindset and an attitude; it consists of a concern for the entire organization.

You must know who your actions are benefiting. There are those who act to benefit themselves and those that try to affect the greater good for all. People that do things for the good of all are generally considered to be leaders. A leader thinks about others and the health of the organization. A good leader understands momentum, inspiring others and achieving goals. A good leader at Trace|3 is always looking for ways to do all of the above and increase our ability to scale the business.

Please reread the 2006 section of this book, then try to re-read this section at least twice in the next couple of months (if not more frequently). It is sometimes hard to maintain focus on what matters to the health of our business; I hope these playbooks help get you back on track when you lose sight of relevance and scale.

Opportunity Cost

In the past, we cracked the $43M goal for 2006, doubled the employee headcount and are now implementing the SARs program.

Recently, though, I have been faced with some tough decisions.

As I look forward to 2007, the company is changing in complexion. The leaders are defining themselves and some personnel moves made in the last 24 months need to be re-evaluated.

This is something that always weighs heavily on me. Besides the obvious struggles with moving someone's position, or letting someone go, I feel I have personally failed that employee by either not giving them the resources they needed or giving them too large a challenge for which they were unprepared.

Everyone at Trace|3 is capable of great things but there are hundreds of factors that tend to get in the way of bringing out that greatness. Most of those factors have nothing to do with Trace|3: work ethic, following direction, lack of delegation, talking down to co-workers and personal issues (outside of work) all greatly contribute to people falling short of expectations. Regardless of the reason for underperformance, I have a company of 45 people to protect and represent.

When I have to make these tough decisions, I think of everyone else who works at Trace|3. How much more efficient would the district be with or without that person? How much time would be freed up for management to move the company forward, instead of correcting problems? How

would it affect morale? How will it reflect on the company's commitment to excellence? What would our vendors think? Would the competition go after that person?

It boils down to this: What is the *opportunity cost* of employing a person in that position versus cloning one of my best people to do the same job? Opportunity cost is one of the few things I remember from Economics in college and it might be one of the most important concepts I learned as it applies to managing people. Stop and think about it for a moment.

If I cloned one of the best people in the company in the same position as you, how much more or less productive/efficient/easy to manage would that other person be in comparison with you? What would that person do for the reputation of the district/office with our clients and vendors compared to what you do?

Determining the opportunity cost when making hiring decisions or personnel moves helps add clarity to the decision.

You all were hired on at Trace|3 for two reasons. First, we saw something in you that we thought could help the company move forward. Second, we like you as a person.

I truly cheer for everyone at Trace|3 to be as successful as possible and try to line things up so there are as few roadblocks as possible for you to reach success. Some of you have taken the Trace|3 challenge head-on and have absolutely crushed it; others have not.

For those who have not, we have gone out of our way to spend time and help with whatever is holding you back.

Having said that, the best people will tell you success at Trace|3 is up to the individual.

Many have proven the resources available are adequate for greatness within the company.

Are You Special?

I really like this question because most people think they are. The context of the question pertains to within Trace|3, of course.

Many of us might be very special in various ways, but what makes you special to Trace|3, the organization? I think it is a couple of key things.

   What is your ability to operate without management interference?

   What is your commitment to client satisfaction?

   How well do you diffuse/take advantage of political situations?

   Are you out for the team or yourself?

   Do you see opportunity in strife?

   What do you add to this company?

Why am I asking you these questions? It is because we saw something when we hired you and I want *you* to decide if you are delivering on it.

Let me rephrase this and take a different approach. Many of you have worked at many different companies. Do you think

Trace|3 is one of the best opportunities you have ever had for your income, career and quality of life?

I hope your answer is yes. If you do think this is the best place you have worked, what is this job worth to you? What would you do if it were taken from you tomorrow? Stop reading and think about it.

What would you do if I laid you off tomorrow? Really, stop reading and answer the question.

How would the new job you are thinking about affect your autonomy/family/quality of life? I have had other jobs at some pretty good companies. None of them compare to what we have created at Trace|3. That's just my opinion and obviously, I am biased**.**

You need to think about this because most people do not think about the value of what they have until they lose it.

While you might not get everything you want, and would not consider this job "perfect," I hope as you end your career

you would look back and consider it one of the top places you were ever employed.

So – getting to the point – what would you do to keep this job? Do you feel that you have **earned** your spot in the organization? Do you think your managers and I think you are special? If I were to split all the employees into A, B, and C rankings (A being the most valuable), what would be your rank?

Like it or not, this is how I think. I possibly waited too long to make personnel moves, but I am thinking about every employee when I make these moves. I am <u>always</u> trying to decide what moves I can make to give you all the best chance to succeed. The team we build around ourselves has a great deal to do with that success.

As far as your answers to all those questions above: If you do not like the answers you came up with, what are you going to do about it?

Positions

One responsibility that separates business owners from employees is the whole concept of Job Descriptions and areas of responsibility.

In large companies, there are sometimes very firm lines drawn between internal departments – and a great deal of posturing and politics for anyone looking to cross that line. This isn't the case at Trace|3.

Business owners (aka Trace|3 employees) must be active in all aspects of the business. The most successful people at Trace|3 have very little concern for their published job title

or description. A valuable employee's main goal is to increase the overall effectiveness of the business.

I have never tried to wear just one hat in any of my previous businesses/jobs, no matter my title. I knew that just about every different department in the organization affected my ability to make money and be successful. Consequently, I took a very active role in understanding how the different parts of the business operated and how they affected the entire organization.

The department that was always the most important for me to first understand was Operations. I was very lucky that at the first job at a VAR, my boss spent a great deal of time teaching me deal flow (paper trails), distribution issues, receivables, payables, commissions, lead generation, and most importantly, negotiating costs (often after I had the PO).

I knew everyone in Ops on a first name basis and had a complete understanding of their ability to make or break my success as I scaled my business. I learned how to take all of the pressure (or as much as possible) off them by correctly negotiating terms, shipping, costs, discounts levels, rebates, and most importantly delivering clean orders. I was always very involved in the collections process in my accounts, especially with leasing companies.

As with my clients, I wanted my Ops people to look good within my organization and make sure they knew that I had their backs. (I did not have the luxury of inside sales reps most of my career but would also consider them part of Ops.) There was rarely a time I could not get something I needed through the organization because I considered myself

part of the Ops team; I could have probably stepped in and helped any of them do their job.

This was important to me because I considered Ops the backbone of the company. In fact, to this day it is a very large pet peeve of mine when reps and engineers deliver half baked deals/evals/requests to Operations. It is your responsibility to make Ops successful. Take it personally.

After all the questions in the last section, I feel bad none were asked in this section. Therefore, in closing this subject, I'll leave you with this one: *If the success of the business is your job, what falls outside your job description?*

That is how business owners think. That is how people at Trace|3 must act.

Style

Style is such an interesting topic. For some reason it always makes me think of Bret.

Bret has one of the most unique styles of anyone I have ever worked. For those of you who have worked closely with him, you know what I am talking about.

I think style has to do a lot with how you treat people. Bret can be seen as grumpy and gruff at times, but put Bret in front of a client and they understand exactly where he's coming from. Bret is a straight shooter and when he says he is going to do something, it gets done. He is the type of person you can build a business around (as long as he is not drinking Green Label with the volume at 11. Then you just build a good story. For those of you that don't get that, just hang out with Bret in Vegas…)

I think Bret has proven that one of the things that can make you truly successful in business is just following through on what you say you are going to do. He has very high standards on his word and holds others to that standard. That is why clients love him and vendors worry when he calls. Vendors know that if they commit something to him, they better deliver.

The mistake I made early in my hiring days was thinking successful people fit a mold. This was especially true in my hiring of reps and SE's. What I realized is there is not a personality formula for the perfect rep or SE's.

Some reps sell on relationship, some on value and some on price. There are some that sell whatever somebody is buying.

Some SE's are great at post- and nervous during pre-sales. In fact, I was hugely concerned when I hired David Titov (on Hekimian's recommendation) that he was to shy to do pre-sales. I crack up thinking about that now.

Different clients take to different types of people, whether reps or SE's. Mr. T has proven to be one of the biggest bad asses in the company on both pre- and post-, and his understated style has helped close millions of dollars in net new business for Trace|3.

I think the common denominator in the style category, as it relates to success, is follow-through. It is hard to hold a grudge against someone that delivers on their word. If you have this going for you, you are well on your way to success.

Let's discuss some of the negative aspects of style.

The most negative thing you can do, as a middleman, is start thinking you are important. Arrogance and flashiness are probably the two traits that can most hurt you in our industry.

Arrogance because, when it comes down to it, no one - and I mean no one - is irreplaceable. People should always have a shake of humbleness in them. Don't talk about how much money you make, how successful you are, or your net worth. That might be okay to discuss with a select few but, if the recipients of that information start spreading it around, you can get cast in a bad light.

The main problem I see with flashiness is material objects are making your first impressions for you without you having a chance to represent yourself. I have confidence in all of you to come off as impressive when one-on-one with anyone.

An example of someone I knew that handled these issues well was I guy I knew that worked at NetApp. He made a ton of money in the stock run-up before 2000 and actually sold most of it at the top. He then bought a mansion, four collector type cars, etc, etc… It took me three years of knowing him to figure any of this out. He drove a pickup truck to work because he did not want everyone to get the wrong impression of him.

It was not until NetApp convinced him to throw the regional Christmas party at his house that he got exposed for being wealthy.

By the way, another great way to build rapport with people within the company is to share the wealth with team members critical to your success.

Spiffs

This has become a hot topic at Trace|3 so I thought I would talk a little about it.

I hear people complain about not getting spiffs. I hear people complain about people expecting them to give spiffs. Now I will tell you something that may be a little hard for you to hear: The most successful people in the company spiff when they feel the people on their team have earned the spiff.

On the other side, the people that do a great job get spiffed. Here is the caveat: If a rep is just getting by, then he/she is going to struggle to spiff his/her team.

Here is what I can say for a fact: The successful reps at Trace|3 are paid very well. If they truly consider this their business, I believe they need to show leadership and take care of the people that make them successful – even when they're struggling. Consider it a cost of doing business.

You can trust me on this point: loyalty to a cause, from people on your team, is priceless. This is not to say loyalty is solely generated from cash, because it is not, but giving when you don't have much to give goes a long way. It goes even further than when you have a lot to give.

Susan Bullwinkle has been struggling in Denver for over a year. That entire year she spiffed various people on her team she valued for every deal she booked even though she was not personally making much money.

Susan just finished up her first $300K+ GP quarter. The hard work of the entire team is starting to pay off.

This is not to say everyone needs to, or has to, do this. It is an example and I admire Susan for her perseverance. It was a lot easier for me to have patience in building an office in a difficult new market when I saw the head of that business sacrificing her limited income for the good of the team. I can get behind that. I want to invest in that. Susan has taken building loyalty and the company upon herself. She does it for herself, as much as Trace|3, and is smart for doing so. She is recognized as a leader.

The other side of the spiff coin is those of you who have your hands out. Provide real value and you will most likely get spiffed. If you aren't getting spiffed, examine yourself.

If you support three reps, and none of them spiff you, maybe there is a reason. Sit down with them and ask what you could be doing better. Take it upon yourself to improve and become more valuable.

Don't play the victim and complain about how you aren't getting spiffed because *nothing* is less attractive. In fact, that is the attitude that will get you kicked out of a great company.

Spiffing is a voluntary action that anyone in the company can do, Reps or SE's. If you want to spiff someone that has helped, you can but you are never required to do so. You are all paid well to do your jobs here and getting spiffs on top of that is an added bonus.

If you come to expect them, or too many of you complain about not getting them, we will cancel the spiff program.

That being said, if you provide value above and beyond what is expected, someone will notice it. It is our culture to notice it.

Results Oriented Work

The biggest differentiator between sales people and the rest of the world is sales people understand that often the amount of work you put in often has little correlation to the closing of the deal. It is the intelligence and effectiveness of the work done, not the amount of hours, that counts. This is a lesson everyone should learn.

Reps are always looking for the shortest and most efficient route from point A to point B. Things that matter more than hours: Relationship, Personnel Resources, Messaging, Quality of Product, Reciprocation, Trust, Customer Support.

This is where Ops and Engineering people get confused and you often hear things like "I work so much harder than so and so" or "how can he possible make the money he is making by taking people to dinner and never doing any work."

Those comments grate on me.

Being able to relate to people, understand their needs, win their trust, leverage resources, and have them invest in you is a true talent. Different reps go about it different ways but all the good ones can do it. The best ones can do it in the shortest amount of time. If the people complaining about them could do it, they would…but they can't.

Focus on the results of your work, rather than the hours you spend, and paths to the end will become much clearer.

Deal Structure

Deal structure is a totally abstract thing. I once tried to trade a FAS250 to Mitsubishi Electric for a 60 inch flat screen TV. I have thrown in product lines that clients are not even contemplating, for free, to differentiate me from the competition and give me something new to sell the client in 6 months.

I think one of the reasons I have so much confidence in hiring people is due to what sales has taught me about perspective on money and deal structure (or lack there of): There is no such thing as a set deal structure.

That fact pertains to ANY industry. In ours, you can negotiate or throw in payment terms, Right of Returns, refurb gear, on-site consulting, free maintenance, rebates on total volume of annual business, buy out of old gear, volume purchase agreements, training, product of other projects from other manufacturers – basically anything. (Do remember as you do creative deals, make sure you take the time to clearly explain to ops and the team what it is and why your are doing it.)

Deal structure is what you make it. Figure out what the client really wants on the business side and you will always be in a better position to understand what will differentiate the deal you are putting together.

The one rule you must abide by for deal structure is that you must be ethical. Other than that – change the rules of the deal, be creative, and most of the time you will win.

Remember Where You Come From

One of the things I need to constantly remind myself is the attitude I had when I started Trace|3.

As you get more and more influence in the business, it is hard to consistently stay humble. Sometimes, when everyone starts believing you are sooooo great, *you* start to believe it, too.

To a point, that can be helpful in negotiations and general dealings with people. But I find the people I most like to be around, and do business with, are ones who stay grounded and remember when they, too, were trying to make a name for themselves and had to climb political ladders while being careful and humble in the process.

When we started Trace|3 over 5 years ago, we were very careful not to offend anyone, understand the rules of engagement, and did not expect handouts. We knew that as a new business, regardless of our previous reputation, we would have to earn the respect of clients and vendors.

So often I hear people come into the company and say they are getting screwed by a vendor or betrayed by the client. While this may be true in some cases, I do not think most people are out to screw or betray anyone. It is just the case that people expect things to go their way and when they don't get handouts or they get outsold in an account they like to have an excuse for it or someone to blame.

There is one story in particular I remember of an eval we did at a client site and, after four months, we had convinced the mid-tier of management in the account it would be a strong play to buy it.

That same week, the manufacturer's local rep had their CEO in town and another partner took the CEO to meet that same client's CIO.

The CIO looked the CEO in the eye and said the only way he would invest in the technology would be if he could buy it through that partner that set up the meeting. A lot of things come to mind in this scenario (which really happened):

1. The manufacturer's local rep should have tried to stop the meeting since he was already engaged with us, right?

Answer: Maybe, maybe not. The deal had taken four months and we had no clear sign of PO because we had never been at this level. Combine that with the fact the other VAR waited till he had the CEO in the car before he piped up with, "Hey, you want to go see the CIO of this account?", and you realize the local rep could not really do much in that situation.

The other VAR was clearly in a better position in the account and flat out-maneuvered us. We got out-sold. It turns out, in this case, the VAR actually gave us 50% of the GP because he felt bad about snaking the deal. (*Shocking* what people will do if you *ask*.)

2. Don't play the victim. When someone hands you your ass in an account, try to figure out what happened so you can better defend yourself in the future.

3. People, whether it be vendors, other VARs or clients, will generally look out for themselves first and you later. This is not evil, it is human nature. That is why if you are good at making people feel you have in mind their interests **before** (or equal to) your own, they will follow you anywhere.

In fact, once you get the hang of it, putting other peoples interests first can really be quite rewarding both personally and, as a by-product, monetarily.

4. People do not owe you anything. A reps job is to close deals, especially in front of his CEO.

Why should someone take you into one of their best accounts? Should they if you close $1M for them in a new account? You got paid on that $1M didn't you?

Try to look at it from their perspective and, since many of you came from manufacturers, this should be easy. Why would you take someone into one of you accounts that you are doing $3 Million in sales annually? I would bet your answer would be because you think they can help you grow the business significantly faster than you could on your own.

<u>That</u> is really the <u>only</u> good reason for a vendor to bring you in to anything. Your job is to convince them that's what you can do for them, in a non-threatening way. And when you convince the rep, you need to realize that they now need to convince their management of the value in having you in the account and sharing margin on something that was previously direct.

 If you cannot help them convince their management, they might not be able to get you into the account even if they wanted.

Make yourself attractive in these situations. Get into the account without that product and start selling the account something else. This will give you other ways to add value to the targeted vendor and will lessen the burden on him/her with his management.

People want to make money, be recognized, stay out of trouble and win tough battles. All these contribute to how they feel about themselves and how their management perceives them. The more you can help them achieve those goals, the easier life will be for you.

I do not want anyone to think that these statements go against my previous statements about reciprocation because they do not. I think for the people that are not getting a great deal of reciprocation, this might be a telling group of points. The reality is the people you are trying to get reciprocation from **just might not see you as valuable** and you need to figure out how to change that perception. Hopefully the points made above can help you do that.

So back to remembering where you come from.

At one time we were all new to the industry. You might be the most talented SE, sales rep, or even consider yourself the "Tiger Woods of accounting." It is important that, as you become more and more successful, you remember everyone around you wants the same success.

Arrogance and flashiness have no place at Trace|3. Those traits will just hinder your ability to connect with people on a meaningful level. We have all struggled in our jobs at one time or another. That does not mean you need to have endless patience with people, but I will tell you from experience that trying to *mentor and understand* someone versus *berate or ignore* them has a much more productive outcome.

