



CYOA 2012 Value Alignment

Table of Contents

<i>Introduction</i>	2
<i>Value Alignment - Year One of CYOA</i>	3
Foundational Success	3
My Favorite Client	4
Doesn't the Sheet Have To Be Wrong	5
"Transparency Can Be Like Eating a Shit Sandwich"	9
Speeding & How to Avoid Traffic.....	11
Fortifying the Freeway.....	12
The Carpool Lane.....	13
Practice, Practice, Practice	15
Delivery.....	18
Staying in Region.....	20
Let's just get off Comp.....	22
Innovation	23
The Reemergence of SARs.....	26
<i>10-50-100</i>	28
Client Alignment.....	28
The 80/20 Rule	33
EM Alignment.....	35
Service Delivery Managers (SDMs)	35
Atlas Shrugged.....	36
Do You Know Who You Are?	38
Earning Your Keep	41
In Conclusion	42
2012 – Bullet Points	44

Introduction

Our chief want is someone who will inspire us to be what we know we could be. – Ralph Waldo Emerson

I keep this quote in front of my monitor. Stacie Scoville gave it to me on “Boss’ Day.” I did not know there was a Boss’ Day until I received that card. It turns out I received the quote at a perfect time. I was struggling with my role and how to lead as many of you probably do from time to time. This quote gave me great clarity on what you all expect of me...and what I demand of myself. For me, that “someone” he refers to in the quote is...me. I want to be that for my friends, my children, Trace3, and most importantly, myself.

Since Boss’ Day, I have been consumed with financial modeling, compensation alignment, cultural retrenching, and metrics. I want predictability, clarity of direction, and unlimited opportunity for each individual at Trace3. I want all these things, while at the same time factoring in the need to Secure the Family from the macro market and economic risks we as a company face every year.

The result of this mind racing intensity is the 2012 Playbook. I think as I write this first page this book it will be the longest yet. The longest, yet I know it will have the least amount of change needed to succeed. I hope it inspires you to see what I know we can be.

Value Alignment - Year One of CYOA

Foundational Success

Here are two words chosen very carefully. Foundation and Success. Alone they represent something done and completed. Together - they represent a chance to use your current momentum to build a platform to overcome the obstacles in your future. Foundational Success is not for the moment, it is for the years and decades. It is leveraging the concept that each success will build upon the last and make you stronger as new challenges arise.

QOE was a perfect example of a three year period that laid a foundation for the next set of obstacles Trace3 will face. In fact, I will lay out a plan that focuses very little on New & Different business models in this plan. We are going to take the New and Different of QOE and turn them into More & Better. Becoming excellent at delivering the new lines of business that our clients asked us to create in 2009 will allow us to achieve Choose Your Own Adventure (CYOA) in 2015. 100-08 was the foundation for QOE. QOE is the foundation for CYOA. Value Alignment is perfecting the utilization of the resources we added in QOE to add the most value possible to our clients. As always, Trace3 has three clients. We want to add value to our external clients, our partner clients, and most importantly our employees.

Everything we do should result in adding value to Trace3's three clients. This will be our litmus test for Foundational Success. It must work for all three to work in the future.

If an activity you are working on only benefits one or two of our clients, it must be inspected. Odds are we can make a change and have it benefit all three.

My Favorite Client

The clients I have spent much of the last 6 weeks on are my favorites - the Trace3 employees. I am going to make changes in the company's organizational structure in 2012. In the end these changes are attempting to do one thing. The changes are directly and solely aimed at making you happier. Sounds a little weird doesn't it? There is one assumption I have made and this assumption must be right in order for the changes to work. The assumption is as follows:

I believe that the employees of Trace3 strive to be incredibly proficient and effective at achieving greatness in their roles/jobs. I believe you strive for greatness.

This is not just the customer facing employees; every single one of you strives for this. These are the kind of people we want with us when interviewing potential candidates to join us. This is the kind of person we want sitting next to us. A group of these individuals would be inspiring to an entire market segment. The organizational changes are based on achieving employee happiness. Notice I did not say greatness. Striving for greatness is the assumption. Happiness is the goal. Glad we got that cleared up... ☺

You want to be something special. I have to look at the organizational structure, compensation, and culture and figure out whether it is ALIGNED to making that a reality. If it is not, how could you achieve happiness (the result of greatness achieved) in the workplace? The baseline for organizational change comes from my discussions with so many of you. Aligning people to Value - Welcome to CYOA.