Get peoples backs even if they don't have yours and, over time, you will have a large group of people looking out for

you. This is true for all of your clients: Trace|3 employees, vendors, and end users.

Take time to try and see troubling situations from the other person's perspective and you will make smarter choices on how to deal with the issues at hand.

A People Business

Hiring People

Hiring people is absolutely my favorite thing to do in business.

Hiring talented people is always a challenge because, besides relevance, you really do not know what it is they are going to want. What you do know is what *you* can offer. I always try to have a basic idea in my head of what it is that I can offer someone when I interview them. And salary or commission is not what I am talking about. Those things matter, but *everyone* can offer those things.

I can offer culture, relevance, a chance to work with the best in the industry, quality of life, autonomy and - oh, yeah - money.

Which one is the most important? That depends on who I am talking to. I rarely have a plan on where an interview is going. I am a strong believer that when you are open to people (without a set plan), you are able to be more creative and a better listener. People will almost always tell you what they want if you can stay out of their way and let them talk.

One of the questions I like to ask people is, "How much money is a lot of money?" I ask this not to hear a number but for them to tell me how and why they came up with it.

It starts with, "I need that much because …." Pay attention after the "because" because that is where they talk about goals, family, debts, dreams, etc. It can really help you see if they have given their financial future much thought and what is really important to them.

Overall, I want to find out whether their hopes and goals generally match those of the majority of people that work here. This is what people refer to as "culture fit" and I find that over time, as we grow this business, it is becoming more and more important to me. Similar goals amongst members of a team make everything more cohesive and easier to manage.

One characteristic for which I look is a strong desire for financial freedom and a willingness to take calculated risks. For instance, when I interviewed Dave Hekimian, he was coming out of an I.T. department as a manager. I had concerns about his ability to do post-sales.

Taking risk and tackling new challenges was all over his resume and he was super-aggressive in explaining to me that if I took a chance on his lack of post sales skills, he would exceed all my expectations.

I will admit, Dave was one of the easiest interviewee's to get talking. It became clear to me that the things he had not done before were the most exciting to him. Also, after talking to him, I think he clearly grasped that if he worked hard, Trace|3 could exceed all his financial goals. He had multiple options when he met with us but I think he saw the potential to become something much more exciting than an "IT guy" in Trace|3.

 In Dave I saw a couple things:

1. A willingness to take risks.

2. He really felt like people he had worked for in the past had not seen his true value or, if they did, he was not consistently rewarded.

3. He has passion. A lot of Passion.

4. He had a very high level of rapport with people that worked with/for him (Dave Titov and Shane Savage).

5. He was bothered when the people with whom he worked were not rewarded for their efforts.

6. He wanted to make a lot of money and valued family and quality of life.

7. He was, and is, very bright.

8. He did not strike me as someone that failed often.

I interviewed Dave almost 2 years ago but I still remember those characteristics. We started our Riverbed/F5/Networking SE division based around Hekimian. I am so glad we bet on him. He was a perfect culture fit for our company.

After hiring him, he helped us get Titov, Sandy Salty and Shane Savage. Smart, talented people run in smart, talented packs. All 8 points were clear to me after 1 hour with Dave. I would hope Dave feels as good about working here as we do about having him.

The 8 points above could be said about most of the people that work at Trace|3. They cannot be discovered in every 1 hour interview but I look hard for them.

I take bringing new people in to Trace|3 very seriously. These people are going to be counting on our organization to deliver them quality of life and, hopefully, financial freedom. Honestly, if a job does not have that kind of potential, then it

better be so fulfilling in all other aspects that you can give up that kind of hope.

I think Trace|3 offers financial freedom to anyone that wants it. If you truly believe that when you interview people, it is not that hard to convince people why you are passionate about working here.

After initial interviews, I usually try to put those key potential hires in front of other Trace|3 employees that understand the opportunity that we provide. When a potential hire sees the passion for the company/job at multiple levels in the organization, they know it can apply to them.

A Leader's Role

Trace|3 needs leaders. We doubled the number of employees in the company last year and it is clear to me that many of you will emerge this year as leaders of the business.

I had an interesting conversation with someone on leadership yesterday and thought it might be valuable to write it down. The discussion was with someone seen by peers as underperforming. It is one thing to not be good at something, and quite another to have potential and not reach it. This was a situation more suited to "not reaching potential."

We were having a conversation about how long I thought we could keep growing at Trace|3. It was clear to me that he viewed the growth and well-being of Trace|3 as *my* job. In fact, I would bet that most of you would agree with him that this is *my* job.

His peers believed that he was not putting out the same level of effort they were. They wanted him to more aggressively and intelligently find and create opportunities.

I asked him if he felt that he needed to remind me of the importance of growing the company. I also asked if he would be disappointed in me if I was not actively doing everything I could to move Trace|3 forward.

You all expect that I will lead us to 60%+ growth for the next two years. I don't think any of you feel that you need to remind me of the importance of what I do, or feel you must inspire me for a consistently high level of effort.

Why must *I* do that for *you*? Why must your managers do that? Your peers are very aware of what you are capable of, regardless of whether you realize it. It might not be possible for each of you to always be the best person in the company in your position, but the people that consistently live up to their individual potential shine at Trace|3. Those are my leaders.

Leadership has nothing to do with title. It is about a level of caring: caring for your quality of work, about your peers, about creating something of value. I should never have to remind any of you that living up to your potential is important. Or that being a leader in your district matters.

Take George Folden, for example. Here is a guy that has absolutely crushed it at Trace|3 from day one. He lives up to his potential and constantly works to improve his skills and expertise with our solution set. George doesn't know how to quit. George does not need a manager telling him what he needs. George needs a manager to ask what he can provide George to help his efforts.

He is aware, dedicated, and out to make his whole team successful. George is a leader. Many of you are trying to get comfortable with the fact there is not any micromanagement at Trace|3. Why would you micromanage someone like George. It would just slow him down.

Take the freedom you have at Trace|3 and make something out of it. Do it for yourself, if not for Trace|3. Your peers will notice.

You don't *need* to inspire me but many of you do. We have already assembled a team that is absolutely unheard of in the channel. We have assembled an all-star team and we need to start acting like one.

Those of you that are leading already know it. If you are wondering whether you are or not, you aren't.

Celebrating Wins at a Local Level

So, in the spirit of focusing on people, there is something I do not think is happening enough at Trace|3 and I blame management (myself included) more than anyone else.

As we continue to grow and succeed at this rapid pace, we really need to make sure that we take the time to enjoy some of that success. And I do not mean a once-a-year kick-off or some event like a President's Club.

I am talking about celebrating small wins on the way to the big ones. I would really like to see the offices get out more, stop talking about work and just have fun. I know for some of you this seems strange but, with the daily stresses we face each day, I think it is healthy and you all deserve it.

After a win, I think having a happy hour with the entire office from 2-5 (am or pm) on a work day is fine. Taking the whole office to an impromptu Trace|3 golf tournament or bowling or wine tasting or racing or to a baseball game with everyone's families are all ideas off the top of my head of things that could be done to **stop**….and celebrate some success on a local level.

You can bring vendors and clients if you want but I find some of the best times are just with the team.

Go get a limo and go to the nicest steakhouse in town for dinner after a monster month. Management should set these things up and you all should enjoy what you are building.

If you aren't, why build it?

Market Dynamics

The $100M Stall

Competition is a topic that has really jumped to the forefront of my thoughts because of the stage at which the company sits.

In previous years, I was really able to focus on building the company "with blinders on" since we really were not large enough to make anyone's radar screen.

That is no longer the case.

In the last two years, Trace|3 has had discussions with two different companies who wanted to buy us out. I will admit that the main reason I had the conversations with these organizations was to obtain more information on how they ran their business and find their strength/weaknesses I would eventually be able to take advantage.

Regardless, you can expect in the next 3 years there will be pretty massive consolidation of the VAR industry. People have been talking about it for quite some time and it is definitely starting to gain some momentum. Let me explain my take on what this means for us.

Most VARs, especially server VARs, grow a business up to around $100 Million and then hit a wall. More than hit a wall, the owners get very comfortable with what they are making and realize that jumping to $300M will be extremely difficult since it usually means opening offices outside of their current regions – so they shut down the growth.

That is the case with your average VAR. Normally it takes a VAR roughly a decade to get to the $100M (if they ever make it). As I stated in my previous playbook, most VARs build their companies for <u>autonomy</u> instead of <u>relevance</u> and an autonomous owner can take home a great deal of cash at $100M.

The next thing that happens at $100M is owners really start to lose touch with their employees. Turnover, in the form of employees starting their own businesses, begins. I believe the main reason this happens is because the employees start feeling like the owners are hording all of the money for themselves; they could make a great deal more money, have more relevance and generally just do it better on their own. It could even be that the owners start hurting the people the talented employees depend on for there livelihood and that causes them to leave.

My belief stems from my leaving companies each time I started a business because that was how I felt.

At $100M, companies get complacent about making sure there employees are, both, taking care of the company and getting taken care of by the company. Talented employees must have a play in the upside to feel good about making it a much larger and more successful entity. The reason for this is, unless carefully managed, the feeling of relevance for each individual employee is lower as the company gets larger and larger.

You hear it all the time from disgruntled employees that have been with the same company for over a decade. They almost always say, "It's just not the same company it was years ago..." or "I feel like I'm just lost in the shuffle…" or "The internal politics have become too much to take…"

Companies forget where they come from. They forget to celebrate wins. They have a tendency to promote people that specialize in covering their ass rather than taking chances.

All of these things discourage your most talented people and leave them feeling like they could do it better on their own or with another company. I would bet it is the reason over half of you reading this came to Trace|3.

You cannot even understand how much importance I put on keeping our culture as we grow.

The Consolidation of a Fragmented Market

Datalink is one of the companies aggressively trying to consolidate the storage VAR marketplace. They have a huge leg up on most VARs because they were able to go public in the late 90's and, therefore, have both cash and a trading stock to target companies.

As I write this, Datalink finished FY 2006 with $146M in sales and just acquired a company called MCSI. MCSI was $47M in sales at the time of the acquisition. Datalink was growing at 25%, year over year, and just started turning a profit in their last fiscal year.

Since MCSI was a privately owned company, their sales growth is unknown. All we know is they had 14 offices across the US and were based in Illinois. Datalink is now a $200M company going into 2007 and 25% growth on that would have them finish out at $250M. Even with Trace|3 growing at 63% this year, $43M to $70M we would only gain $27M in top line sales. If they continue to acquire similar size companies, they would be very difficult for us to catch with organic growth.

One of the things that makes Trace|3 so special is, to date, we have been able to grow organically and be very strategic about each individual hire. That's part of our culture. We currently have very a very strong presence in the markets where we have offices.

You all know it is our stated goal that we want to be #1 or #2 in our regional offices with all of our tier one partners. Datalink is currently the #1 Star partner in the US and will probably finish out NetApp's current fiscal year with approx $40+ million in sales. Trace|3 is currently ranked 3rd in the program with approx $23M in sales in the same Fiscal Year. (Forsythe is #2)

What would happen to Trace|3's relevance with NetApp if Datalink bought Intervision in Northern California ($15M with NetApp) and Forsythe bought Insight Investments in Southern California ($18M with NetApp)?

If/when they do, we could begin to have a problem. Our advantage is our focus but we will now be fighting with their overall size. Datalink and Forsythe sell all storage lines and, as they acquire, the product blends will continue to shift.

I must always have an expectation for them to shift in a direction that causes us the most trouble. We have to stay ahead of the consolidation in the market if we are interested in preserving "the Trace|3 way."

This means we have to be open to preserving the best of what we have done in the past *while continuing to evolve and improve as we go forward*.

We must be prepared for one of our large national competitors to come into one, or all, of our markets with a bundle of money.

The Defense

I will admit I got excited about writing this section of the book. Someone coming into one of our territories with money and acquisitions is dangerous to our business, but at the same time it can be good for us.

The reason I spent so much time discussing culture and why talented people leave is because, with a huge upheaval like an acquisition, there is a tremendous amount of opportunity for us.

When companies get acquired, employees often have a great deal of uncertainty. Comp plans change, reporting structures change, relevance changes, change, change, change. In addition to change, most employees have a bit of distrust for management in the first place and getting acquired can often increase that distrust. Employees normally think all of their hard work has been in vain since the only person that got rich in the acquisition is normally the owners and his/her inner circle. Whether or not this is true (normally it is not), the perception can end up being the reality and leave people disgruntled.

One of my theories on growing Trace|3 has been to buy people, not companies. That may someday change if I feel we cannot stay relevant as a business doing it this way, but the acquisitions that are coming give us the opportunity to hire/purchase sections of companies rather than pay the premium for the entire organization.

For instance, I had the opportunity 3 months ago to pull the top 4 reps and top 3 SE's out of a company in the Midwest that would immediately give us three new offices. The cost on this would have been normal salaries and commissions.

I did not do it for multiple reasons, the biggest being I did not see a culture fit – which would have required a great deal of management and coaching. The other top reason is that it did not re-enforce my positioning on our current markets, which I thought could create an unneeded distraction.

My plan is to try and build as strong of a fortress as possible in our current markets while being very selective about new markets to conquer. Following is what you can do to help preserve what we have and defend against the acquirers:

Constantly socialize with vendors, clients and the competition what a tremendous place Trace|3 is to work because of the way we treat our people.

Be very successful at the job you have set out to do. Nothing makes people more interested in working somewhere than the draw of a successful team with momentum.

Constantly ask your partners and clients who their favorite reps are to work with and what they like about them. Feed that information back to our team so that if some type of change occurs in their organization we know immediately who to go after. Like it or not, we did this with many of you when we hired you: Eric Carter, Marc Robson, Ruben Navarro, John Hofdahl, Susan Bullwinkle, to name a few. We knew about all of you years before we hired you.

Never underestimate the draw relevance can have on someone. Being valued is something we all strive for and letting the world know that is why you work at Trace|3 will make it easier to steal talent when the time is right.

Lastly, if you have not figured it out, you, the Trace|3 employee reading this book, are the company's greatest asset. You are greater than cash, receivables, buildings, and any one client. You have the ability to defend this business, if you pay attention.

Socialize the reasons you like working here with everyone. As you create success for yourself and our team, treat people with respect and share in the success. If you treat people the way you want to be treated and let people know how much you like working here, when they become disillusioned with there job, I guarantee they will call you.

The best defense against someone coming into our market is having the strongest team possible and dominating that market. This is something that is up to every one of you to help accomplish.

What if someone acquires our biggest competitor in your market but, before the deal closes (or within the first year), we hired the top 3 people on that companies team in the region? The acquirer would have spent a lot of money for nothing.

Most companies produce 80% of their revenue from 20% of their people. Find out who those people are and we will be ready with, or without, an acquisition as a catalyst. Let our competition focus on companies – as always, I want to focus on people.

Vendors

Vendor Meetings

I did not realize, until I just had a meeting today with a new vendor, that I really use a formula for most of my vendor meetings that has proved to be very, very useful over time. The formula is:

Step 1: Gather Competitive Information

The first thing I do is very casually start asking about how they are doing. It is a two-pronged attack. I usually want to gather all the relevance information that I always get (where are they on their number, what do they need for club, etc.) and that line of questioning will almost always lead into who is doing the portion of their goal I did not do?

That will then lead to me asking everything I find important about the health of that specific VAR rep in the market and then the health of the company that VAR rep works for. I usually meet with manager and directors so I actually can get a great deal of growth and expansion information about the VARs that we either compete against of are judged against. Though this information might not appear to have an immediate application, it almost always will at some point in a conversation or planning session at a later date.

Knowing the business you are not getting is almost more important than know what you are getting. In many cases it will get you real perspective on how you as an individual, district, or company are performing.

This advice for step one of these meetings is absolutely for both Sales and Engineers. In many cases, the vendor

engineers that sit through all the district meetings and con calls are a better source of information than the reps.

A key to this step is to be completely non-confrontational. You are not asking any of these questions for your benefit (directly). You are asking to understand how a person thinks, what is important to them, and what they value in a partner. It will help you cater to them better.

If he/she is doing 80% of their business with someone else, ask them why and what that VAR rep does that makes them so effective. You might be surprised what they tell you. Many times it has nothing to do with the rep, many vendor reps work with other partners because of their SE talent. In that case you should realize you need to be doing a better job promoting your resources.

Step #2: Impress your will upon them

It is important, if you currently have momentum and are beginning to do well, that they understand that you have a plan. Your success must not appear to be luck or by mistake (i.e., someone quits and you got a great account).

Let them know the company's growth history and the type of people we are hiring. Tell them a story about momentum and success without sounding pompous. Just let them know that you have a plan to grow your/the business and it is going to work because it has worked at Trace|3 for the last 5 years.

People want to work with people that are successful and have a plan for greater success.

I often tell the story and retell it and retell it of how I had a plan in place at Trace|3 almost 2 years ago to get us to $100M and how we have not missed a goal yet. I tell them

how even I am amazed sometimes at the caliber of team we are building in all departments and whether they have ever seen a VAR with this type of team. And I always let them know that I am much more excited about where we are going rather than where we have been.

I then try and put my success foil on their plan that they just told me. I let them know what has worked for Trace|3 and other manufacturers/reps/DM's/distributors. I let them know who we have exploded with, which relationships have fizzled, and why. I never say that my way is the only way, just that I have personal experience with it working and I am pretty damn excited about us doing that together.

Step #3: Let them know you want to help

I like to try, when possible, to leave vendor meetings on a positive note and let them know the plan Trace|3 has used has been very successful and, with some minor tweaking, I can make it work very well within their guidelines.

I want to be a big part of making them personally successful. (You may notice that is the same way I feel about all of you reading this.) If our partners can be successful, that bodes well for us. Always celebrate their wins, even if they are not with us. When you do, you will find that they will tell you much more about them.

To restate if you missed it, it is almost as important for you to know the deals that are being done with other partners as it is to have a grip on your own deals.

Vendors are the avenue to discover everything other partners are doing and this information will give you a tremendous sense of where you rate versus them. One of the things reps must realize is that if a vendor rep was to do 70-80% of their

revenue with one specific partner, they would have a great deal of reputation management to do. They would realistically need to justify to their management why they were needed if one person or partner was doing all the work for them.

Realize this and try to help **them** take credit for the deals you do together. The better they look due to you (in most cases), the more willing they are to move a larger percentage of their deals through you which in turn gives you more money.

Which would you prefer, the money or the credit?

Doing what you know versus what you should

This is a topic that I really wish I could make stick for everyone.

New hires almost always start by thinking they know what they should do in the first three months on the job. This is especially true for reps making the switch from being a manufacturer rep to a VAR rep. Almost all come in thinking that what they did at their previous job will work at Trace|3.

It just isn't true.

As a rep and SE at Trace|3, you must do more. Most of you are used to being an expert in one product line and competing against a set group of competitors in that product line's vertical. You also come in thinking since everyone at a certain vendor knows and respects you that they should jump to support you.

While it is probably true that they should assist you and get you involved in their deals, they rarely ever do. So what can

you count on when you make the switch? You can count on these things:

> Doing what feels safe and familiar will not work.

> Vendors do not act rationally.

> Your clients will wait to see what happens versus going out of their way to help you.

Sounds exciting, doesn't it? Most of you waste three to four months figuring these things out.

Here is what works at Trace|3:

I have organized the company so we have 2-3 lines just about every potential client should have some interest in talking about. These products have a $20-60K average selling price and are usually paradigm shifting technologies (cutting edge) versus products that have been out for 10 years like NetApp. The goal is to penetrate your target list with these products, gain the clients trust, then begin selling the higher average selling price products.

Just trust me on this: ***It is much more effective to figure out what works at Trace|3 and apply your experience to it than to come in and try and do what was working for you at the manufacturer you last worked at.***

We have put a lot of thought into how we set up the lines that we carry. Take advantage of it and make your life a little easier.

TRACE|3

A Bleeding Edge VAR

I recently talked with someone about this concept and it stuck in my mind. ("Bleeding Edge" normally applies to something on the forefront of innovation and that is how I mean it in this case.)

I would love to say that I originally started Trace|3 with the insight on clarity of driving it to what it has become today. I absolutely had a vision for what I wanted the company to be but the team of SE's, Sales, and Ops people we have been able to assemble after 5 years in business is astounding.

In every region of the business we have been able to hire what is generally considered in the industry (by our vendors and clients recommendations) the best talent in the region.

This is not a totally unheard of thing to do for a manufacturer. There was a time at Oracle, EMC, and Sun Microsystems that each of these companies had assembled an extremely talented sales and SE team.

What is unheard of is for that to happen *at a VAR*. Most of you that have worked at Manufacturers know that VARs are generally considered second-class citizens.

Here is the simplest way to sum it up: In general, if you were to go to any of Trace|3's competition and take their top 3 reps and top 1-2 SE's, you would crucify that VAR. It is **extremely** rare for there to be even a handful of good options for manufacturers' reps in the channel.

This is why Trace|3 is a "bleeding edge VAR." We have done something, and continue to do something, that has never been done in our industry. The majority of people working at Trace|3 (Sales and SE's) are all considered

incredibly talented options with whom our clients and vendors could work.

In SoCal, alone, we have 10 reps capable of doing $1M+ in GP. I have never worked at, or heard of, a company in SoCal that had more than 3-4 have that success in one year. You look at a companies like Insight Investments, EVT, iSCSI, Custom Storage, etc. and vendors still consider them to only have a total of 2-3 really good SE's - we have over 13. No VAR has ever put together a team like this.

For our start up regions, Denver and Arizona look like All-Star teams. I am not trying to be vain or pompous or blow smoke bragging about the talent we have assembled. I am stating that Trace|3 has a HUGE opportunity in front of ourselves.

There is a shift in talent base away from clients and manufacturers to the Channel. Trace|3 is on the forefront of that shift. The reason is relevance, autonomy, lifestyle, and the chance to work on an exceptionally talented team.

We have a chance to change the way VARs are viewed in the industry. Have any of you ever heard of a VAR having a $20 million dollar account (without selling servers)? That is $20 million of high value, high margin product **without** 8A status (minority/women owned with government contracts). I am talking in the commercial space that Manufacturers compete in, all day?

How about a VAR having 4 or 5 $20 Million accounts? Trace|3 is going to do that. We are going to build teams around the right reps with Project Managers, multiple SE's, Inside Sales and Ops resources and we will look and feel just like a manufacturer except that we will be able to combine

products and present rounded solutions to our clients. We will prove it with Ruben at Kaiser. We will expand it with Brian at Sempra, Eric at Mercury Insurance, John at Intuit, etc, etc.

We have only been here 5 years and we have decent market penetration. Imagine how we will look 5 years from now. Why would a client want to work with an individual manufacturer instead of Trace|3 if we provided those kinds of resources?

In the conversation I was having, the rep intelligently asked how we would convince manufacturers (in the mean time) that we should be selling to, building teams around, and expanding footprint in accounts they already deem as "named."

The answer is we don't need to convince the manufacturers. The clients will do it for us.

Clients Will Lead the Way

This has already begun to happen for Trace|3 in certain accounts. A manufacturer wants to sell something into an account into which we are selling multiple products and the client tells the manufacturer that their best, and possibly only, chance for it to happen is have Trace|3 represent the product.

I believe it is the SE support in the accounts that forces this shift in clients' thinking. Price will always be important, but SE support in troubled times builds loyalty better than any quarter-end deal.

In order for this to happen, your clients have to get to know our SEs. There have been countless times in my sales career

that I have dropped off Dave Linder at accounts to sit in on weekly staff meetings, free training, consulting on products we did not sell, etc. This is because the SEs *are* the value that will push clients to force the hand of manufacturers for Trace|3.

Dave, and most of the Trace|3 SEs, crush clients when they get this kind of face time.

I do not want to minimize reps, because the positioning and leading of the clients and vendors in these situations can be political and challenging, but I can guarantee this: without our SEs becoming trusted advisors in your major accounts, the clients will not go out of their way to force manufacturers your way.

This goes back to the previous conversation of doing what you know versus what works. Would it be more effective to approach NetApp with your hands out begging them to take you into their best accounts in the region or instead, sell those accounts Riverbed, Data Domain, then the support renewal on Symantec, drop off an SE and let them lead the way for you? They absolutely will. If not right away, then when the manufacturer rep gets switched off the account or quits. Clients want to work with people they trust. They will lead them to you if you can figure out how to penetrate the account.

This was all premeditated. Here is the result:

Trace|3 planned the product line to work like this.

Trace|3 has the best talent in the industry.

Trace|3 is smarter than most of its partners.

Trace|3 is a company full of people that could run companies and therefore understand how to lead and scale.

Trace|3 is like no other VAR in the industry.

Trace|3 is relevant.

Trace|3 is a bleeding edge VAR.

A Piece of Something Special

I have spent *SO* much time writing this book for 2007.

I have written all of this for many, many reasons. I am targeting all of you in general and, at the same time, some of you specifically with certain sections of this book.

I have been doing this long enough to have complete clarity that we have begun to create a company that is truly special. This is not because of the money we can make or the way will dominate our markets – it is because we have been able to maintain our culture and values without comprising the talent base as we have grown from 0-$43 Million in sales.

It should give you all the confidence to know if we continue to stay focused, anything is possible for this company.

Choose to be a leader and always keep scaling the business at the forefront of your thoughts.

Consider the health of the business in your daily actions versus the margin you make on a specific deal.

We will be in this market for years and years to come. Let that perspective sink in and take a long-term perspective on growing your business. You are all part of something you will come to view as special, whether you have been here one month or 4 years. We care about your success and need you to take care of what we are building.

There are forecasts we are putting together over the next 5 years that your SARs will be vesting that show (no promises) over 400% growth from the day they were issued to you. You are allowed to hold the SARs for 10 years if you choose to.

I allocated 20% of my ownership of this company into the SARs pool of my own free will. I will be issuing it over time to all of you as we continue to hit our goals. You all deserve and have earned a right to have that upside because this company is as much yours to build as it is mine.

I hope you all grow to care about it as much as I do.

I also hope this book has some value to you this year and as you re-read it in the years to come.

Hayes

TRACE|3

2008
Making Investments

Yes, I wrote another book. I know you are all probably very excited. ;)

This year the book has a couple of themes. The first is our need to protect this organism called Trace|3 which has created such a large opportunity for all of us. The second is about the need to change our engagement model to create value for our clients. The last major topic is the investment that will need to be made by you all to truly take ownership of this opportunity.

This book is more focused than any of my previous efforts. The ideas are simple. The execution of what I am laying out will be difficult. In three years, we will look back at the ideas in this book and be proud of the way Trace|3 changed the VAR industry.

In essence, this is all about what I did in treating Trace|3 like my own business to get us to $100M. I hope the investments I made are apparent by the time you are done reading this. I know if you apply the sacrifices I made to **your** business plan, you will be able to achieve scale while keeping your quality of life intact. It is about getting a smaller piece of a **much** bigger pie.

Staying Attractive As We Age

Everyone would say what Trace|3 has done over the past five years is nothing short of remarkable. We have never missed a goal. We have achieved #1 or #2 position in every region with almost every partner we have. We have one of the best reputations in the industry. For once, I agree with the hype.

When we were $23M in sales, we set a goal for $100M in 2008. Outside of some massive recession hitting the United States, I think we will exceed expectations in 2008. Therefore, I decided that this year we should take a moment to digest the recent hires and perform some self-examination.

There is a transformation the company needs to undergo as we set forth to the task of continuous aggressive growth and sustained profitability over the next 3 years.

There are many topics worth discussing but none are more important than deciding if how we got to this point has any relevance to where we are going. Our past five years have given us a great deal of perspective on the right and wrong activities to achieve $100M. This year is going to give us a great deal of perspective on what it will take to be a $200M+ company in 2010.

Here's my belief: What got us here ($100M) will not get us there ($200M).

I once had someone tell me running a company is like flying a plane. You never want to make sharp adjustments to the controls, just gradual controlled turns of the knobs to reach your destination. To me this means plan and react unemotionally to achieve your goals. Stay willing to change, but don't do it too quickly and stay tactical.

For the past 12 months I have been watching a 2nd sales model emerge within Trace|3. I have not only been watching it, I have been investing in it. I believe it is the model that will take us where we want to go. I also believe it is tremendously more difficult than what we have been doing.

This model takes us away from manufacturer dependence and puts the entire onus of creating value on us. A "Value Model" involves dedicated technical engagement, project (engagement) management and marketing efforts to succeed.

The Value Model will create what I always wanted to create at Trace|3: a way to provide Trace|3 "franchises" to the teams of reps and engineers that truly understand and embrace what we do.

I want to create mini-districts, based around reps and dedicated resources, that allows you all control of your business' scale within your regions. It will also give you some say on how crowded your region will get with reps and SEs. The more success you have, the more control you get over staffing.

I always knew this was meant to be but, until recently, was unsure how to do it. I will admit that I'm still working through the exact mechanics, but have full confidence that it is an achievable goal and the right goal, for some of you. It starts with vendor independence.

Vendor Independence

The idea of vendor independence is one that empowers us all to be more valuable. This does not contradict previous statements about relevance. On the contrary, it creates more relevance.

If any one team (rep and SE) is too dependant on one manufacturer partner, the team is at risk. It holds true in your accounts and your business. All you need to do is look to the moves we are making as a corporation, and incorporate them in your business.

Trace|3 has finally achieved critical mass as a business. This permits political moves with manufacturers which were previously unavailable. For instance, we are regularly approached by new manufacturers wanting access to our account base. (I've written before how we pick vendors so I won't repeat myself.)

I now have a very pointed conversation with the (very few) companies we deem worthy of partnership. The one-way conversation goes something like this:

"You are not large enough to affect all of my reps because of how deep we are in our territories. In fact, in most cases, Trace|3 outnumbers your reps 4:1.

The only way for you, as a manufacturer, to truly get local mindshare is by being tactical.

There is a very specific short list of accounts we are trying to get into in each region. Your ability to get us sales into those accounts will dictate the speed at which we can get you into our installed base."

The method in which you put together that list is where vendor independence begins. The list will probably be comprised of what most large vendors would consider to be "Named Accounts."

Named Accounts

Every large partner we have has Named Accounts. Most of the young partners that approach us do not.

I want you all to stop counting on your larger partners to bring you into their large, direct accounts. I want you to figure out how to get into them without those partners.

I want you to tactically use all our other vendors to bring you into the 3-4 accounts that you know will double or triple your business. I want you to make yourself attractive to all of our large vendors by not needing their help.

It is a totally different conversation with a named account rep at Symantec or Netapp if you have already sold 1 or 2 products to one of their accounts.

The end goal is that I want the accounts to start recommending, to the vendor, that the vendor put their business through you/Trace|3 because you are covering them so effectively with the other products.

To accomplish this, you must provide value to the client. The starting point is solving some real problems they deal with on a day-to-day basis with some of the up and coming products we carry.

Data Domain is currently that kind of product. Riverbed is that kind of product. Varonis, Aruba or Force10 may all be that kind of product.

And none of those manufacturers have Named Accounts.

Work your list of 3-4 accounts with all of them. Get one of them to introduce you and, once you are in, introduce the other 4 to determine if any provide significant value to the clients.

This is why Trace|3 looks at different products. We want to be on the forefront of technologies for our clients so they trust we will find new products that will save them time and money. THIS is the advantage you have over every other vendor rep and SE out there. Our product line is constantly evolving and the only way you stagnate as a business (*I am talking about both Trace|3 and your individual businesses*) is to get too comfortable with only one or two of them.

I know you are all busy. I know the best of you just want to save time and stick with what is currently working. But if you really want to provide value to your clients, it is your job to stay abreast of the best products and solutions out there.

This is how we found Riverbed, Data Domain, etc... Provide real value on these kinds of products and the high average selling price products, like NetApp and Symantec, will be much easier to pull over – regardless of whether they are currently buying direct or not.

Let me repeat: this is not a list of 20 accounts. This is a list of 3-5 accounts. Be specific. Be tactical. Target a "direct" account that does millions with one of our vendors.

Limiting the accounts provides clarity to new vendors on how to please you.

Deciding which accounts you want should not be trivial. These accounts, combined with the needed headcount

additions to properly handle these named accounts, will be the building blocks for your three year plan.

The Three Year Plan

The picking of your key accounts is done by figuring out who you want to be when you grow up. If your team were to make a three year business plan to do $15M in sales, what would that plan look like?

I make a three year plan for the company every year. I do it to give me clarity on the decisions I have to make *today*. I do it so the impossible becomes possible. I did it so we could go from $23M in 2005 to over $100M in 2008. Before I wrote down a three year financial model to achieve $100M, I had no idea what it would take to do it.

And shortly after completing that first model, I realized I needed to write a company playbook.

Some of you know the reason for the first book but for those of you that don't, here it is: First and foremost, Trace|3 represents, to me, an opportunity to create something really special. Special for our clients, our vendors, and most importantly, our employees.

I am in charge of the vision for that opportunity and I take it very seriously. I knew that as we grew, I had to let go. As scary as that seems, I had to trust others to build teams, drive loyalty, and lead.

My original plan said we would end 2007 with approximately 50 people; I made the plan when we had 18. I wrote the first playbook so the core values on which the company was founded would persist as I lost my ability to personally affect every one of you.

As a side note, I realized quickly an annual plan would not give me enough insight on how to achieve such a lofty goal. This is the main weakness our partners must begin to overcome to be successful. They must move their three year plans from the corporate towers to the street level to give everyone the correct perspective on what it will take to grow and maintain a scalable business over the long term.

Back on point, if – as a rep and SE team – you were to sit down and write a plan for 2010 that achieves $15M or $20M or $25M in top line sales, what would it look like? What type of additional resources (ie Project Managers, dedicated SEs, personnel out of state for national accounts) would you need to maximize opportunity? Is there a way you could achieve that revenue without sacrificing your quality of life?

Odds are the reps would have to sacrifice some type of W2 potential to build large dedicated teams. Would your plan prove the investment in additional resources would eventually net you a smaller piece of a MUCH larger pie, therefore crushing your current W2? What will this plan show you about the number of accounts you need versus the level of penetration in current accounts? How would your marketing and event activity need to change? Will you need to write a playbook for your team on how to attack the opportunity?

I don't know how you will answer these questions but I can tell you this: The answers will provide massive clarity about what you need to do in the next 12 months. The answers will set you on a path that will make you more concise with vendors, accounts, and your internal resources at Trace|3. The plan will make it worth figuring out which accounts should be the 3-5 you target because the accounts have purpose and the correct amount of potential.

One of the easiest ways to do $15M is with 5-6 accounts. Do you have the right ones in your plan? Can they support $2-5M in business annually if you sell each of them 5 product lines? Interesting to think about.

What would your district look like (in terms of saturation) if everyone in the district achieved their plans? Would you prefer 8-15 reps and SEs in each district, or 4-8 mini-districts each doing $15M-20M?

Here is what my answers were: I was willing to give up short term W2 gains in order to build a much larger opportunity. I hired 4 DMs to run their individual businesses.

Those DMs will soon be faced with a similar problem to solve. If the goal is scale with maintained quality of life, you have to give up certain things to the talented people you work with. As reps and SE's, you will be faced with these decisions.

Let's use Ruben and Eric as examples.

Ruben and Chad discussed the opportunity at Kaiser and decided a Project Manager would be needed in order to manage the 12-15 projects we were managing. That additional resource was an investment we all agreed was worth making. I would expect we will have to put another dedicated networking resource on the account within 6 months. Ruben, Tam, and Chad all believe that resource should be located in Walnut Creek (northern Cal).