Doesn't the Sheet Have To Be Wrong

So how does one decide where to start? I always like to start with math. I always start with a financial model. I have been spending a great deal of time taking the financial model I built for CYOA covering 2012-2014 to the regions and getting everyone's feedback on it. This model has been more complicated than the previous ones because we have more lines of business and therefore more variables. When building the CYOA model, I modeled the more and better of QOE as well as the New and Different. All the things our clients convinced us to do in the 2009-2011 plan are now part of the CYOA model. I included the following lines of business: Resource Management (staffing and residents), Training as a Service, Consulting (Infrastructure Projects, Short Term Implementations, Open Hour contracts, and Installs), and Products. I mentally viewed the model as lanes of revenue on a freeway I am building. Training, Resource Management, Consulting, and Product are the 4 lanes. I decided to model these lines of revenue and in the model capture direct costs associated with delivering them. I created it in a way that allowed me to have assumptions drive the entire sheet. I used revenue assumptions like GP/Rep, placements per Resource Manager (RM), bill rate versus utilization rate, average training subscription price, etc. I then assigned metrics for what it took to support the revenue. I used metrics like GP needed for each Pre-sales Eng hire, Project Managers needed to support projects sold, recruiters needed per RM, TAMs for large accounts, Inside Sales for the various lines, etc...If a headcount is needed to support a sale or delivery of a sale, I want it in the model. I use the metrics (like \$1MM in GP for each Pre-sales Eng) to drive the headcount in the sheet. Once I understand the headcount needed to drive sales and client value/satisfaction, I started associating a cost to the headcount. I then assigned a burden number to those costs to cover the rest of the NON-

client facing employee/costs (operations, management, equipment, insurance, bonuses, etc.).

Now that I have revenue and fixed cost in the model I can begin to understand the profitability of each “lane.” With this understanding I can add commissions (variable costs) into the model. My main sheet will tell me company profitability as I start adjusting the assumptions that drive the sheet. I then broke out the lanes into individual tabs in Excel that allowed me to see how different businesses perform when I change the assumptions.

I created the model without a preconceived notion of what I wanted it to tell me. This is a wildly important point. Anyone can make a model say what they want it to say. You change the assumptions to make your ideas look good. I don’t want to look good. I want my model to show me the future...I want it to literally show me what is possible. I want it to show me what I should focus on and what I should start questioning. I want the truth about where to go and what we can become at a mathematical level. Once it told me this – I argued with it. You read that right. Like a moron, I sat in front of my computer for hours and argued with what the math told me. I looked for flaws in formulas, in assumptions, and in math. Unfortunately, in every case math wins. In 2005 the math told me if I stuck to the metrics, I could take a little \$23MM company to \$100MM in three years without any funding. I argued till I was blue in the face with that spreadsheet. It was right. I made conservative assumptions and hit them. QOE was the first time I messed up. I did not model all the new and different. I was not sure how to because we did not have enough data to do it. We did know enough to track perfectly for 2009, 2010, and the first half of 2011. But as the market turned in 2011 I did not have the crutch of math and my sacred model to turn to for guidance. We had not set clear metrics on how

and when to staff based on revenue from the lanes. Just keeping up had been the focus until July of 2011...

We grew from \$110M to \$300MM in 2 years! We were doing our damndest to hold on and meet demand. It was such a powerful lesson to learn.

A foundational aspect of achieving greatness and in turn happiness in business is understanding the math.

How do you know when you are catching up versus investing without metrics tried to a model? I let the team down by not providing them with this in 2011. The model must contain the More & Better for the three year plan and New & Different (N&D) must be modeled and remodeled continually until you have enough information to get the assumptions very close to correct. A model is only as good as its assumptions. This is why new businesses fail. Not because people lack intelligence or drive, but because their assumptions were way off. In the three years of CYOA, there will be N&D that are not in the model right now. Most of those N&D will be around recurring revenue like Managed Services and Smart Hands. We will step into these new businesses because they are within our sweet spot of knowledge to deliver and because our external clients and vendors need us to do it. We will not move with any aggression into these N&D until we can model them correctly.

So, back to what I can and did model. I will admit, I am still arguing with the model. It is telling me some amazing things. One thing is jumping out very clearly. With some very basic and conservative assumptions, true financial greatness is VERY close at hand if we get back to the metrics the model prescribes. It is the kind of greatness that allows for any option we desire. We could go public. We

could do acquisitions. We could dominate markets. We could create a new segment in the industry somewhere between a Systems Integrator and IGS or Accenture. By combining our four lanes into a freeway where the entire organization understands the math, model, and metrics and is willing to change lanes based on client needs, we will create something the market has not seen before.

So I argue. So says the math. The math ALWAYS wins.

I am completely immersed in the possible. Immersed in what the model has shown me of our future. Now I have the greatest challenge of my entire career.

I need to write a playbook that allows EVERY single person to understand how they align to and are relevant to achieving this greatness I so clearly see.

You see, I might fail. I have gone through a great deal of soul searching this year on whether I was the right person to take Trace3, now a large organization, to greatness. Not to \$1 Billion in sales, that does not inspire me... I had to gut check myself and decide whether I was the one that could take us to greatness. I know now in my core that the answer is yes. It is a yes contingent on one thing.

If, and only if, after reading this entire playbook you are not 100% onboard with what we are going to try and achieve in Value Alignment, I want you to quit. I can take us to greatness because I understand what makes me happy. Helping all of you become more than you ever thought possible and then in turn doing that for others in the organization makes coming to work a true joy for me. It is my purpose. This book is going to show you how we can grow our value proposition in the market to record levels.