Putting the person there would solve two problems for them. First, their networking business is blowing up in the account and much of it is handled in Walnut Creek. Second, Tam and Ruben are spending a ton of time flying to Walnut Creek

and they feel putting a person there will eliminate at least 30-40% of that travel.

Without exactly saying it to me, I know this is a quality of life decision. This will cost money but, for Ruben and team, it is worth the investment. I see that as an investment in the account and in themselves. Whether that equals more time with family, working less hours (because of off-loading some of the work) or just plain trying to maintain sanity, I believe it is a great decision.

When you try and create your mini-districts, please realize – and respect – that the people with whom you work have lives outside Trace|3.

As for Eric Carter, I asked him to write a plan that would show him doing $30M in 2010. About a week later he came back to me with a plan that showed approx $20M in revenue in 2010. He told me he did not want to be so crazy at work that he missed out on seeing his family.

I was very pleased that actually doing the plan made him really think about that. Eric is very close to having his 5-6 accounts in place to do $20M in 2010. Now it is about resources\ allocation and going deep in those accounts. It is about the investments by both Eric and Trace|3 that will need to be made to continue to scale.

Starting in July of 2008, we will be offering an *optional* new compensation plan for reps. This plan will allow you to make an investment in your business to get additional resources in order to scale and maintain QOL.

In order to choose this plan, your team will need to qualify for it, then decide if you would like to switch to it.

I am creating this plan because I want everyone to have the opportunity to become a "mini-district". It reinforces everything that is important to me. When I decided to create a much larger company:

- I had to choose a different comp plan.

- I had to share the upside.

- I had to be clear in the direction I gave the team.

- I decided time with my family and my sanity were more important than money.

- I took ownership of what was happening.

This comp plan empowers you to start making those same choices.

These questions will also have to be answered by the SE's and inside reps. These mini-districts will affect your ability to get spiffs and how many hours you work. You should be involved in writing these 3 year plans with the reps. The additional headcount and placement of that headcount will greatly affect everyone on the team.

Mini-districts

A mini-district is nothing but the realization of a 3 year plan. I believe Ruben and Tam will be a $25-$30M mini-district in 2010.

To do this they will have to figure out how many dedicated resources (and which type) they need on the team. My guess is anywhere from 4-6 people, some in SoCal, some in NorCal and some in the other areas of the country.

John Pfaff has already begun staffing people at Intuit and decided to co-manage the account with Rod. While he will take a short term W2 hit for doing this, he is buying his time back to create a much larger business.

The plan begs the question "would you rather have a 40% piece of a $6M pie or a 30% piece of a $20M pie?" That is a decision you are all going to have to start making.

These decisions have large repercussions. In fact, money is only a small part of all of this.

Call me crazy but how incredible would it be to have a $100M mega district that has 4-6 mini-districts in it? Each mini-district is a rep and hand-picked team of resources that achieve far more than the traditional 1:1/rep:SE VAR model could ever hope to accomplish.

My goal (and hopefully you all will embrace it) is to figure out how to maximize everyone's opportunity without overcrowding any of the regions. It is a worthy goal and a good bet. It means that everyone needs to be an "A" player and totally committed to the plan. It will take a great deal of trust from your managers and me.

I would like you all to start making that bet the same way I made a big bet on Chad, John, and Susan in 2006. I want to prove we can do over $200M in 2010 by breaking traditional models and leveraging the minds we have in this company.

I want to stay attractive as we age by becoming TOTALLY dominant in our current markets. No one has ever done it. You all will.

My Perspective

Vendor's Named Accounts means nothing to me.

I have other vendors that will name those accounts to me. I will then get that account to tell the vendors that consider it their private property that they must do their business through Trace|3.

It will happen because I have a plan and I am patient. It might take three years for the plan to work in a difficult account or with a difficult vendor, but it will work if I stay diligent and tactical.

Stop doubting what is possible and stay on target.

In the past, people have called us crazy for trying to do things that have never been done. They will call us crazy for setting out on this task because they are not staffed with a team that could handle such a task. That is not a judgment; it is a statement.

You all work here for a reason. I want to give that reason direction and purpose. I want to take an existing model that has achieved critical mass, and start getting intelligent about where we go from here.

It took us six years to achieve the first $100M and it was hard. I intend for all of you to tell me how we achieve the next $100M in half the time by making a plan for your own business.

Each plan can be slightly different but the core values of this company should hold true through all of them:

- Increase your team's relevance and revenue

- Do not sacrifice anyone's quality of life

- Create something special

I look forward to sitting down and hearing your plans. We have a lot of work to do but I couldn't imagine doing it with anyone else.

Sincerely,

Hayes

Ruben's Book
OTOV

I changed the title on this book without asking Ruben. I hope he forgives me. If you don't know what OTOV stands for, just ask anyone on his team. It really is their mantra. I personally want to thank Ruben and his whole team for taking so much time to write and edit this book. I think it will be VERY valuable to all of us. – Hayes

First Impressions

I was having lunch with a new division I hadn't worked with in the past and was introduced by another group we had helped on a separate project. The meeting was going well until one of the managers asked "So what does Trace|3 do?" I was caught completely off guard and proceeded to babble for a few minutes before hearing "So you're some sort of broker?" He didn't sound very impressed. On a scale from 1 to 10, I would give myself a 2. I planned to be better prepared for my next opportunity. The term VAR, Reseller and Partner are worn out. Too many people use those terms. Trace|3 is much more than that.

14 months ago when I started at Trace|3 I wasn't sure what to expect as all my prior experience was working for very good manufacturing organizations (EMC, Symantec & BlueArc). The one thing I knew is that when I heard my customers' challenges, the first thought that crossed my mind was, "They're going to need more storage or Symantec software." Regardless of their needs, I was employed to fix their issues with more of my products. It was very difficult

to be viewed as a trusted advisor when I only had a limited offering. In some cases, even if my offering wasn't the right fit, I was forced to make it work.

Trace|3 = "WE"

With Trace|3, what I am now able to do is truly help organizations combine a "best of breed" complete solution and see it from start to finish. In essence, be a true business partner and trusted advisor. Rather than trying to articulate our value add in my own words, I reached out to some of my customers for their input. Here are some highlights of the feedback I received**:**

*I want to extend a personal Thank You to you and your team at Trace|3. I am extremely pleased with what **"We"** have been able to accomplish at our company and I know that it wouldn't have been possible without **our partnership**. Even large companies like ours have resource constraints or at times have **difficulty finding the quality expertise needed to not only implement a project but to make it a success**. **Trace|3 understands the value in partnership and have been there for me. You know my goals and challenges as well as I do, and have provided the support and advice needed to help me reach those goals and to work through the challenges**. I consider…the **Trace|3 team, part of my team***!*

*It is easy for a company to "sell" but it can be very difficult for a company to "deliver". You and **your team have shown the ability to deliver** within our organization and I appreciate it. I know my opinions are shared by my peers as well.*

This customer is open about their challenges with resource constraints as well as their lack of quality expertise. He compliments our ability to understand their goals and challenges, sees us as part of his team, and gives us the ultimate compliment - **WE** DELIVER! Too many companies make tons of promises but very few, to none, ever deliver on what they promised.

Yet, what ultimately stands out for me is his emphasis on "We" and "Partnership". Our customers see us as part of their team and not a separate entity. We've successfully achieved a "We" mentality by focusing on building solid relationships, promoting synergy, delivering on our promises, and ultimately ensuring others' success. Achieving the "We" mentality allows us to achieve that "trusted" advisor status with our customers.

Achieving the "We" in the Majors

Focus on building solid relationships

I know it sounds basic but that is exactly what the foundation of our initial success has been built on. We have worked on simplifying our strategy with our customers. In every situation, I ask myself "What would a traditional sales person do in this scenario?" and I immediately figure out a way to do the opposite. I don't want to be just another "Sales guy," and my customers certainly do not want that either. I want to be known as someone that is genuine and has people's best interest in mind. When we decide that we are all-in with a company, we must always look at the big

picture, be genuine, and maintain our integrity. Easier said than done? **No**! Most traditional sales reps are conditioned to constantly focus on business and only look as far as their next quarter. This mentality causes too many errors that eventually end the relationship before it even starts.

We must also focus on establishing and maintaining a strong relationship with our vendors. We all tend to be control freaks and always feel we know what is best and that we can handle things. In turn, the vendor rep and his team panic because they are not involved. Keep in mind that when we are talking about a major account the vendor and his team need to be able to provide accurate updates to their management on current status and strategy going forward. If their answer to management is always "I'll have to check with Trace|3 for an update" their management will ask themselves what value their rep is bringing to the table. It is imperative to keep them engaged and develop a solid campaign/strategy that includes them. Keeping them involved will lead to better margins, access to their top engineers, and the ability to leverage other relationships they might have in the account. Kyle Drumright is a good example of maximizing his vendor relationships. He meets with them on a regular basis and gets the most out of the relationships versus reps that only call their vendor reps to put out fires. As we are growing at this rapid pace, we can't continue to own all the action items in supporting these large accounts. Encourage your SE's to invite the vendors to most if not all engagements so they are ramped up on what we are doing. This will be helpful in the customer's perception of a larger team supporting them versus only Trace|3.

Identify Champions

Before you can start building solid relationships within a major account, you must identify and partner up with champions. I'm often asked "how do you find or identify a champion?"

Qualities of a Champion

Champions are mavericks – willing to push the bureaucratic process in order to get things done. They are more focused on doing what is right for their company versus falling back on the path of least resistance. They take the approach of focusing on what their team's requirements are and they are open to the best solution instead of saying we are an EMC shop so we are going with them.

Champions are beloved by their staff and will work hard to make them successful. One of my champions (you've met him) once said "Champions don't climb the corporate ladder, they are pushed up by their teams."

Ask around to find out that the mavericks are that are getting all of their projects approved. It won't be easy to get on his or her calendar. That's a good sign but once you do get a meeting it will be worth it. Typically when I work with the champion's team to understand what he or she likes and dislikes and they eventually sponsor an introduction meeting that leads to engaging in an active project.

Who are your champions?

I remember we took a manager to a ballgame with another group that was buying from us. At the time, he had not spent any money with us and did not have anything on the horizon. Yet, 9 months later that same manager spent just under $ 900k on a product we didn't even carry at the time. He liked the feedback he heard from the group we were selling to and reached out to us when he needed help. He said "I know you don't carry a product for what I'm looking for but can you help us identify our requirements, bring in the top three products, do a POC and help deploy the solution?" In return the vendor that would be selected would have to go through Trace|3. We not only successfully helped them through their selection process; we also helped walk the order through their entire purchasing and procurement process. They had a tight deadline to hit and we made it happen. They thanked us (Tam) for making it happen, and this has opened up new opportunities we never would have been exposed to.

I've heard reps say "I won't take him out because they don't need anything I have to offer." Relationships take investment and time. People will notice (and remember) when we only spend time with those who are spending money with us. In enterprise accounts, most managers have a budget and will eventually be tied to one of your projects. You want to have a reputation of spending time with folks with whom you may not necessarily have an opportunity on the table but can build something for the future.

Anyone can be your champion!

Go deep and wide in the majors

Most sales people have just one or two champions. This is either because reps believe that is sufficient, or they are constantly being reassigned to new accounts thus don't have the time to build multiple relationships. Some reps simply don't understand the value of building relationships outside of just the immediate IT team they are working with because it's generally the path of least resistance.

Where to invest your time?

In major accounts all groups play a vital role in achieving long term success. Any rep can make a sale. Not every rep can establish a true partnership. Here are some of the groups we have targeted:

Administrators
Operations Lead engineers/architects
Directors/Managers
Finance
Purchasing
Contracts
Procurement
Accounts Payable
VPs

A traditional rep usually has this list in reverse order of priority. It may work for them sometimes, but here is the scenario I've seen in larger accounts. You reach out to the VPs and you end up talking with their admins. Their admins have the power of getting you on their calendar, but if they don't know you, it could be tough. If you are successful in

getting a meeting with the VP, he or she will send you to a director who in turn sends you to a manager. The manager then sends you to his lead architect or engineer. By the time you get to that person, he or she is already working with a VAR. ☺ you can choose which approach works for you but the bottom line is to build relationships with all these groups.

Administrators – They have much more power than most people think. They are vital to getting onto people's calendars, reserving rooms, getting you a company badge, and in some cases they can approve purchases while they managers are not available. We need to ensure we invest time with this group. The VPs and exec's appreciate it when you take good care of and respect their admins. Don't treat them as if they work for you. Make sure to also include them in some of the entertainment outings. If you ask the VPs first, they will let you know when it is appropriate.

Operations – Do you want to know what pains and challenges the organization is faced with? Look no farther than the operations groups. They will tell you where they are bleeding. This will help us be better prepared when we meet with the engineers, architects and management. This group always seems to be neglected as they don't get the same attention the enterprise architects and engineers (who are viewed as decision makers) get. They will be happy to meet with you for lunch to share what is working and where there is room for improvement. The value of building a strong relationship with operations is that they will eventually be using the solution you sell to the engineering group. They can help you deliver a successful implementation.

Lead Engineers and Architects - Most decision makers have a go-to engineer or architect that they count on for

guidance when making acquiring new technology. They ask "what do you think?" and if they give it thumbs up they will move forward with it. We need to identify these key influencers and ensure we get to know them. This is where your SEs must develop a strong trusted advisor relationship

Directors/Managers - Most VPs I've met with usually send me to their key managers. In large enterprise accounts, managers have budgets well over $5 million per year. Their success in most cases is set on a one page list of goals given to them by their VPs. Get to know what their target goals are. Managers are the ones who submit budget requests for projects they have identified. Start working with them now to get some of your projects budgeted for next year. The **MOST** important item is to ensure that once their project is approved, it **succeeds**. They asked for the millions of dollars to acquire the solution and if it fails, they are held accountable.

Finance – The Finance group manages spending. They ensure that all the paperwork and finances are in order before being submitted to purchasing. They have a tough time getting people to fill in the appropriate paperwork and often get all their requests at the end of quarters and end of year. This of course creates unnecessary stress. Get to know them. Let them know about projects that are on their way. By doing this, they will let you know or remind you of the information they will need to push it through. Drop off bagels or provide a catered lunch at the beginning of the month. Others will generally pamper them at the end of the month when they need something.

Purchasing – They are all about compliance. Once again, get to know them. Ask them "what are the most common things that hold up orders?" They appreciate a vendor

coming to them to find out the proper ways of doing business within their organization..

Contracts – The larger the company, the more complex it is to process an order. This group is usually tasked with reviewing agreements. Help them succeed and you will have another ally in the account. Be a facilitator. The contract/agreement process can be very tedious and in large accounts will involve many iterations of red-lining back and forth. Stay on top of both sides to help ensure that the process moves along as quickly as possible.

Legal – Get a Master Sales Agreement in place ASAP. In large organizations, this can take MONTHS to complete. By having an MSA in place this can lead to new opportunities. If you are in good standings with the company, they might use you to run a onetime deal through you. Your relationships within legal can help to expedite these types of needs.

Procurement - Larger companies are hiring expert procurement personnel. Their number one goal is to save the company money. In some cases they have set amounts that they need to save per year. They are misunderstood by the directors/mangers (DMs) that are trying to spend their budget. When a DM has agreed to a purchase price on a solution, procurement comes along and either sends it out to bid or negotiates very heavily. This leads to delaying PO's which leads to delaying projects. We can help bridge the gap by sharing with our DMs that their procurement team is not trying to delay their projects but they are working to ensure they are getting the best pricing. We need to help the procurement team succeed. The way we accomplish this is to message to the DMs that they should leave the negotiating to procurement. The DMs will still get the price they wanted

but just let them take the credit for the deep discounts. Instead of the DMs negotiating to the bottom line and then procurement tries to get more for weeks without any success. The better you understand how each group is measured, the better you can be a hero and build solid relationships. When you help procurement succeed, they will introduce you to new opportunities and enforce the message to manufacturers that they should be working with us.

Accounts Payable - This group ONLY gets calls from upset vendors who haven't been paid. Not very many people take the time to understand their accounts payable policies. Instead, they just get the complaints. Reach out to them and understand their checklist before they are able to release payment for an invoice. You'd be surprised at what they need. Work with them and they will work with you.

VPs – Don't waste their time. Every brand new rep is gunning for an appointment with them. All they hear is how manufactures can partner, standardize, streamline, reduce cost, centralize, and help them. I prefer to have success within their organization and walk them through on how we have improved their availability, streamlined their processes and helped their teams succeed. Our champions will make them well aware of whom we are if we are taking care of managing the relationships and delivering on our promises.

Entertainment

Within major accounts, the customer is invited by every "sales guy" to every possible outing you can think of. If they chose to, they could go to a nice steak dinner every day of the week and golf whenever they would like. How do we get them to come out with us? When entertaining, *don't talk business!* Focus the time on getting to know them. Enjoy

yourselves and involve the team members that are doing a good job for them. They will eventually bring up work. Every time they go out with another vendor, the majority of the conversation is about the DEAL or they end up feeling obligated to have to meet with them for their presentation. People buy from those they like and trust. When I take my customers out I start off by saying "I only have one rule for today, no work talk today." That usually gets them to relax so we can have a good time. Get them to like you and earn their trust by allowing them to relax when they're with you. You wouldn't be at Trace|3 if you couldn't do it. We only have so many cycles to try and cover everyone we are working with. While we focus on dinner, golf and other activities with our champions, here are a couple ideas to do more with less. Identify groups that don't get much love and:

- Drop off Bagels and pastries for the team. (Monday's and Fridays are always appreciated)

- Cater in lunch for groups that are working hard and can't seem to get out for lunch

These little things go a long way toward building relationships with all groups.

It's also important to leverage our partner's entertainment resources. Can you imagine how much we can do with four or five or our partner's resources along with ours? When we schedule a meeting to introduce our partners into our accounts they should cover the lunch or dinner. Sit down with your partners and plan out entertainment activities and identify what budget they have available for the account. When they are spending money on the account, their management will take note that they are out building

relationships with the account versus only relying on Trace|3. I tell the vendors that they already like Trace|3 or we wouldn't be in there and that they need to invest in the relationship.