I cannot lead a group of people that do not believe in the vision.

Even more than not being able to, I have no interest in doing it. I respect all of you more than you probably appreciate. If you find that you argue with my math, and you win, I will respect your decision to leave. For those of you that believe in this vision and want to help execute, improve, and evolve it with me, I can give you this promise: I 100% know that if every person working here strives to do what I lay out in this playbook, we will hit the goals. I need 100% of you. If I have that, I will call backboard in writing and say we will achieve greatness and this job will be the one you look back on as the best and happiest times in your career. Now let's cover communication style.

“Transparency Can Be Like Eating a Shit Sandwich”

If you read the table of contents and came straight to this section, stop cheating and start at the beginning. ☺

This chapter title is a direct quote from Shawn O'Connell in our Nor Cal office. I laughed out loud when he said it to me. I laughed because it is so true. I learn so much from all of you and in my conversation with Shawn, I learned a couple of things about how I communicate. The good and the bad of it.

I talk and write a great deal about being transparent. Many of you have told me you think I am a little crazy with how much information most would deem “Confidential” that I just share freely with anyone that asks. Most of the time, everyone loves the transparency because Trace3 SO often has great news to tell. We always seem to be breaking records, pointing out achievement, sharing the wealth, etc.

There have been a couple of times in the last 9.5 years, that I have not had good news. Pay cuts in 2009 or in 2011 when I blogged about how we were going to miss the EBITDA goal and I thought we should sacrifice to hit it. Sometimes I am transparent about uncertainty when I think doing so would be relevant to your decision making process.

Well, Shawn said to me, “Hayes you need to understand something, there are two sides to transparency. When times are good, everyone loves it. During these times you run the company in a way that every single one of us benefits from it. It shocks me to no end when things get hard and you ask us to think about making a sacrifice people get upset or are surprised. Hayes, I came here in large part because of the transparency. I have not found it in any other company I have worked for. It is part of who we are and is part of what makes us special. We are not children, we are adults. Sometimes transparency is like eating a shit sandwich, but I would sure as hell rather know it is a shit sandwich than have you sugar coat it. You need to respect us enough not to sugarcoat tough situations. I want all the information so I can lead my team. They want that information too. I would be so disappointed if we lost this as a company. I participate in the good; I need to know about the bad so I can help overcome it.”

I completely agree with what Shawn said. Here is what I want you to all understand. I am always going to err on the side of too much information rather than too little. I do this because of my assumption I stated in the first couple pages (in blue if you forgot). How can you achieve greatness if you are lacking the information? This said, for those of you who struggle a bit with transparency, I want to be clear on something (pun intended). There is no hidden agenda in my messaging. You do not need to spend time wondering what I meant on the blog or in the update emails. I meant exactly

what I wrote...No hidden agendas, no politics or puzzles. Take comfort in the fact that I am going to give it to you straight. I believe great people do everything better when they understand “why” they/we are doing it. Explaining why without being transparent is very difficult. As you grow into a leader at this company I advise you, when in doubt, just give it to ‘em straight. Share the good and the bad alike. We can take it. In fact, most of us are absolutely inspired by it and the more we understand the “why”, the fewer shit sandwiches we will have to eat...

Speeding & How to Avoid Traffic

Let’s take the model discussion up a level. If we stick with the thought of the different lines of business or revenue sources being “lanes” on a freeway, let’s talk about speeding and traffic. In QOE we spent a great deal of time, effort, and money building out the N&D business units that our clients requested of us. We added consulting, resource management, and training as a service. The funding source for all of these new businesses was our existing product sales and the clients that were willing to engage with our new practices. As the groups gained traction we had a very difficult time keeping up with demand. We slowly started to move away from metrics for growth and began trying to fulfill the demand. Some of the lanes on our freeway began speeding...To make things more interesting the company grew from \$110MM to \$300MM in just 24 months. Our freeway started to struggle with the weight of this growth. Our infrastructure as an organization was not prepared to grow this quickly. We did the best we could and many would argue it was acceptable...right up until the time the macro economy started to struggle.

There we were speeding along on our struggling freeway and we ran straight into a 10 car pile-up called the economy that

started to block our product sales lane... Suddenly we had too many cars on the road in certain lanes and not enough in others. We had cars that had no idea how to change lanes and get around the accident lying in their path. We were forced to take a hard look at how a car should be added to a lane and how our best vehicles accessed the other lanes. We also had to look at the freeway.

Fortifying the Freeway

We will undergo a large effort in 2012 to fortify our freeway. In 2011 we had projects in Salesforce, Netsuite, Sharepoint, and Excel trying to track the efforts of the different lanes.

In 2012 Trace3 is going to finalize and have continual improvement efforts focused on getting systems that can give us accurate real time information around the revenue, cost, and utilization of the different revenue sources. We intend for the financial information to be entered, stored, and manipulated in one system (most likely Netsuite) and for our document repository and knowledge base to use one system. Much of the Netsuite system has been built out for the consulting and resource management lanes already. The key will be entering the data correctly and in a timely manner. You will find I will not only give top down pressure to do this, but your incentive based portion of your pay (and commissions) will depend on it. This Alignment was lacking before. I will tie PMs and the Post Engineers to utilization for their incentive based pay. This pay will offer them tremendous upside; but in order to attain it, the data must be entered correctly and on time. The EMs and Reps will receive pay based on the GP of projects. Bonus pools for Pre-Sales Engineers will be based on different lanes and the accuracy of the Install and product GP information must be correct for them to receive it.

Fortifying our freeway so it can take us to 2014 and beyond will greatly depend on each person's ability to commit to using the system(s) properly.

I am committed to getting the system available in January and I have aligned pay to the correct use of the system. I am excited about it. Alignment always makes me excited mainly because I have a total belief that a strong, well-aligned team can outperform any market. With the right metrics being properly tracked, our decision making will have so much more clarity. We will be able to trend and avoid the 10 car pile-ups. There will be a team of people at Trace3 constantly improving the systems as we grow. Our freeway will become as important as the cars driving on it...

The Carpool Lane

Over the last 6 months something has happened in various regions in the company. Some of the cars have decided to change out of their single revenue lane and into the carpool lane. They decided to join forces with other revenue generators in the company and all get in the same car. I have seen it at DIRECTV. I have seen it at Qualcomm. I have seen it in many places and I have been watching closely.

I watched closely and have questioned many of you on the strengths and weaknesses of the carpool lane. I asked clients at the Napa Client Advisory Board their thoughts on the Carpool lane approach. All agreed it was what they originally asked of us in 2008-2009 and were happy to see it start to mature. In essence, driving in the carpool lane creates more value for our clients and in turn more safety for our organization. More client value, more Trace3 stickiness and overall safety, greater influence and value with our vendors...It passes our litmus test for Foundational Success.

It is clear we need to drive behavior to the carpool lane. We need to ALIGN to it.

I went back to the model and asked it to tell me if I could find a way to Align Pay to drive more carpool lane behavior. The Model said yes. In 2012 for the first time in 9 years, Sales Rep compensation at Trace3 will be changing. I am adding to it. A Rep will get paid for every lane. I intend to pay EMs for every lane. Aligning pay is the first step. The second step is having a freeway that can support that pay system, which goes back to having good data. The next step is letting the driver of the car know that he or she does not have to know everything. People will get paid the most for the lane they know best. Leverage them for what they know best. They will participate in all but get paid the most to add value to the client on what they are experts at. Reps should not write SOWs. EMs should not be trying to quote and negotiate infrastructure product deals. Resource Managers and their Recruiters should be leveraged for staffing and residents. The carpool lane is an analogy for staying in your lane but knowing how to leverage the others in the most effective way. This is what we need to align to.

The organization also has to change to support this model. Previously we were paying District Managers to drive product sales. Many did the right things in QOE and tried to embrace the other lines of revenue because it was the right thing for our clients and our company. I will be moving the compensation model for the District Manager away from product sales and to the profitability of the entire region. The sales facing people in the region will be reporting into the General Manager of the region. The GM will be responsible for aligning the region to get the correct mix of business. The GM will be judged on the overall success of all the lanes, not just product. I know this is simple in concept, but for Trace3 it is change. We really never had a

system that could support a GM because all of our DMs are incredibly busy selling and managing vendors. For the first 12 months John Pfaff and I will be the General Managers of the regions to help perfect the model. We will help mentor the DMs into managers of a P&L aligning to metrics that will help us with tough decisions around making investments in the various businesses.

Getting re-immersed in the regions and helping bring sanity to our explosive growth has me more excited that I have been since 2006.

It feels so similar. All we need to do is execute. We do not need to hire 100 people. We need to execute. We do not need to add 5 lanes to the freeway. We need to stop speeding, ALIGN compensation to drive behavior, and allow everyone – Engineers included – to have more predictability around success criteria for their daily functions. We just need to execute on the promise of QOE.

I have no doubt that in Q1 and Q2 of 2012 we will have shining examples on the success of driving in the carpool lane. I am already seeing them.

Practice, Practice, Practice

In order to execute, some of the lanes are going to need more focus. We cannot be everything to everyone. There will be things we will need to say no to even when clients push hard for us to do it. The model has proven to me that in order to drive utilization to 70% and above we must have stronger alignment in our practices. We also must have different alignment for delivery of our services. The practices must drive behavior and methodology for presales, consulting, and delivery. Most importantly, they must decide what we will NOT do. This is how we will drive utilization and sanity.

This is how we will avoid going too fast and causing 10 car pile-ups. I know that no one likes to say no to clients, but in 2012 there will be times when it is a necessity. The “no” will not have to be a “no” forever; it will be a no for now.