Keys to a Long-Term Relationship

Now that you are in and have been able to secure some success with an Enterprise Account, the real work begins. Our priority is not only to maintain the relationship in the account but to grow it deep and wide. Below are three areas we focus on once we are in the account that set us apart from our competition. We do not want to be viewed as a one hit wonder. By following through and focusing on multiple areas of need, they know we are in it for the long haul.

Promote Synergy within groups

We need to always look for ways of bringing unity to groups that have history of conflicts. For example a good start would be to help the engineering groups understand the firefighting ~~the~~ operations goes through on a daily basis and help operations know that the engineering group is working hard to make their jobs easier. There are many more examples but the bottom line is to look for opportunities to unite.

One of the main reasons projects fail is because operations wasn't involved and they feel engineering didn't take into consideration their (field VS lab) environment. This leads to operations not embracing the solution that the engineering team selected. When the solution becomes shelf ware, once again the Director/Manager's necks are on the line. We can help avoid this by encouraging their engineers/architect to involve the operations teams early in the evaluation process. This will help build the relationship into having operations embrace the solution their engineering team provides (since they incorporated their feedback). The end result will be a better team (OTOV) atmosphere which will lead to delivering a successful project.

Deliver on your promises

When we say "by investing in this solution, you will see 10x faster speed and the ability to meet your back up window" we must at some point go back and validate that we delivered what we promised. That is why it's so important to not over promise the results of our solution. Remember to under promise and over deliver. When was the last time you went back to your customer 6 months after the deployment to validate the benefits of the solution? Strive to validate, and set the standard by following up.

Make your champions successful

We recently worked on a very important data migration project with the engineering team. Their end user/customer was delighted with the results of the solution. It usually ends there because not too many people go out of their way to thank someone. In some cases, they expect it or in others they are too busy. We need to ensure that when an end user is very happy or has a success story, the team that put it together gets the credit they deserve. In this case, I reached out to the end user and validated the success. I informed them of the engineering group that made it possible and encouraged them to send a thank you email with what it meant to them. He took my advice and sent the thank you to the VP, Director, and Manger of the engineer that made it happen. Some of the things that came out of this:

- Our champion (engineer) received positive exposure all the way up to the VPs.

- He received a bonus.

- We were also recognized since we brought in the technology.

- The end user who sent the email was appreciated.

I'm sure the next time he puts in a request to engineering, it will move to the front of the line. There are tremendous benefits to investing the time to get your champions recognized. They will be the next managers, directors or eventually the VPs.

What does Trace|3 do?

"We provide Network, Storage, and Business Continuity solutions with the quality expertise to deliver successful implementations.

I give that about a 7. It's all in the delivery.

The Techbook
Introduction

So this year I decided to let someone smart write our playbook. While I have a lot to say about the next three year plan and our goal focusing around QOE in 2011, this is perhaps one of the most interesting playbooks we have put out. Erik Durand starts by candidly laying out a personal crisis he was having mid year 2008. Rod Berg (while an SE) was asked to explain how it is that he does what he does. Tam explains the world of politics and Mr. T gives a very straightforward view of customer service and how he has so successfully worked with massively varying rep personalities.

The reason I asked these guys to write this is twofold.

Purpose #1: The Engineers at Trace|3 are the most valuable asset in the company and they have been neglected in the previous playbooks. This book is written completely from an Engineer's perspective. REPS PAY ATTENTION! It is important to me that they are heard and their perspective on relevance and success at Trace|3 is understood.

Purpose #2: These are some of the smartest minds in the company. Period. The ideas they wrote about are going to move Trace|3 forward. I loved reading them and I think you will too.

One disclaimer before you get started – Rich K (Mr. Time), who is now currently retired in Belize, was my official editor for all previous books (made the grammar bad in that sentence on purpose). This means that I edited this one. I apologize to all in advance for not being that good at it.

- Hayes

Erik's Playbook

Existential Crisis

The writing of this book came about due to something of an existential crisis on my part. In recent months, I began to seriously call into question my role here at Trace|3, not only as a Sales Engineer, but as an employee. I started to wonder whether or not I had made the right move coming here a year and a half ago and if staying here is a sound investment of my time. I questioned if my time would be better spent elsewhere, and if being here at Trace|3 aligned with my personal and professional goals. I decided that if I were to effectively decide this, I needed to determine what those goals were, and more importantly, what were the motivations behind those goals and the needs that determined those motivations.

The first step I took was writing all the items flowing through my head onto a white board – after all, I am an SE. I then organized those thoughts and asked Susan if we could sit down and talk. It was important to me that this talk not be construed as a "bitching session" but rather as my attempt to help her understand my motivations and needs and where I felt my role here as an SE fell short of meeting those needs – and most importantly, my suggestions for how to address these needs. Susan, as always, was very open and candid and as a result suggested I meet with Hayes to discuss my concerns. When Hayes and I met, we talked through these same points. Ironically, but not surprisingly, I went into the meeting with Hayes with the expectation that I was going to give him some things to think about, and leave him with the need to work through some possible solutions – instead Hayes asked me to write down all the thoughts I have regarding these motivations, needs, and concerns and create

a new playbook. He has only one requirement – that I come to some conclusions. As I start writing this, I have a good sense of the issues I want to discuss; I have yet to draw any conclusions.

Relevance

One of the first things I did when I began questioning my role was to go back and read all the playbooks, after all I thought, how better to understand where Trace|3 is going? Of all the great ideas discussed in the playbooks, the most, well, relevant is relevance. I do not think I need to repeat what is said about relevance, if you don't recall, I strongly recommend you stop here and go back and read it for yourself. As I thought about having relevance at Trace|3, and the fact that it was a key driver in my decision to come to work here, I started to break down the many different things that a company can offer that can make an individual feel relevant. The list I came up with was quite long and somewhat filled with minutia; however, it did reveal three common motivations that drive relevance: security, opportunity, and balance.

Security

How is security a motive for an individual's relevance? Security entails several things, but essentially comes down to an individual's tolerance for risk, their sense of stability regarding their job, and the having their expectations met. For instance, my tolerance for risk is significantly lower now than a year ago as I have a 9-month old son to provide for., It is important to me that I feel relevant at Trace|3 and that I feel secure in my job so that I can continue to provide for my family as well as protect their future. I also have certain expectations about what I will earn working here, and the

perception that these expectations are being met will contribute to my sense of security. Having my need for security met by the company contributes to my sense of relevance at the company. On the other hand, there are others who will not place as much importance on security, but they may find relevance from other motivations.

Opportunity

In what way does opportunity play to relevance? This I believe is a key factor to most people, as opportunity encompasses a great many things. Financial opportunity is the first that comes to mind, and undoubtedly speaks to a great many of the employees at Trace|3 as we are a sales organization. Learning opportunities would also rank high at Trace|3, as we all deal with new technologies every day and have the need to stay on top of the bleeding edge of new IT offerings. Last, I believe an important factor for individuals is having a sense of career opportunities. At a surface level this presents a big challenge in what is essentially a flat organization like Trace|3. However, career opportunities do not necessarily need to be defined in the traditional sense of promotion and or new titles. Career opportunities may present themselves as an expanded role, as well as the opportunity to gain a wider breadth of experience.

Balance

What is balance and how does it contribute to relevance? I think that work-life balance is an extremely difficult thing to describe, as it means so many different things to different people. If you are a bit of a workaholic, then you are going to find a different balance than an individual who is only interested in putting in time from 9 – 5 (and I think you are not likely to find the latter type working at Trace|3). Rather,

I believe what is important regarding balance is not how much time you spend working, but whether or not you enjoy what you do. If you enjoy what you do you will have the ability to leave your work behind when you are taking personal time – even if things are going well at the moment. Balance is about being able to achieve a healthy separation between your personal and professional life. At least this is what I am striving for.

Balance also can mean that your work provides you a good quality of life, not just through your compensation, but the flexibility of not coming to the office every day. The ability to work a flexible schedule in which you can take care of personal commitments without having to schedule a day off. For those that come from traditional corporate environments we know that these are great things about Trace|3 and significantly contribute to our sense of balance.

How does this add up?

All of this begs the question of what is the perfect mix of security, opportunity, and balance for an individual to feel relevant? Obviously this varies by the individual and is something only that individual can answer for themselves. It is certainly worth thinking about and is the point of this entire exercise. How do I rank these priorities in my personal life and am I doing the right thing in my professional life to fully satisfy these needs? After all, we all just want to be happy, and we all don't have the means to retire to Belize (yet), so if relevance is the path to happiness in one's professional life then it is of paramount importance. If I can honestly answer yes to that question then I know I am in the right place.

The "Career SE" Dilemma

As is true of many of the Sales Engineers working at Trace|3, I came from the customer side of the house. I had worked my entire professional career prior to coming here in Corporate IT, with the last several years spent as an IT Director. When I made the decision to come here, the CEO of my last company (I was his direct report) asked me why I was giving up a Director role to become a Sales Engineer. At the time I gave him several reasons, those being that I spent the majority of my time on managerial and administrative tasks and missed having the opportunity to work hands-on with new technology. I told him that I thought I was very effective in a technical role and I believed I brought the most value to a company through being an individual contributor.

That's not to say that I didn't enjoy the people that worked for me, in fact I had great relationships with them. That's also not to say that I wasn't good at it, I was a very effective manager. Rather it was that I spent more time working through their personnel issues and managing their careers than I did on things that I truly enjoyed doing. But being good at something does not necessarily mean one must do it, and to be great at something one has to love what they do. And I, like everyone else here at Trace|3, want to be great at what I do.

I had made the mistake of associating relevance with a title; that in order to have relevance to the company I needed to be a Manager or Director of something. I had been trained by Corporate America that relevance and career satisfaction is only obtained through promotion. As I write this it occurs to me how deeply I have held this to be true, and how it affects my ability to find satisfaction in my role as a Sales Engineer.

What happens if I become a career SE? Will I have wasted my professional life? How do I have a sense of accomplishment and growth in a role for which there is no defined career path?

Relevance by role

To answer these questions I need to apply my measures for relevance to the role of an SE and determine if and where it might be lacking. After all, what got me here was my questioning whether or not this is the right place for me. I also need to determine that if these measures do apply to the role, is it simply the role of SE that I find satisfaction in or is there something special about being an SE at Trace|3?

Security revisited

The role of Sales Engineer is probably one of the most secure roles one can have in a sales organization. It is a great way to work in sales without bearing the tremendous risk that Account Manager's are willing to incur. In exchange for this security, SE's trade off some of the potential financial opportunity present in a strict sales role, at least to the degree that an Account Manager is willing to take on. *After all, an SE takes home a competitive base salary in exchange for this security rather than the all high risk / high reward commission only plans that some AM's are willing to take on.* That being said, being a Sales Engineer is far from being a low-risk job, as Sales organizations are inherently high-risk compared with a nice safe job in Corporate IT and thus we also seek some lesser reward in terms of incentive compensation that comprises spiffs and SE bonuses. In order to feel secure in our roles, we must feel relevant to the account team, that we are uniquely contributing to the

growth of Trace|3 in an account, and that we are not solely the fulfillment component of the team.

Opportunity revisited

Being a Sales Engineer provides great learning opportunities, potentially greater than opportunities in Corporate IT or those provided by working as a manufacturer SE, in which either case you are easily pigeon-holed into a single expertise or product line. This can also occur here at Trace|3, and it is incumbent on the SE to not let this happen. An SE can provide the most value to an account by having a complete view of their environment. Their goal should be going wide enough to be capable of presales on all technologies on our line card, while also being a Subject Matter Expert on a select few technologies to offer depth to the account team. Accomplishing both of these things is easier said than done, but doing so will make one extremely valuable to Trace|3 and the account reps we work with. If an SE is able to effectively accomplish going wide on the line card and being an SME, this will open doors for that SE well beyond accomplishing only one or the other exclusively as this increases the SE's relevance to the account team and Trace|3.

Specifically this will allow for the SE to fulfill two of the other components of opportunity on the path to achieving relevance, as this provides both a means of furthering one's career opportunities through an expanded role in working accounts and can provide a greater financial opportunity through fulfilling this role. If an SE wants these opportunities, they need to be willing to invest the time into providing this value to the account teams they work with In turn, the AM's need to be willing to invest in the SE's through financial incentives. Trace|3 already provides a mechanism for this through the Spiff Program.

Spiffing can be a bit of an enigma at Trace|3, as it puts the Account Manager in the role of being responsible for a portion of a Sales Engineer's variable compensation. Spiffing, in general, is a thorny subject. If an SE goes into an account with their hand out and expects a spiff from every deal regardless of their contribution, then spiffs become meaningless as an incentive. Alternatively if an SE contributes significantly to the deal but is not spiffed, spiffs also lose their effectiveness as an incentive.

However simply handing out a spiff is not enough. It is imperative that an Account Manager think about the message they are sending to an SE when spiffing and *communicate* that message.

Imagine if Trace|3 just arbitrarily changed an AM's commission amount on a deal without any communication, how would that AM react? Why would or should anyone expect an SE to act any differently? If spiffing is to work and provide value for both AM's and SE's at Trace|3 it needs to be administered in a consistent and fair fashion.

The AM's and SE's should sit down as a team and be clear with each other about what the spiff compensation would look like upon accomplishing certain milestones. This communication is vital for each party to have the correct expectations.

Balance revisited

As I stated earlier, balance can mean a wide variety of things to each individual, but the overriding theme is finding enjoyment in what you do. There is a practical element as well, and that is in finding focus in your job. What I mean by this is that as an SE we work with many different

Account Managers on each of their many different accounts. This can certainly lead to something of an organized chaos (with the organization component optional). We need to find ways to best focus and prioritize our activities so that we are spending our time on the things that will best benefit Trace|3, our account team, and ourselves. This can be very difficult to do when each and every AM feels that their customer(s) should always take priority.

So how do we find this focus and prioritize these accounts? I think the answer ultimately lies in the mini-district model. If AM's are forward-thinking about which accounts hold the most potential for growth, that is where they should be spending the majority of their time they should want the SE's working those accounts with them to spend their time in these accounts as well. So how does an AM get an SE to focus their time on their most important account(s) when that SE works with multiple AM's when they are not yet ready to make the jump to a mini-district? There needs to be some interim step to achieve this balance for both the SE and the AM.

Conclusion #1

So does being a SE at Trace|3 truly offer relevance? Does this role provide the potential to satisfy the needs of security, opportunity, and balance? The short answer is yes, it can. If AM's and SE's communicate effectively, work together to maximize their value in accounts, and mutually respect what each other bring to the table and leverage those contributions, we can have truly great account teams. If these teams are built in a collaborative fashion that allows for the relevance of both the AM and the SE at their core, then I believe both parties will maximize their security, their financial and growth opportunities, and bring balance to their personal and professional lives.

The Future of the Account Team

The aforementioned ideas about what should define an account team are really just evolutionary steps in the model Trace|3 currently is using to work accounts. All Account Managers and Sales Engineers are fulfilling the same general roles, with the AM targeting accounts, cold calling into them and/or following up on manufacturer leads and getting the first meeting; SE's are presenting a solution from our line card, mutually pushing for a POC, delivering the POC, as the AM's working to close the deal. That being said there is also a wide variety in how these roles are being fulfilled and how and by whom deals are driven forward. I think in our model today the assumption is being made that these are clearly the lines, and the AM is ultimately responsible for closing the deal. After all, that is how we have structured the incentives in the company. We can continue on indefinitely in this fashion as many life-style VARs do; however, I do not think that is why the individuals who choose to work at Trace|3 are here. I believe that both Account Manager and Sales

Engineer alike want to be, and believe that we can be, something more. It is time to start discussing where this model is going – mini-districts – and how we are going to get there together.

Co-managing Accounts

I have no doubt that some Account Managers initial instinct will be to reject this notion outright, so for those of you that fall into this camp - *this is already happening*. I believe we will see more of this as Trace|3 continues to break into and go wide in more major accounts and as we evolve account teams towards the mini-district plan. So what do I mean by co-managing an account and how is it different than what is already occurring? Co-management is really about investment, and I think it is clear that if you look at Trace|3 accounts where we have the most success it is accounts where both AMs and SEs have been willing to invest a great deal of time and effort.

It should be obvious that an account stands a much better chance of growing significantly if an SE is able to spend their time onsite with a customer and not just to work a one-off deal with a technology from our line-card. Think about the opportunities that have been learned about while an SE is onsite doing an install or conducting a POC. Imagine how much more could be learned if an SE were spending their time in weekly architecture meetings, or assisting a customer with researching new solutions that they do not have time to seek out themselves. What opportunities would present themselves if SE's were scheduling their own calls with key technical players in the account, to strategize with them and augment them in their jobs? SE's have the credibility with Architects, Technical Managers, and IT staff to act as trusted advisors that an Account Manager cannot have. With an SE

acting as the technical eyes and ears of the account team – ensuring that the account team is not missing opportunities that previously would go by unnoticed. We can spend our time researching and presenting new solutions, contacting vendors, settings up and managing POCs for products and technologies outside of our line-card. We *can* do all of this, but, since we are all busy, *how can* we do this? There needs to be a way to find the time to be dedicated to the accounts that have the most potential. This is what co-managing is all about.

So how would the incentive structure work that would make an SE want to do this? It would need to be more than the standard spiff, it would need to be incentive enough that it is worth the SE making the investment and outweigh the potential for other opportunities. I am resisting the inclination to throw out arbitrary suggestions as *determining this is really something that an AM and SE should be discussing together as part of their overall strategy discussion for the account.*

I am also not saying that every SE is entitled to a co-management role in an account or that every account will require this – I think the opportunity to co-manage an account is to be earned and that it needs to make business sense for that account. After all, why would an AM want to give up some of their commission unless they really feel that an SE is worth the investment and is going to help them grow the account (and the account has that sort of potential)? It is incumbent on the SE to ensure that they are bringing this value to the team. It is also likely that there are some AMs thinking as they are reading this that why should they have to give up some of their commission, after all, you may already work with an SE who does some or all of these things in your accounts. To those AMs I would say that you may

change your mind when you see how successful other reps are that embrace this strategy and build a team with their SEs. The top 3 reps in 2008 all did this in some manner.