In order to be excellent at something, we must focus on it. We cannot focus on everything. We are going to give our Practices at Trace3 power in the organization. They will have a great responsibility. They will be in charge of creating excellence in our go to market for product and consulting. In 2012 we will only have practices based around Infrastructure. The clients have asked us to get into Application Development, Business Analysis, and other areas but in 2012 we will not focus on building these practice areas. In many cases we might sub companies to assist on these projects, but we will not staff for them. The Infrastructure Practice will cover Converged Infrastructure (Datacenter), Security, Mobile, and New Technology. As I write this, these titles and areas are not finalized or vetted through marketing, but one thing is for sure. I am going to take some of the best minds out of their current roles and have them head the Infrastructure Practice. We will have Dave Titov, Erik Durand, and a few others lead the Practice. We have decided it would be more effective to have a group of 3-5 Directors be able to contribute to all the practices. In essence, the “Practice Directors” will be able to speak to any of the practices. They will have responsibility to parse up the Vendor partners and help manage those relationships, but internally you will be able to use any of them to discuss any of the practices at a high level. They will help with training, hiring, marketing, and the defining of our consulting offerings. They will assist EMs, Reps, and the delivery teams with utilization. They will do this by helping to define what it is we plan on being excellent at delivering. If we can narrow our scope of offering and define it clearly we can

more easily staff for it and deliver product and service at a high level.

I know, you are probably thinking that this is not rocket science - and you are right. But once again, it is a change in the organizational structure. In the same way I am giving “power” to the system that supports our freeway in aligning incentive pay to insure the correct use of that system, I must give “power” to these Practice Directors. They must align our offerings which have gotten out of control during our most recent growth cycle. I know this alignment will make our Engineers lives in both pre and post much better.

Remember our original assumption: the people at Trace3 strive to be the best. They strive for greatness. In our current model with so many offerings, that is just not possible. This makes happiness a glimmer in the distance. Job satisfaction fades as well. We want to get great at what we do. The Practice Managers will give us focus and resources to become great again. This will help the DEMs and Delivery leads define success criteria for their teams. Success criteria will help everyone understand better how to attain their incentive comp and create happier clients and vendors. Strong Practices also give our EMs services to take to market that they greatly lack right now. We want to understand our customer’s problems. That is the true job and value of an Engagement Manager. The EM wants to understand the customer environment, culture, and processes; but in order to help the clients we must have strong practices defining what services we can offer. Exceptionally strong practices will help create more foundational success for this organization.

One extra note on clients pushing to have us do things before we are ready or capable of doing those things well. We want to add practices intelligently. We want to add them when a

large contingent of clients consistently asks for them and we see a gap in the market for the services. One such item bubbled up at the Napa CAB. Many clients complained that they need a way to recode legacy apps in order to make them more cloud ready. They stated they are trying to do it internally and struggling. They stated they have not found an outside organization that is good at it. I pay attention to this. A need combined with a gap in the market. At the same time, I refuse to speed. In 2012 we will be gathering information and tracking requests on things we say no to or sub to other organizations. We will grow into new practices carefully over time. We will do it in the right way and with a great deal of focus.

Delivery

In 2012 we will have a department for service delivery. It will consist of a global delivery team (with practice specializations) and the Project Managers. We are doing this for alignment. After much discussion about happiness, we discovered that blending the pre and post sales engineering teams was causing confusion around the success criteria of the job and many were feeling discouraged. Even worse, they were not sure how they were relevant to hitting the company's goals. I take this as a personal failure on my part. Without an understanding of how you as an individual help drive this company forward, feeling good about being here must be very difficult. We are aligning delivery for relevance. The Global post team will be comprised of most all the Post Engineers in the company. Pre-sales Engineers will stay in region and we will keep one to two Post Engineers in region. Both pre and the one or two post that are in region will report into their DEM and support product sales and installs. More on that next chapter...

The remainder of the Post or Delivery Engineers will report into a global delivery team. We are doing this because each region does not have enough consulting business to support the group on a regional basis and the staffing in each region is not uniform across all regions. For example, some regions have staffed more networking and less storage. Some have oracle expertise, some don't. In 2012 we can confidently and correctly utilize a group of 30 global engineers across the regions. This said, the goal of Value Alignment is not to have our delivery teams traveling all over the place all the time. Some of you enjoy the travel, others do not. Our goal is to leverage the practices globally now and over the next three years start building strong regional consulting businesses that utilize local delivery teams. Our goal is to have most of the Engineers on the "Global" team do work in region instead of travel all over. In 2012, we need to buy the Practices and EMs time to generate focus and local revenue to support building a book of business. For that time we will focus on delivering across all regions and achieving 70+% utilization rates. My comp alignment for the Engineering delivery team will be to have incentive compensation based on utilization, expertise in practice (training), client satisfaction, and a few other MBOs. I want you to have predictability on how to attain your bonuses and have systems that correctly track your utilization. I want you to understand if you are a relevant factor driving business and client value. I want you to have clear success criteria. The delivery team has to be "great." It has to have focus. It must be highly utilized. This is the group the clients told us would help secure the future of Trace3. You all are extremely relevant to everything we are trying to achieve in Value Alignment. You will be one of the best leveraged points the company has for explaining to clients about the different lanes Trace3 has to offer. I wanted to be very clear in writing and in your comp that I understand how important you are and want you to control your upside and relevance.

The Project Managers are equally important. You are truly the managers of our brand with our clients. You help define our success criteria with our clients and manage it to completion. You constantly have to overcome all the obstacles that arise with long projects and keep everyone on track. I want you to have predictable upside as well. I want you to know you are relevant. For comp, utilization, client satisfaction, and new business generation (getting more projects from current consulting clients because of how much the client loves you) will be your drivers. These drivers you have a great deal of control over.

For both groups, as your lane gains in profitability based on your effort, I want you to gain. I want you to have tangible success criteria for your jobs so you know your relevance. I think if Trace3 can provide you with this you will achieve greatness and in turn love this job and what it provides for you and your families.

Staying in Region

I want the Engineers in region to be aligned as well. I used to think that engineers were very risk averse with compensation but I realized in 2011 that they take a great deal of risk with their incentive based comp. There is always a chance that their region might perform tremendously but if the company as a whole does not, their bonuses are at risk. Bonuses are anywhere between 10-20% of their total comp. Now we all know you cannot count on bonuses. Bonuses are not guaranteed...But what if you could make them more predictable? After about 2 weeks of fighting with the model, I figured out how to do it. I am going to remove the instability of bonuses and give you a way to control your incentive based comp. At the beginning of the year your DEM will lay out a plan with you on what is expected of you and how you can contribute to the success of the region.

Each quarter the DEM will be given a pool of money based on the sales of the lanes in the region. The majority of this pool will come from Product GP and Install revenue but the other lanes will be in it as well. I have worked the math so that if the company performs at 2011 levels on GP this should work out to roughly 12-15% of your base comp. The catch is that there is no limit to how much money it could be. If you help drive product, install, training, consulting, and staffing revenue in the region the pool has unlimited upside. It will not be capped. I will be using fixed percentages and if the region crushes its numbers and moves more toward the carpool lane the pool could be much greater than 20%. To be clear, there will be no doubt on whether the DEM receives the pool to distribute to the regional engineering team. The only doubt is how much of it you will receive...

In order to receive the incentive comp, you must perform upon the plan you made with the DEM at the beginning of the year. You must be relevant to growing the business in the region. If you are, through your DEM, I will make your incentive comp predictable and have you participate in the monetary upside of your efforts. There is no downside on base. There is no downside on Spiffing. As Marc Fleury said in LA when we went over the idea with the team, I want it all...You got it. Perform, help grow the region, be a valued member of the team and you will participate in the upside. I hope you all find this exciting.

I am aligning Engineering upside to the company's goals. I believe having some predictability will allow for greater job satisfaction at a basic level. I believe that having a plan in place with your DEM will allow for job satisfaction that goes far beyond comp. I am also pretty sure that knowing you are making this company secure through your efforts is going to make working here pretty fun.

Let's just get off Comp...

I know you are probably sick of reading about comp. I have written more about in this book than ever before. I have done so because I know that compensation is the Foundation for Alignment. I am also completely aware that great comp does not equal a great job. It does not equal anything but an access to relevantly earn money. It cannot replace purpose. It comes nowhere close to the feelings of satisfaction you can get helping someone else become more than they thought possible. In Value Alingment it is not meant to replace our culture or purpose. I am spending a great deal of effort and cycles getting the incentive based comp correct so that you and the next generation of hires have a basic level of clarity on how to be relevant to the model. I want you to understand how you can be individually relevant to the financial wellbeing of this organization. I believe that if you see this organization as your future and a leverage point for your family's financial future, you would want to know all of this.

The Model, Metrics, and Comp all equal basic alignment. These three things cannot achieve greatness for Trace3 but they create a road that allows us to reach the goal.

Innovation

Something has occurred in 2011 that has aligned us for unparalleled success in CYOA. For the first time in company history, we have a product. The product is based on something we specialize in: Human Capital. The product is an innovation on an industry that has not innovated in decades. It is Training as a Service. Before I get into why I am so excited about it, I want to tell a story.

When Sandy Salty was in marketing she used to plan the National Sales Kickoff for Trace3. Sales Kickoffs have been going on in our industry for a very long time. They are usually an excuse for everyone in the company to get together, get some information/training, and have way too much to drink...