I also want to be clear that co-managing an account is something of a first step towards mini-districts, but it is a micro-version of the same idea, just at an account level (a micro-mini-district, perhaps I have gone too far with this idea). After all, an AM may not feel that they have the 5 – 10 major accounts that they need to put together a business plan and fund a mini-district. But an AM may very well have one or two major accounts that they would like to grow to help them reach their goal of building a mini-district. Investing in a co-management relationship with an SE for that account would likely accelerate that growth and put them that much closer to a mini-district.

It is feasible that an SE would be able to co-manage a few accounts with different AMs in this scenario. Eventually when things reach the point of a mini-district for that account team some tough decisions need to be made, but that is a great problem to have. This is all about investment – an AM investing in an SE to grow their business and financial opportunity by sharing in the upside and an SE investing in an AM for a greater financial and career opportunity.

Conclusion #2

In order to provide value and convince an Account Manager to want to invest in me, I must determine a strategy as an SE for being able to provide that value. This strategy should include having a solid basis for providing broad architectural understanding as well as targeting those technologies that will offer the best value for customers and becoming an SME in those technologies when possible. I need to create and implement methods for conducting POCs. I need to develop relationships in major accounts with strategic personnel and build a reputation for providing insight so that they find value having me participate with them as a member of their team. I must attend their meetings and ultimately help them plan their initiatives when possible.

In addition to having a strategy to offer value, I must also demonstrate the ability to bring this value, and I can do so by modeling this behavior in the accounts that I am already working with AMs. I must be willing to incur a certain risk in hopes of the AM making a mutual investment.

Mini-Districts

As was spelled out in the 2008 playbook that Hayes wrote, I think it is pretty clear that Mini-Districts are the future of Trace|3. My initial reaction when I originally read the playbook was not favorable, as it did not speak to me about relevance as an SE. I saw how it spoke to an AM's relevance; I saw the relevance this compensation plan offers an AM through financial opportunity, increased security, and the balance of focusing on a few accounts. I did not see any of these things for an SE, and mainly for the reason that they were not stated. As I have spent time recently thinking about the possibilities the mini-district plan presents, I realize that SEs can achieve greater relevance in mini-districts, and through that relevance, help the mini-district achieve even greater success – but this will require an SE actively seeking that relevance.

Mini-districts can and will succeed for all the same reasons that I have already discussed in the previous section regarding co-managing accounts. A mini-district at its core is the formal pairing of the AM and SE(s) together, where they will be focusing solely on a few select accounts. The AM will invest in the SE(s) that have demonstrated the ability to bring the most value to the account and have the ability to best expand the team's footprint in the account. An AM that is forward thinking will make the investment in these SEs early on, through co-managing select accounts, proper messaging, and through appropriate incentives. This will insure that those SEs will have interest in being on their team and thus will deliver the most value.

Mini-districts will grow organically, and I think the successful ones will have come out of successful AM and SE account teams that have embraced a co-management

relationship. The mini-district itself will just be an expansion of the support structure of the account team, with the addition of dedicated resources – Project Managers, Inside Sales, additional SEs, and potentially junior Reps. This growth will continue to expand the relevance of the member of that account team, providing security through greater presence in their account base, career opportunity through leadership of the account team, financial opportunity, and balance through the focus and shared ownership of the accounts.

Conclusion #3

It occurs to me that despite my initial negative reaction to the idea of mini-districts, it is the opportunity that a mini-district can provide to me as an SE that will best bring about the relevance I seek. A mini-district provides the most security, the best career and financial opportunities, and can provide the most balanced life-style for both an AM or a SE. Having the opportunity to co-manage an account is the first step in building that relevance for an SE. However, if a SE is disenfranchised from the planning and formation of the mini-district, it can have exactly the opposite effect on a SE's relevance. Therefore it is incumbent for a SE to provide the value that will incent an AM to build a mini-district with that SE, and that a SE make it known the AM that they are interested building that district and to start strategizing with the AM on what accounts it makes sense to begin co-managing.

Final Conclusion

For Trace|3 to continue to grow and maintain its competitive edge, it needs to be able to attract and retain the best talent in the industry. To remain attractive to that talent, both the Account Manager and Sales Engineer need to have a sense of relevance. To be able to accomplish this, Account Managers and Sales Engineers need to be willing to invest in the business and into the Account Teams that they are building together. For AMs this means investing in the SEs by offering financial opportunity and career opportunity through an expanded role in accounts and sharing the upside in those accounts. For SEs this means investing their time in keeping up on the latest technologies as well as spending time building relationships and understanding the needs of accounts – by doing so they will bring value to the team and increase the overall opportunity in an account. If both the AM and SE are willing to take on the ownership of their business together, they will be able to achieve much greater success together than either would alone.

Hopefully everything you have read to this point makes it clear why this mutual investment is to the benefit of everyone at Trace|3. All that remains now is for Account Managers and Sales Engineers to act on the opportunity before them.

Rod's Playbook

When Hayes asked that I write this I was honored. However, after reading the playbooks of the past I wondered if I could conjure up something that was remotely as amazing as the pieces others had written.

My Story

IN ……………… whatever fashion, this is my story.

Since I didn't know anyone other than a couple folks in San Diego when I was hired, I should start with a little background of who I am and where I came from.

I was born in the Midwest, Sioux Falls, South Dakota to be exact. Contrary to popular belief, the Indian uprising was stabilized well before I was born. I was your prototypical knucklehead teenager that had challenges growing up. If it wasn't for some of my interest in sports I would have likely taken a very bad path. My issue is that I never felt challenged in school, and therefore took it upon myself to find about every excuse imaginable to not attend. Yes, I was the problem child. I did have some highlights though.

Enlisting in the Marine Corps was one of the most positive things I ever did. It taught me structure, discipline, and most of all channeled a lot of my energy. I ended up serving in the first Gulf War, Somalia, and was later asked to deploy to Kosovo by a senior officer (now running Operations in Iraq as an Advisor), but my command would not let me go. Between all of this and spending a lot time in Okinawa, Japan my kids grew up thinking I was inside a video camera…

My last stint of the Marine Corps was at MCRD, San Diego. It was here that I decided to move on. MCRD was a showcase of the Marine Corps and in many ways I struggled with how different it was in comparison to what I knew the Marine Corps to be. I guess I never felt the same sense of purpose back in the states and the politics were out of control.

I had a job lined up before I even got out; it was in IT deploying SCO Linux networks. Yes, you probably ask, "How did I pull this off?" Let's call it networking and I actually had a hobby breaking computers when I got back to the states before I got out. Okay, it was networking and luck.

I would be lying if I said I wasn't in over my head. But, I made a pact with my wife that my time would be 100% percent focused on my new career as a civilian when I got out. I made true on that, and she upheld her end. I worked 7 days a week, read every manual that you can imagine on Unix, built systems, tore them down in the lab and completely dedicated myself to this new purpose. Within a year I was one of the best techs in my position at this company, not because I was the most technical, but because my work ethic was better than everyone else. But, I wasn't making anything and yes I was delivering papers on the side to make my house payment. Still I had accomplished something, I now had experience. Granted not Linder or McInnes style, but I had experience.

I took a job with Cheyenne which was later bought by CA. I was a tech support guru in the ARCServe Call Center. Inside a year, I was promoted to an escalation tech and within 18 months I was one of the highest rated techs in the call center. I was still delivering papers to make ends meet,

but stopped soon after I got my first major pay raise… 36 percent. Now I had more time to focus, to learn and get better at what I did.

I stayed for a little over two years, and then I met EMC. EMC was looking for talent in Open Systems, specifically backup. I was hired at EMC and began my life installing EDM, which was very high-end backup software that ran on Sun. I did installs all over the world, as there were only 6-8 of us at the time. Next thing I knew I was doing more than installs. EMC needed SE help selling these systems and I always admired the SE's and jumped at it.

Transitioning into an SE role at EMC was a challenge. There was a great deal I had to learn, and the SE title meant something. It meant that I had to be at a much higher level technically. I had to make sure I measured up to the title I now had. Once again, I not only had to completely dedicate myself to the task of becoming a good SE, but strive for my goal of becoming the best. I wanted to be able to control a room, know how to compete, and most importantly win. I not only studied the technical aspects of our products, but I heavily studied sales; strategic sales, consultative sales, and all kinds of sales related materials.

I became one of the top SE's in the organization, and due to my newly acquired sales acumen, I took a leap and went into sales for a brief stint. Of course I was not smart enough at the time to realize I was putting myself into play a little early. The Manager we had at the time could not have been a worse person for me to cut my teeth with. However, where he lacked leadership qualities, he excelled beyond anyone I have ever met at mastering the sales cycle and I learned a lot from him.

San Diego flourished that year with Ian and John onboard and we opened up 26 new accounts and created a sales district in San Diego. Shortly after my old Rep counterpart returned as a DM, I became the SE Manager. Everything was going great. We were hiring and opening a massive new office. Less than a year later we were laying people off left and right. It was a tough time, and I actually requested (3) different times to be laid off to spare someone on my team, and EMC would not let me go.

EMC reorganized and became a services organization. I think this is where I started to check out. Hindsight is 20/20 and I should have left then, but I hung on. I took another management position as a Practice Manager for Business Continuance. Although I didn't agree with the organizational changes, I ended up having a great team. Being an SE Manager for a couple years allowed me to get all my newness as a manager out, and in this role I was actually able to turn some under performers into over performers. It was very rewarding. Still, I just couldn't bring myself to understand the new organizational structure. As customer service issues became increasingly bad, projects that once would have been successful, were now stopped because of in fighting due to service margins. Everything that was occurring was not in alignment with closing new business, keeping customers loyal, and expanding our share, so I stepped down.

There were no great sales positions open when I stepped down so I worked as an SE until a good Sales opening came up which I took. My goal was always to be a VP of Sales or own my own business some day so I needed to get the bag carrying out of the way. Plus deal strategy is one of my greatest passions and I really enjoy selling.

I will spare you all the rest because it is history, but for the past 3-4 years I have been a Rep or a Rep/SE and really only here at Trace|3 was I specifically focused on being an SE.

I think the edict that Hayes gave me was to discuss my views and approach to sales and how that helped me cross the barrier from a technical person to a Rep. So here it goes…

Cross the Barrier

When I was a customer service guy making the move over to being a Pre-Sales SE I felt as though this massive weight was on my shoulders when it came time to make sales calls. I thought I had to say something smart, close the customer, but more than anything I just felt anxiety.

Luckily for my Marine Corps experience I was never afraid of getting in front of people and speaking. But, I was definitely worried about being stumped, not having the answer, not knowing what to do next, not knowing how to move things forward. Hey, this was a unicycle and was unlike any bicycle I ever road before.

This is the barrier that everyone needs to cross. In my experience it is different for everyone. In my management experience, I managed PhD's, people with MBA's, and folks that came from some prestigious schools. Every one of them had their own barrier to cross, some successfully crossed it, and some didn't that I later let go from the business. The difference between them wasn't their educational background; the difference was how well they understood their relative position to what kept them from being successful and their own understanding of the barriers they

needed to cross. I ask myself this question almost every day, because the more we grow and succeed the more blind we become to our own barriers. I have seen many senior sales people achieve great success and then later wither away wondering what happened to their career, often bitter and angry, pointing outward and not looking inward to find the real problem.

I believe that you should make your greatest weakness, your greatest strength and then build on everything else. This is how I personally deal with my own barriers to success. There are many self-help books that say you should focus on your strengths, but I think this is because people don't like to see their weaknesses and it de-motivates them. I actually believe by focusing only on your strengths you find yourself slipping into what I consider comfort, which if you're not cautious = complacency.

Comfort and Complacency

Almost to a fault, one of my greatest fears is to become comfortable and complacent. I consider these the same in many cases.

When I was an SE at EMC I found myself becoming very comfortable in the organization, to the point that I really didn't have that anxious feeling anymore on sales calls. I was still learning to an extent, but I was too comfortable. The level of challenge just wasn't there for me anymore. I could have stayed on that path and done well, for a while, but then would have crashed.

I wake up every day with a fire and feel like I am in last place. This keeps me on my toes, drives me and if I stop feeling this I know I am getting to comfortable and my growth is likely starting to stall. In my opinion this equals complacency if I don't do something about it.

There are many brilliant people in this industry. Thanks to Hayes and the Managers many of them are on board at Trace|3. But, we have to constantly seek self-improvement and challenge ourselves every day to excel to new heights. I remember just becoming an SE and the challenges that I went through and how I had so much respect for the SE's that I worked with. In a couple of years my thoughts and respect level changed greatly for many of the SE's I once looked up to. Why? They became too comfortable and complacent in their positions and I passed them up. I was now rating them against their peers for the first line of cuts when the .com bomb went off. *I know that can happen to me also, and I never forget that.*

Reuben spoke about goals in his Trace|3 book and it reminded me of how I constantly think about my goals and where I am at relative to those. If I didn't have my goals I would likely still be at EMC, sitting in an office, stinking of decaying flesh waiting for the next check to hit my bank account. Instead we are ripping them out of our accounts.

Consult, Don't Sell

One of my first forays into the SE world was as an EDM
Overlay SE at EMC. For those of you that are not familiar
with a product that commanded less than 5% market share at
the time, EDM was EMC's idea of backup software. It was
actually an incredible piece of software when installed
properly and provided performance that no other backup
software could for quite a long time. The problem with it
was that it was very complex and if you didn't understand
the Symmetrix and bin file layouts, you were likely to fail in
administering it.

We were pretty successful in winning the deals we focused
on, but this was a time that I was really learning how to be an
SE. What to say, not say, what to do next, etc…

I had a transaction that I was competing against Veritas
Netbackup at Intuit prior to taking the account over as a
normal SE. Intuit had just moved out from Tucson and was
evaluating backup software for their new data center and for
their Tax application. It was a head-to-head battle and we
were winning, until we ran into a snag with one of the OS's
that ran Intuit's core financial systems. We didn't support
the OS and EMC had no plans to, as it was a dying breed
(HP MPE). Intuit on the other hand planned to hold onto this
for at least a couple more years. There was also some hair
(bad thing) on the version of HP-UX they were running.

I had a choice to make and talked it over with my DM and
my Sales Rep. This was not an environment that we could
really support post sale. In fact, had we taken the deal down
we would have likely lost the account for EMC. I had to tell
Intuit that Netbackup was the best tool for them and bow out
of the deal. I struggled with this, but it was the only thing

that I could do at the time, and my sales team knew we had to do it.

The next day on a con call with most of the Intuit administration staff (now Sr. Managers, and Directors), I explained to them why EDM was not the right choice and where we were at with our roadmap and recommended they move forward with Netbackup.

On the surface this may look like I walked away from this transaction. But, over the last 9 years or so Intuit has paid me back in spades. We chose to consult for them and not sell them, and for that they have been a very loyal EMC customer. I gained respect in the account that I could have never hoped to have gained in winning a sales cycle or coming up with a brilliant answer to the problem. I was now trusted and I make every effort in my daily dealings with them to not ever betray this.

So often SE's feel that they need to sell to be successful. I have found that often times they fail because of this false perception that has been put on them. SE's should consult, show the merits of their product in comparison to what the competition can do, ensure success by downplaying areas that their products are weak, and make damn sure when the product is sold it does what they said it would.

If you do these things as an SE you will find success. Don't get wrapped up in believing you have to sell, ***your job is to gain trust***, consult with the customer and show them why your product is different and superior. I have found the most success as an SE and as a Rep when I take the consultative role and it is far more rewarding.

Focus on the Best and Continue to Improve

When I first became a Pre-Sales Engineer I focused my efforts on the best Pre-Sales Engineer that I knew.   I still to this day think he is one of the very best. I wanted to emulate him, I wanted to know why he was successful, what he did, how he approached things, what he knew. He was my idol and I learned as much from him as I possibly could. The funny thing is he was in LA and I was in San Diego, but I had a chance to work with him a couple times, and I took that as a learning experience.

Inside of a couple years I was one of the top SE's at EMC in So. Cal. I then did the same when I became a Manager, and tried to emulate a gentleman that I had tremendous respect for. He taught me more than I could have ever hoped to learn from him and I appreciate all that he taught me.

In my experience I have seen many engineers feel that they are really smart and are going to succeed because they are so gifted. Maybe they feel that they don't need to change, because they feel they are already there. There couldn't be a worse thing that anyone can do to his or her career.My Dad once said, "I don't care how tough you think you are, someone out there can kick your ass." He was right. If you think you are at the top of your game and are comfortable, you may want to look in the lane next to you, someone just passed you like you were stopped.

So, find a mentor, or just find someone that you think is extremely good at what they do and learn from him or her. Watch how they approach certain things, learn what makes them successful, and then also watch others that are unsuccessful and try to figure out why. This will keep you from making the same mistake later on. There are plenty of people here at Trace|3 that can be that mentor or that idol,

and I would challenge all of us to find that person that we can learn from to increase our game.

Football Field and Sales

At least one of the guys in the San Diego office has had to listen to my version of the SE's job in the sales cycle. So I may as well infect everyone else with it. Realize though, this is not seasonal; this is good all 12 months of the year.

The SE's job in the sales cycle is to receive the ball from the Rep on the 1-yard line and carry the ball to the other end of the field and get it on the opposing team's 20-yard line (the red zone). Once the ball is in the red zone, the Rep takes it over and has responsibility for punching the ball into the end zone.

Why is this? Well, I know that as an SE I need to become trusted at the first meeting. I take it upon myself to gain credibility quickly with the client, and then from that point on, I take over responsibility of the sales cycle. By the end of the first meeting I generally have a pretty good idea of the dynamics of the transaction. So what is it that I look for?