Sandy decided she wanted to use the kickoff to drive sales. She decided to innovate something that had been the same for decades. She changed the event and called it the Trace3 EBC. She went to all our vendors and said Trace3 is going to bring all our best clients out to Vegas for 2-3 days and tell them everything we know about what is happening in the industry. She then told them she wanted them to pay for the whole event, but with one catch. They were going to pay, but we were not going to let them speak. They could come, and even sit in at some of the dinners, but they would not get to present. Sandy told them our clients want to hear from Trace3 and their peers in the industry. She did not want the event to feel like a sales call. She wanted it to be a sharing of information. There were a GREAT many that laughed at her when she told them she wanted \$25,000 for them to even be considered a sponsor. Trace3 was only a \$40MM company at the time and we were by no means the biggest brand in the industry. There were a lot of “no one else does it this way” conversations. There were a lot of “No’s.” F5 flat out said they would not do it and they were in our top 3

for vendors at the time. Sandy did not waver. She refused to let them come. They offered \$10K and she said no. She would not take it because they had to hit the minimum.

I counseled her during this time and it was really something to watch. You see, she wanted an event the clients would find huge value in. She knew in speaking with them at the Client Advisory Boards (CABs) that this event was exactly what they wanted. Regardless of people telling her that it had never been done before and she did not know what she was doing, she trusted her gut.

Fast forward 5 years, and now many vendors pay over \$50K just to come to the event (including F5). The value this event creates and the clients that attend make this one of the most impressive events of the year for many of our partners. There is intimacy at the EBC. Sandy innovated National Sales Kickoffs and made them exponentially more valuable. She did this so well, I kicked her out of marketing – but I kept her in the CAB meetings.

Sandy moved to start the Authorized Training Center for Trace3. After 5-6 months and some success, she came to my office and told me classroom training sucks.

She said there is nothing about it that has real value. In most cases: you travel for it (expensive), it is taught by people that do not implement the equipment, the trainers are not familiar with the client's environment, our client's management has a difficult time finding time to give their people a week off to train and travel, and it is REALLY expensive. It is so outdated that most clients let their training budgets slip and end up not spending them.

She told me that after talking to clients for 6 months and immersing herself in the industry, she wanted to innovate the

training market. When she told me the idea I got legitimately excited. I believe if at the end of CYOA Trace3 wanted to line up for an IPO and go public, we would do it with this product as a core piece of our brand.

Training as a Service overcomes all the inequities of traditional training in our industry. I have been on three calls with clients now and the biggest issue is them waiting for the budget cycle to purchase it. It reminds me of Riverbed in the early days when no one had heard of WAN acceleration. We always had to wait for budget cycles to get the PO since there was no such thing as WAN acceleration before Riverbed.

Trace3 Training as a Service is local training onsite or nearsite, taught by our Engineers with implementation and onsite experience. We can provide the training during off hours (i.e. 4-8PM for 2 weeks instead of 8am-5pm for one week) so as to not interrupt daily projects. It is completely customizable based on the needs of the clients. We sell the subscription up front and identify and manage the Engineers and classes needed. Trace3 handles the entire process. Training can be to cross train departments, get certifications, learn new industry standards, learn new technologies and eliminate the need for POCs no one has time to do, etc...

It is also set at a lower price than traditional less efficient classroom training. So far we have gotten a couple Riverbed like comments – “I am not an idiot, if you can really do that of course I would buy it. Let me see how we are budgeting training...” As I write this, two months after Sandy pitched it to me I expect we will get our first PO in December 2011. Quotes have ranged from \$70,000 to \$186,000. In each case, the client thought we were half the price of what it would have cost to get the number of classes specified through traditional means: half without including T&E.

All and all, Sandy has come up with something that will drive incredible Foundational Success at Trace3. She has only been in our industry for five years. Some people just have the ability to see flaws in markets and attack them. She is one of those people. Putting the full weight of Trace3 behind Training as a Service is going to be fun to watch.

Let me tell you why having a “product” at Trace3 will benefit you.

The Reemergence of SARs

I will be giving out Stock Appreciation Rights Units to all of the fulltime W2 employees of Trace3 in 2012. They will be issued to you with a strike price dictated by the 2011 valuation (done by an outside firm). There will be a vesting period on them and you will need to be in good standings to receive and vest them. I hope to be granting them in some fashion every year going forward. SARs are your way to participate in the equity growth of Trace3. They perform very much like common stock but do not have voting rights. They also get taxed at normal income tax rates rather than capital gains rates.

Now that the legal explanation is out of the way I want to let you know receiving SARs is a privilege. It is my way of saying thank you beyond pay, commissions, bonuses, profit sharing, etc. I do not have to do it and if there was ever an entitlement issue around SARs I would stop. I am granting them next year and I hope you will be excited to receive them.

Each year an outside firm will publish what they think the company is worth and I will distribute the price to everyone. They will break the company value down into a share/SARs unit price and you will get to see if you are making money or

not. The value of the company will be based on the results of your efforts and the overall macro market comps/economy.

Normally a traditional Product VAR would receive somewhere around a 4-6x multiple on EBITDA for valuation. Recurring revenue like Staffing and Managed Services receives a better multiple like 8-15x EBITDA depending on the volume and margin and stickiness.

A product like Training as a Service would probably run in the range of 4-8x revenue. Yes, a multiple on Revenue.