Who brought us in? Where are they relative to the decision making process? What is their personal and professional win in having us there? Most importantly, why do they have us there?

What about the other people in the room, are they stoic or interested? Are they asking questions or silent? What is their relationship to the sponsor of the meeting?

What products do they have, and of the people in the room, how long have they been there? Were they supporters of the product we may be discussing displacing? If so, I need to be gentle so I don't offend them.

What is their timeline? Do they want a demo; do they want to come to the lab? Are they buying off on next steps, and if so, who is buying off on the next steps and who appears to not be in agreement.

What are the objections? Who has them?

What are their deadlines?

For me to do my job and consult for the client I need to learn as much about their political environment as I do their IT environment. In my perfect first call I would prefer not to do a product pitch. I would rather listen than speak (2 ears, 1 mouth rule). I feel that the most dangerous thing we can do is to do a pitch in the first meeting because all we are doing is throwing stuff at a wall and hoping something sticks. This is a junior way of handling a cycle and we need to set a strategy to win before we ever start competing. But, there will be times when you are forced into this, and watch; as these will be the times you enjoy the least success. But, I digress…

A good SE becomes that trusted advisor, and although the Rep can act like a coach on the sidelines and call some timeouts, the work all happens on the field. Until the ball gets to the "red zone" the Rep really does not have the capability to move the ball down the field. The SE has to do this and all of the good ones do. I actually prefer to do meetings without reps for this purpose, because my one-on-one time with the client advances the deal faster than when

the rep is in the room. Why? Most customers become defensive because they know the rep is the "Sales Guy" and they will open up much more if just the SE is in the room.

Now, once an SE has mastered the football field, with some training, that SE can bridge the gap into sales. I don't know that this is right for all SE's, but the SE's that truly master the football field should be able to become a coach.

What drives you?

Everyone has something that drives him or her to succeed or fail in some cases. What is it for you? Does it really burn when you think about it, or is it simply a goal? Think hard and understand what it is for you. Sometimes it is not a positive thing; sometimes it is something negative in your life. Is it a fear of failing? Is it a fear of not being able to provide?

When I was growing up we didn't have any extras. There was food on the table, but there weren't any snacks. There were clothes on my back, but they were mostly from garage sales. I am fortunate to have what I believe are the greatest parents ever. They were great role models and gave us kids' things that they never had when they were growing up.

However, that didn't change how others viewed me when we moved into Sioux Falls. We ended up in an upper scale side of town, even though we didn't have the funds of others in that school zone. I was in many ways the outcast; the have not, and hence was treated as such. In many ways this was hell for me on a daily basis. I didn't fit in no matter how hard I tried.

What drives me? Making sure, at any cost, that my kids would never have the same experience. To do what my parents did, and provide for my kids what they didn't have, I already see in my girls that they will do the same when it comes to their turn.

I think understanding what drives us as individuals is often under stated. Too many books talk of this, but don't personalize it. I know that no matter what challenge or obstacle I face, I will persevere in one way or another to ensure my kids will never have to go through this. It is truly amazing what can happen when you really understand what drives you the most. Why you get right back up after getting knocked down and continue to do it no matter how long the fight goes. I wonder sometimes how many people really understand what it is that drives them.

Natural Body Alignment

The more I think about how I operate the more that I notice that most of what I do is based upon military principles. It is comical to believe that abstract principles that I was taught are the basis for how I conduct business today. Many of these principles have nothing to do with leadership or in any way have salesmanship qualities. The core to my view on everything is Natural Body Alignment.

For those military marksmen's out there this is a principle that you are very familiar with. The concept is extremely simple. Natural Body Alignment is your natural alignment to the target that you are trying to acquire on the rifle range. Simply put, you align your body, so at rest and without applying any muscle to the weapon; you can look through

your sights and be naturally on the target. This is the basis and without this you will have erratic results when you fire your weapon. From the natural body alignment you build with breathing, trigger squeeze, etc.. Without having this alignment your first shot could be lucky and hit the target, but your tertiary shots will miss…

What does natural body alignment have to do with what we do? Everything.

When I was at EMC I held many positions. Roughly half of my time there I was in management. They decided to make customer service a cost center, they took the marketing and sales gorilla and pointed it to a services model and did it with people that were never in a services organization. Of course, I had no input to this at the level I was at. This was a corporate decision and I was in the field. But, effectively they changed what made them successful for so long and moved in a different direction. Problem? Not on the surface, change is good, but this change moved away from what had made them so successful. This change took the field sales and service organization outside of the natural alignment that had been so successful in the past. I really struggled with this and decided to just carry a bag as a result. Many of you know EMC has always been known for its service, and I think we are all finding that it has changed to some extent. EMC has started to fall down from the pinnacle of service they were once known for.

One of the recent transactions that we completed was a prime example of Natural Body Alignment. The deal was baked, the executives had signed off on it. The client's internal project plan called for the equipment to be delivered on an aggressive timetable. Sure enough, there was one person in procurement that tried to hold it up for their own

reasons. Matter of fact, they delayed the transaction to the point that project deadlines were questionable. Question is how do you address this issue using the natural body alignment principle?

Do you contact the procurement agent and go through all of their objections, as Strategic Selling or Conceptual Selling would suggest?

No. We were naturally aligned to the business. We consulted and advised on the concessions given and the risk to the project deadline knowing the project would likely be delayed for a few weeks if the product didn't ship by the end of quarter. We knew that everyone was expecting the deal to happen, so we told the story and waited. Risky? I don't think so. Our goals were in natural alignment to the business and IT. The result? The project was signed off, the procurement person was out of alignment, and after telling this story a few more times the order was released. Of course there are finer points to this, but the net is natural alignment is the reason we got the deal done.

We could have gone guns blazing and fought all of this person's objections. However, it would have only brought us into rat holes that could have destabilized our position and made us part of the problem through association. Simply put, we advised the business and project owners and allowed them to put pressure on the only person that was out of alignment. The person in procurement now had the hot potato and was looking for ways to get rid of it…

I believe in this concept, and yes it is simple. What is difficult is creating the alignment to begin with. There are all sorts of things this applies to:

Would you put a type B personality SE with a type A rep?

Would you ask for 30 points on a transaction when you know NetApp is already 60 points off and has a tight personal relationship with the client?

Would Trace|3 take on Business Software such as Documentum with our current team and try to sell services to do the integration?

There are all sorts of alignment questions. These are all very easy, but I have found that in all of our daily dealings, just keeping alignment in mind answers a lot of questions. Some of the questions that I ask in the first meeting we have with a client tells me a lot about their alignment, and also how they want to be sold. Staying in these lanes saves time and resources, and in the end makes selling and managing relatively easy.

This brings me to my next principle.

Sun Tzu and the Art of War

I may sound crazy for mentioning this book, but it is one of my favorites. How does this apply to business and sales?

I don't believe that sales campaigns or competing is that different than warfare. We plan our campaigns as a General would plan a battle plan, we mobilize our resources to attack certain objectives, and then we execute as a unit. This is especially true in our majors and having this knowledge and actually executing on it will bring results.

Probably due to my management background I have always thought most about resource deployment and not wasting resources. In the case of field Sales at Trace|3 we have our Operations staff and the SE's that we rely on for success. These resources are some of the best in the industry, but are finite resources that we need to employ carefully. Here is an excerpt from, "The Art of War."

"Thus one who excels at warfare seeks victory through the strategic configuration of power, not from reliance on men. Thus he is able to select men and employ strategic power."

Simply put, it is on us as sales people to devise the battle plan, gain strategic positions in our accounts and leverage the best resources in the industry to execute on the plan and win the transaction. I have always felt that it is on me to create the natural alignment so that our resources can have equal opportunity for success. By having a strategic plan with our accounts, we can leverage our resources in a much better manner and not burn them out in the process.

One of the reasons I left the manufacturer world and came to VAR land is because of the breadth of products that are available to us to get new accounts. We don't have to exhaust resources and morale by pounding our heads against the wall trying to get a client to buy our product. Instead we can get in with varying product sets, and then attack our competition from a strategic position of strength once we build our relationships in the account.

"Thus if the enemy is rested you can tire him: if he is well fed you can make him hungry; if he is at rest you can move him. Go forth to positions, which he must race. Race forth where he does not expect it." –Sun Tzu

How do we attack an incumbent for a new project or an existing infrastructure at an account that we are entrenched in?

"The location where we will engage the enemy must not become known to them. If it is not known, then the positions they must prepare to defend are numerous. If the positions the enemy prepares to defend are numerous, then the forces we will engage will be few. Thus if they prepare to defend the front, to the rear there will be few men. If they defend the rear, in the front there will be few men. If they prepare to defend the left flank, then on the right there will be few men. The few are the ones who prepare against others; the many are the ones who make others prepare against them." – Sun Tzu

This is one of my favorites and I read this book while in the Marine Corps. I have also read it a couple times since I got out and have been in sales. It is even more relevant to me now than when I was in the Marine Corps. Go figure…. Pick it up and read it, you might be surprised how much it really compares to the world of high tech sales.

Tam's Playbook

Draft Day

I recall the now infamous "call" from Hayes as if it just happened 2 minutes ago. It was a typical morning when my blackberry rang. As I looked down to see his name pop up on my caller ID screen, there was a slight hesitation. Just before picking up my mind rushed through all the potential topics surrounding our pending conversation. Was there a meeting or call I'd missed? Did I stay at a hotel that was a bit too expensive during my last Kaiser trip? Had Hayes heard the phrase OTOV one too many times and finally snapped? Perhaps he realized that Trace3 (in order to maintain its legitimacy) could only have one graduate whose college mascot is an anteater on staff and therefore going to "gently" let me know Sandy was clearly the more valuable of the resident anteaters? Will my knocking Hayes out of a friendly poker tournament and then winning the whole thing finally come back to haunt me? (Sure he may have sandbagged it, but who's counting) I cautiously picked up and greeted Hayes hiding the uncertainty in my "hello". It turns out the subject of our conversation was much more terrifying then anything I could have imagined!

"Can you put together something in a couple of weeks on how you help Ruben drive additional revenue?" His voice echoed through my blackberry avoiding any idle chit chat and getting right to the point.

 Hayes wanted me to write a playbook!

Back to the Beginning

As the eventual magnitude of his request took hold, it both confused and humbled me! Why was he asking me to write something this important? For one, I still think of myself as relatively new to Trace3 considering all the seasoned SE talent here. No doubt there are those who have been around Trace3 a heck of a lot longer, understand its unique value much better, and are more integral to its amazing success. Who could argue there are plenty of SE's who have a greater technical knowledge around each of Trace3's core solutions?. Therefore, what insight could I provide to these seasoned veterans that experience had not already taught them? Why has Hayes tasked me with this?

I found answers to my questions by going back to the beginning and re-reading his 2008 playbook. It became clear to me why Hayes asked me to share my experience over the last 18 months, working with Ruben and specifically Kaiser. In reviewing the 2008 playbook, I realized the foundation for how SE's would contribute to Trace3's future was clearly laid out. Since we all have a copy, I won't repeat everything here. But, there are some key themes that stood out.

For Trace3 to sustain our astronomical growth, we, as a company, have to make some core philosophical changes in the coming years:

What got us to 100-08 will <u>NOT</u> get us to 200-10! The dynamic of how SE's and Reps interact will need to evolve.

Begin to shift towards the mini-district (i.e. "franchise") concept throughout the company.

Embrace the emergence of a "value model" and "vendor independent model" within all our accounts.

To this end, I realized, in the past 18 months, I've had a head start in working towards implementing these new objectives. Kaiser embodies all the above core initiatives and is somewhat of a poster child for Trace3's mini-district concept. Although there is so much more to be learned and improved upon, it is clear that Hayes believes Ruben and my experience will help other Rep/:SE teams accelerate future mini-district developments.

Still, there were some obvious challenges for me in trying to put my experiences down on paper.

Although I have an SE title, I was hired under the premise of being a Project Manager. Consequently, my general focus involves mostly project management activities rather than traditional SE ones. So, the lessons I've learned at Kaiser may not work for a traditional SE.

Kaiser is a unique client in and of itself. There are maybe a handful of other accounts throughout Trace3 exhibiting the same characteristics. Therefore, would my experiences be applicable to the majority of our client base or just a Kaiser-like account?

Every SE at Trace3 is an "A" player. We've all had tremendous success everywhere and here is no different. Each of us has individual strengths and weaknesses. We have our own style and processes. My experiences are, therefore, based on my own individual strengths and style. Anything I choose to share needs to consider this and be useful to others.

Luckily, I have plenty of examples to draw from since I've made an enormous amount of mistakes along the way…

Running For Office

I was still struggling with how to best convey my experiences to everyone. (Who knew this would be so difficult?) Recently though, as I debated along with the rest of the country as to who should be our next President, the solution dawned on me. There was already a framework in place I could use to illustrate the different elements contributing to the success (and failures) at Kaiser. Specifically, a framework which would help show how my role has contributed to the overall success at Kaiser!

 Those within Kaiser have adopted an "interesting" view for how Ruben and I work together. Somewhere along the way, Ruben became seen as the "Politician" and me his "Campaign Manager". I could not even tell you for sure if someone at Kaiser first coined this or not. Heck, Ruben himself might have created this label. (Seriously, is there anyone who has not heard of OTOV?) The prevailing theme involves Ruben swooping in every so often to "kiss the babies" while I'm there coordinating his next scheduledappearance. Obviously, this is a gross exaggeration of our roles and how we operate. As we all know, everyone often has to interchange between both hats throughout the life-cycle of any deal. It would be a disservice to say that Ruben never had to be technical or that I never had to sell.

Regardless, this image provides a perfect framework to draw upon. In many ways, Ruben and I are constantly "running for office" at Kaiser. With every new position that opens up within Kaiser (i.e. potential opportunity that comes along), we must devise a campaign to compete against all other candidates (or sometimes the incumbents) to see who is best suited to hold that position. Often, this means being able to

convince the voters (i.e. decision makers) to cast their vote and support behind us rather than anyone else.

The Campaign

The same elements of any successful "political" campaign are applied in order for us to succeed. I have seen three common themes in the campaign of both 2008 presidential candidates. (Actually, you could apply them to any type of campaign in general) In order to be successful, a candidate and his team must successfully manage voter's perceptions of who they are, constantly watch the polls to make sure they are on the right path, and "spin" any message (negative or positive) in their favor.

Likewise, I see these same themes when looking at all our deals at Kaiser. When Ruben and I are engaged on a potential opportunity at Kaiser, we must constantly try to manage the perception of the decision makers involved. We continually monitor the "pulse" of the deal allowing us to change our strategy accordingly, and proactively spread any messaging that's needed.

There are specific actions that both Ruben and I need to take individually to ensure that we successfully manage these themes. Since Ruben has already penned his own playbook, I will focus on the things I've done that contribute to our successful management of these campaigns within Kaiser.

The Campaign Manager

While the President chafes at the description of Rove as, "Bush's Brain," he can hardly deny that every policy and political decision either goes through, or comes from the consultant.

- Bush's Brain by James Moore, Wayne Slater

Politically, the candidate is the face of any campaign. He is the one voters are basing their decisions on. Sure the members of his staff are also evaluated, but they remain mostly in the background. However, this changed during the past eight years. It has been widely suggested George Bush's being elected to the White House is mainly the result of Karl Rove – his campaign manager. Not only that, Karl Rove took the position of a "campaign manager" and redefined it. Some would argue that all of the President's policies and decisions somehow involve him which is completely unheard of. His sphere of influence within the campaign holistically was completely unheard of!

Ok, I admit. Comparing similarities between how George Bush and Karl Rove operate to how Ruben and I operate at Kaiser is a bit of a stretch not to mention extreme. By no means do I suggest decisions within Kaiser do not (or should not) happen without my input. Nor would I suggest deals at Kaiser are decided solely upon them judging Ruben. On the contrary, there is a much greater emphasis on the competence of the technical team behind Ruben. Unlike a political campaign where the candidate's qualifications come into question, our clients look at Ruben and me as a whole and judge us together. What is important here is to

recognize the potential impact I (or any SE) have in shaping the outcome of any opportunity. (Either positively or negatively)

In the Trenches

Farming looks mighty easy when your plow is a pencil and you're a thousand miles from the corn field.

- Dwight Eisenhower

The building block for everything I've been able to do at Kaiser is just consistently being on site. This is the most powerful (and fundamental) weapon I believe we, as SEs, have in our arsenal. I do not doubt the importance of the message we are delivering, the technical value we provide, or the quality of the products we offer. However, in order to reach the level of a true "trusted advisor" Hayes has envisioned for Trace3, I believe it involves building the solid relationship with those that work within any company.

Some effective guidelines I've used throughout my time at Kaiser are:

If at all possible, spend 1 – 2 days a week on site. Rotate between different corporate locations but focus the majority of your time on where you are doing most of your business.

Keep the days consistent at first. Remember, consistency breeds familiarity.

Approach it as if you are a new employee for the company. (I.e. work on site as if you were coming into a Trace3 office to work) You don't need a reason to be there – Just be there!

When on site, make sure you make it count.

Get to know everyone because you never know who is important. (I.e. admins, people walking the halls, etc.) If possible, do not talk shop unless you need to. Find out about who they are and what they like.

Treat everyone the same. Do not assume that someone's title dictates how much influence they have. At Kaiser, the ones on the floor doing the work have tremendous influence on what solutions are eventually selected.

Never go to lunch alone! You should always invite someone you work with or someone new if no one you know is available. This is how conversations and relationships start. Plus, it is an opportunity to re-enforce the Trace3 name.

Just the mere act of being consistently on site, is extremely powerful in building familiarity and achieving trust. You know what they say, "out of sight…out of mind"! Being consistently seen at Kaiser, I now know almost every face in the building and they know mine. I understand simple nuances like who can get me (and vendors) access, who are the early birds, who are the late night owls, and who the truly respected and influential members of each groups. I've also cultivated strategic relationships throughout the organization by just seeing them every week. Recently, I deviated from my weekly routine of being in Walnut Creek by skipping the week prior to and also the week of Trace3's VMWorld event in Vegas. When I was back on site the following week, one of the random engineers I passed in the hall asked if I'd been

on vacation since he hadn't seen me in the building for two weeks. To me, that's a level of familiarity one has for a "co-workers" and not outside vendors.

Perception is Reality

Reality is merely an illusion, albeit a very persistent one.

- Albert Einstein

As I've been following the 2008 Presidential election, I cannot avoid the fact each candidate is constantly running their own public campaign to help convince us of not only who they are but also who their opponent is. From every television ad, every public speech, and every public appearance, everything is carefully planned so as to consistently portray the reality they want us to see. The reasoning is very clear. Since we have not personally known the two candidates, the reality of who they are is as irrelevant as the perception of who they are!

At Kaiser, I believe the foundation for everything Ruben and I have achieved can be linked to one thing – the <u>perceived</u> notion that we are actually their "co-workers" and not an outside vendor. This perceived reality allows us to become the true "trusted advisors" that Hayes describes in the 2008 playbook. Kaiser puts more trust and faith in Ruben and me since they perceive us as part of the Kaiser family and not an outside vendor. We are allowed access to internal dialog and information generally reserved for employees based on the strength of our different relationships. This has proven vital on each and every deal.

Here are some things I've used successfully to build this "co-worker" perception:

Almost without exception, I never mention specific vendors with anyone at Kaiser unless the conversation is specific to one. (Or if Kaiser brought it up first) This has enforced their view of me as looking for solutions instead of pushing a vendor.

Although I never mention a vendor, I always have our partners in mind. That way, I can emphasize the positives and deflate the negatives as they apply to the business requirements.

I've leveraged large organization's constant lack of resources to offer my services on PM related activities outside of just solution architecture or technical discussions. Remember, many times, workers within a company must wear different hats. I just let Kaiser choose which hat they want me to wear.

Small opportunities lead to bigger ones. I offer to do grunt work (i.e. offering to come up with a spread sheet format for their data, coordinating meetings between different groups, getting conference rooms booked for someone, etc.) These are all things that someone within a company does for his/her co-workers.

Always offer, when opportunities present themselves, to be the conduit between a vendor and the client. Remember, you want to "offload" tedious work that anyone can do.

I never mention the idea of billing for any of these services. Kaiser expects vendors to bill for everything. I do not want myself or Trace3 to be perceived as a vendor.

When Kaiser indentifies a business need, they generally define the business requirements, do internal research for a solution, decide which vendors could potentially solve their solution, run a proof of concept with these vendors, and negotiate with the one they like best. Traditionally, we begin engaging at the POC portion of this cycle. However, that is no longer the case. I've been asked to engage during the early stages where the requirements are being defined. In addition, I have helped generate the RFI, sent it out, collected the results, coordinated the POC, compiled the results, and assisted with operational documentation. This was the case with Kaiser's evaluation of load balancing, active directory products, application virtualization, WAN acceleration, backup deduplication, and email archiving. This holistic involvement in the entire process is invaluable to all these deals.

Constantly Watching the Polls

In many things it is not well to say, "Know thyself"; it is better to say, "Know others."

- Menander

In today's world, we have polls for everything. It's the way to determine who out there agrees/disagrees with us and how many. We see polls being conducted to see which presidential candidate is leading in every state and county across America. Polls gave us an indicator as which candidate was seen as the winner in each of the debates over

the past few months. However, polls extend beyond politics. There's a poll on ESPN every night on which team will win what game, which player is the best, or if someone should be fired or hired. Almost anything you can think off, there's a potential poll for it. Mainly, conducting a poll is the consensus method on how to gauge the opinion of the majority demographic by sampling a small subset of that demographic.

Actions that contribute to my ability to conduct "polls" in Kaiser involve:

Being on site. If you want to know what someone thinks, go right to the source. If you've laid the foundation (as suggested earlier) from the beginning, this will not be hard.

Listening to water cooler talk. Poll people connected to those involved. (I.e. peers, admins, etc.) Although the group of players involved in a deal is small, you'd be surprise on what information comes from those who they work with. It may not be specifics, but the information gathered may give you more evidence to either support or discount what you've already heard.

At Kaiser (or any clients for that matter), the majority we concern ourselves with is generally a pretty exclusive and small group. As the Account Manager, Ruben spends his time in constant contact with the Managers, Directors, or Procurement folks. Therefore, it is my responsibility to regularly monitor the opinions/perspective of the engineers, operations, and "general" public that surround the opportunity. By having this data available, Ruben and I can proactively adjust our strategy for the deal. This was not only vital to our F5 success at Kaiser but also our ability to get Quest selected as a vendor. By knowing what the

engineers and architects liked or disliked about the product prepared Ruben for any objections that came up while also emphasizing the items that were consistent with what Kaiser liked.

Spin Doctor

Many of the truths we cling to depend greatly on our point of view.

- Obi-Wan Kenobi

Ok…I just couldn't resist using this quote. It's the geek in me coming out. If you know anything about the Star Wars trilogy (I'm talking about the original three of course), there is a scene in Return of the Jedi where Luke Skywalker and the spirit of Obi-Wan Kenobi have a conversation over the fact that Darth Vader (not Bryce to my knowledge) is actually Luke's father. Earlier in the trilogy, Obi-Wan had told Luke his father was dead. It is at this point Obi-Wan says the quote above. Basically, from his perspective, the man that was Luke's father "died" when he turned into Darth Vader. (Maybe it was Bryce)

This message was re-enforced while I was handling the support at my last company. Even though applications broke and errors occurred, how the message was delivered was just as important (if not more) as the content of that message. It was literally the difference between having angry non-forgiving users, or frustrated, but accepting users.

In order to affectively spin and get in front of potential issues, I rely on the following factors:

Ruben and I stay in constant communication about his strategy on the deal. This is very important all around but especially when it comes to messaging. Without it, I could potentially contradict what he's delivering to others he interacts with. That would destroy our credibility with the client.

Enforce Ruben's strengths to Kaiser when he is not around. (He does the same for me) Having someone else praise you is much more powerful, and effective then you praising yourself. This puts extra weight behind any message he or I deliver later on.

Being present and on site. Again, the quicker Ruben and I are aware of a situation, the faster we can address it. Preventing something from spreading quickly is just as important.

Let's face facts, things happen during all sale cycles we just don't expect. Often, the important piece of the equation is how fast we can respond to the situation and what message we give. I recall during the load balancing engagement, we were in a huge struggle because the incumbent vendor had a political strong hold and head start. Needless to say, during the POC, the incumbent vendor suggested the results proved they had the superior product. This message was being delivered outside of those doing the testing. Because I was sitting in on the testing, I was able to share actual POC results that disproved their claims. Our ability to quickly nip that in the bud made it a non-issue.

Vendor Independence

The end goal is that I want the accounts to start recommending, to the vendor, that the vendor put their business through you/Trace3 because you are covering them so effectively with other products.

- Hayes Drumwright

As we closed out 2008, undoubtedly, our country will be heading in a different direction. There will be a new President leading us into 2009 and beyond. He will face many uncertainties without any clear solutions. His vision and ability to execute on it will determine how the country will respond.

Coincidentally, the same fate holds true for Trace3. As we reflect on reaching 100-08 and the culmination of the Trace3's three year plan, it will quickly become clear a new plan will be needed. 2009 and beyond will represent a new direction for Trace3 with additional challenges to overcome. The good news is we have clear direction as to what needs to be done. As Hayes predicted, our continued growth will depend on the formation of mini-districts along with our ability to depend less on our vendors for business and more on our clients. In essence, the idea of "vendor independence" needs to become common place throughout Trace3.

I believe this is the path in which we've taken Kaiser (and now other accounts) down as well. Currently, the following vendors all contribute to our overall business at Kaiser: F5, Data Domain, Force10, Quest Software, Riverbed, Symantec

(4 different products), Quantum, Red Hat, VMWare, and NetApp. (Ok, we're very close with NetApp) In addition, we expect to add to this list in 2009. Most importantly, "vendor independence" requires more than just selling multiple products. It means reaching a point where the client brings deals to us instead of our vendors. With the successful diversification of products, it has increased our sphere of influence within Kaiser, and they now bring opportunities to us.

For instance, about a month ago, I was stopped while passing a conference room at Kaiser on my way back from the cafeteria. (Who knew I would be on site) Anyhow, the Kaiser DNS team happened to be in the conference room training at the time. (The same team I've worked with on the F5 engagement) As I made it a point to just wave and say hi, the manager responded with a question. "Tam…are you familiar with BlueCAT? We're currently looking at it and training on the product now." I wasn't but offered to research them if they needed some feedback on their solution. "Yeah do that and let me know if you can resell them. We want to use you guys." We recently just provided an initial quote to Kaiser for some BlueCAT purchases. During our subsequent exchanges, I inquired who else they looked at. Apparently, they looked at InfoBlox as well but did not like the solution. However, since Trace3 is a partner, we are coordinating a meeting to bring them back in. This similar exchange recently took place with the Kaiser Virtual team as well. For them, it was to discuss their conversations with 3Leaf. Kaiser directed 3Leaf, after having direct discussion with them, to partner with Trace3. We just had our first successful meeting with the local 3Leaf team.

They say hindsight is 20-20. Well, when I look holistically now at the strides we have made at Kaiser, it is abundantly

obvious the concepts preached in the 2008 playbook hold merit. Ruben and I have achieved success within Kaiser because of our ability to become the incumbent. With every successful campaign, we build a stronger relationship with our supporter base. In addition, vendors now lobby for our support in bringing them into Kaiser. However, we know that at any time, our approval ratings can dip and the next election can be lost. Every campaign is a new opportunity to prove ourselves all over again.

My name is Tam, and I approve this message…

The Titov

David and Goliath

Several months ago we were informed by one of our larger global Riverbed customers that their purchasing department was under a top priority directive from the CIO to consolidate all of their global purchasing into 1 or 2 companies.

As in, Good Bye to Trace|3…

They were looking at AT&T in order to accomplish this as they already dealt with them on the majority of their other hardware purchases. The customer also outsourced the majority of their IT support to AT&T. This was obviously somewhat alarming. To cut to the end of the story, AT&T ended up backing down because they did not believe that they had the resources to support the customer in the same manner that we could. Our customer did not believe that they could either. So, how does a small team, made up of 1 sales rep and 1 engineer, build enough relevance with an enterprise account in order to make AT&T feel unable to compete?

Knowing the Players

One major challenge with this large global enterprise was figuring out how decisions were made and what individuals carried the most weight. After we had been selling to the customer for about 10 months, we stumbled across the piece of information that was crucial to our success. We had been building relationships with several managers and directors in the account, but during a particular meeting we learned about the ever powerful review committee that the organization had. Basically every week, the company would have a review meeting to discuss any upcoming projects or new hardware purchases. The meeting itself was not the surprise. What we did not know, was that in this meeting there were 2 network engineers who had to approve every new project before they could proceed. While the Managers and Directors had some influence, they could not proceed without their approval. After discovering this, we immediately began to focus on engaging these 2 engineers and making them Trace|3 advocates. We approached them by offering to perform a free audit of their Riverbed systems. Through that process we were able to spend time with them and demonstrate our expertise and gain a level of trust that has been invaluable.

Being the Expert

One way to build relevance with the customer is to show and demonstrate the expertise that we have with the products they are using. While having an advanced understanding of the product is very important, the most critical component is customer perception. If the customer believes that you are the expert, then you are. There are several ways to build upon the customer's perception. One way, is to demonstrate superior knowledge over the manufacturer SE. I have found a very effective strategy is to invite the manufacturer's SE along on an install or design meetings but address all questions and take control of the meeting. If the customer sees the manufacturer engineer there, yet you answer all the questions, that immediately demonstrates a high degree of knowledge. Another effective technique is to have the manufacturer Sales Rep or SE comment on the Trace|3 engineering knowledge set when having discussions with the customer.

Letting the Customer Fail

(*Proceed with caution*) Sometimes great progress can be made by allowing the customer to fail. While this can be dangerous, it can also have a tremendous upside. With this account, there came a time when the customer started rolling out and configuring all of their new purchases without any assistance from Trace|3. Knowing the level of support they had available, I was skeptical that they would be able to perform this without any issues. However, we let them proceed and after about 8 weeks they had deployed an additional 20 boxes. Of those 20, they were having major issues with 10 locations. At this point we re-engaged and stepped in to put a plan in place to resolve their problems and also ensure that their future rollouts would be successful. Of course we had provided them with the information to

succeed in the past; however they had not taken the information seriously and decided to do things on their own. Through the process we were able to show them how they had strayed from the best practices that we implemented for them and start them on a path to get back on track.

Every Hero Needs a Villain

There is nothing like stepping up and solving a difficult problem or situation for the customer. I feel like these opportunities will always present themselves, but it is important not to force them. A great villain can often times be the manufacturer support organization. Since problems will always surface with any technology, it is important to try to use these issues to build up the relationship with the customer. I have made some real progress with engineers when I have been on the phone with them and the manufacturer (often times support) and have fought for something on their behalf. Several months ago I was working on an issue this customer was having and the customer and I called into support together. We were not getting anywhere with the support engineer so I asked to escalate the case. He resisted and so I asked him to transfer us to the support manager. I then explained our frustration to the support manager. I expressed that frustration so that the customer would know that I was upset as well. I am sure many of our engineers could come up with creative ways to express that frustration… The manager ended up escalating the case for us and we eventually got the issue resolved. Even though we had a serious issue with the product, it was a valuable experience with the customer. They felt that we were standing with them and taking on the manufacturer

together. After the call, the engineer expressed his appreciation that we would put so much pressure on the manufacturer on their behalf.

Communication

It seems that with almost all large enterprise accounts, real progress is not made until a reliable means of communication is established. Well, tell me something I don't already know you say…   One area I had always tried to avoid in the past was the weekly recurring status update conference call. These are always a pain and often times seem to be unproductive. Each week goes by with us accomplishing our tasks and the customer pushing on theirs. The problem is that often times without these meetings, we quickly lose our relevance with the customer and it becomes increasingly difficult to capture their attention. It is easy to get frustrated with these types of meetings if you view them solely as a means to get the customer to make forward progress and accomplish what they commit to each week. However, if you go in with a slightly different perspective, they can be much less frustrating. I only have 2 goals for my weekly status calls. The first goal is to show that we are committed. That is easy to accomplish by simply being on the call and completing any tasks that we were responsible for. The second goal is to offer one helpful pointer for the customer. This can often times be a security vulnerability or some type of bug that was reported or even an administration tip etc. The point being that we provide some other value on the calls in order to build relevance with the customer.

Engineers are from Mars, Sales Reps are from Venus

The Sales Rep and Sales Engineer relationship

Over the last 4 years working at Trace|3, I have worked with 5-10 Sales reps at any given time on a regular basis. I have enjoyed working with all of them. However, that is not to say that there were not some challenges along the way. I think there are some shared challenges that all sales reps and engineers experience that can lead to conflict. So sales reps, get ready for a bashing… Actually in all fairness, we could all find things to complain about on each side, instead I am going to try to focus on what works instead of what does not work.

Spiffs

Sometimes I think spiffs can be a great tool and incentive and at other times lead to division between engineers and sales reps. I try to tell myself that I do not expect a spiff from any sales rep and then whenever I receive one, it is simply a pleasant surprise. Now if I am being completely honest, there are times when it is difficult not to expect a spiff but never the less that is the attitude I try to have. I respect the fact that just because a sales rep makes a bunch of money on a deal, that does not mean that I should get a cut. Since they are commission only, that is part of their upside. I receive my nice reliable pay check and therefore it makes sense that I would have less upside potential. Also, a rep could do great one month with 300K GP, but not sell anything for the next 3 months. There is always somebody who is crushing it at Trace|3. As Engineers, I think we can

fall into the trap of only seeing success on the sales side and thus letting our expectations become unrealistic. I believe that understanding the highs and lows that almost all reps go through can help with expectations. Expectations are the key to spiffs.

Acknowledgement

It is important for the sales rep to acknowledge when an engineer goes above and beyond. This is very important when working after hours and weekends. At the same time, it is important for the engineer to let the sales rep know when they are working after hours for the sales rep. The key is to do it in a subtle manner. I think sales reps get tired of hearing engineers complain about after hours work. If an engineer complains to them, then they are more reluctant to show appreciation. So instead of complaining, try to simply provide an update status to your sales rep after an install letting them know the timeframe when the work occurred and leave it at that.

Scheduling

There is nothing worse than showing up to a meeting that was canceled but you were never informed by the sales rep. However, is it really their fault? I have found these types of scenarios can be avoided by double confirming with my reps before a meeting. We are all juggling a million different pieces so it should not be a surprise that something is dropped occasionally. All engineers deal with overlapping meetings and overbooking. At first I would find it annoying when a rep would schedule a meeting for me to attend when I clearly had another meeting scheduled on my calendar.

However, I eventually came to realize that it is not always fair to expect the rep to check my calendar. They could be on the road, at a customer site, or doing a variety of things that make that difficult. They also have to figure out how to make the time work for the customer as well, so it is a lot to handle. I generally try to adhere to a first come first serve basis when different reps need me to be at a different meeting at the same time. If there is a conflict I let them work it out on their own instead of making the decision on which meeting to take.

Pressure

As engineers we can experience a lot of pressure during large installs and cutovers. However, I think Sales Reps have much more day to day pressure. They have sales quotas and deadlines that are always present and looming. Understanding that we are all under varying amounts of pressure at different times can be helpful in managing relationships. It is important for Engineers and Sales Reps to call each other out if there is a problem. Timing and understanding are very important when both sides are under pressure.

Perspective

I feel lucky that I work at Trace|3 and am a part of this team. As engineers we get to work with some of the top Sales Reps in our industry. I won't even begin to talk about how lucky our Sales Reps are to have this team of engineers. :)