That is a much different calculation. For those of you that this all makes sense to, you know what this would mean to us.

We really would have any type of option available to us by successfully driving in the carpool lane and delivering on the promise of QOE. We would truly achieve a Choose Your Own Adventure moniker. I see this potential clearly. SARs are a way to further ALIGN you all to benefit from caring about it.

To cash out your SARs, I would have to give you some type of exit. You would ride with me on this...An exit could be an IPO (going public) or Trace3 buying back some of the units. It could also be a majority sale of the common stock. Right now, I have no plans for any of these things. I have plans for changing our industry with this company. I thought you would enjoy the additional upside.

10-50-100

Client Alignment

In 2012 Trace3 has 5 times the resources to bring to bear versus 2009. We spent a great deal of time talking with clients in our last three year plan about what business units to add in order to become more valuable. In listening to what the clients advised us to do the company exploded with growth. It took us 6 years to reach \$100MM in sales and we added approx \$100MM in sales each of the last two years. All this in what most would consider a very difficult economic climate.

Here we are in 2012 with so much more to offer our clients: Infrastructure Consulting, Training as a Service, Custom Cloud (Smart Hands), Resource Management, New Technology Integration, Product Integration, and Managed Services.

In Napa at our Client Advisory Board meeting a conversation sprung up around how difficult it is to do Proof of Concepts on new technologies. This arose because we had just had Greylock, one of the top Venture Capitalist in the country, speaking to the clients about how they vet new technology and how they partner with Trace3 to take some of the products to market. I explained that Trace3 looks at over 30 products a year on our client's behalf and only pick one or two of them to take to market. We then put the chosen company's management in front of them on a panel and let the clients question them about their products. Most all saw the value propositions clearly.

After the panel the clients started discussing how integrating new technology is so difficult because POCs take too much time and they lack the resources, etc, etc... I became

frustrated and grabbed a pen and walked to the whiteboard. I asked, “I don’t want to offend anyone, but why they hell don’t you just buy what Trace3 tells to you?” This got a couple chuckles. I did not smile. I said, “Seriously, I just proved my access to the best new companies, proved I spend months vetting the new technologies internally and with multiple clients before we agree to carry them, and then gave you access to their highest levels of management on a panel. Why don’t you just trust me?” No one laughed.

“We find products that help you do more with less, become more efficient, tie the business to IT. These are all the things you have been asking for. A year ago you asked us to examine the Mobile Device Management market and help you pick a product because it was a huge pain point. I hired the CSO of Paramount and had her do an exhaustive 3 month evaluation of 5 products and she just presented her findings to you. Why on earth wouldn’t you just buy it?”

Then the rumbling began. “Hayes, we do trust your teams but in order to just trust you, you would need to understand our environment, our processes, our culture...”

I wrote on the whiteboard the following: EM, PM, RM, TAM, Pre Eng, Delivery ENG, NTI group, Training

We stared at it for a couple seconds and someone said, “Hayes, I have no idea what those acronyms are...” I laughed, apologized and explained each one. (Sometimes my brain writes faster than my hand does and I get ahead of myself on a whiteboard)

EM=Engagement Manager

PM=Project Manager

RM=Resource Manager

TAM=Technical Account Manager

Engineering – self explanatory
NTI=New Technology Integration group

I said, “These are all the things I have added to my staff because you, our clients, asked us to. An EM is there to learn your environment and processes. A PM is there to manage projects and to overcome obstacles along the way. A TAM is a free resource provided to the client based on their technical needs. Our RMs help with staffing needs and NTI helps educate and train you on the one or two New Techs Trace3 picks every year...I need to be honest with you all, I built these teams at your request. I did it because it is a win-win for us. I learn your business, you help monetize mine and keep my company safe. In order for this new Trace3 you requested to function, you all need to start trusting us.”

One client replied,”Okay, tell me this...Are you willing to get fired if you recommend something and it is wrong for us?”

“Of course I am. I would expect nothing less. I believe every time we engage with any of our clients that is the case.” I replied. “What I need to figure out is, are we going to start trusting each other to gain efficiency? If you believe my teams are roughly as good as yours and they have ability to see multiple client environments...which you don’t...what else do you need to start trusting our advice?”

“Is the problem that we make money off our advice so therefore it must be jaded in some way? Is trusting us somehow offensive to your teams because it feels a little like outsourcing?”

More conversation occurred. Good conversation. The best kind of conversation. It was really honest and thought provoking. I loved it.

We expanded on an idea Qualcomm had given Trace3 on a way they engage with partners. The idea focuses on getting pricing off the table so you can actually focus on solving problems and engaging to become more efficient. It goes like this: Qualcomm goes to their manufacturer partners and says they would like to have a handshake agreement on how much gear they intend on buying over the next three years. They agree upon a number and then negotiate a pricing level based on that handshake commitment. From then on, they focus on solving problems with that manufacturer and don't waste time haggling. They termed the deal as an LOI or Letter of Intent. The Napa CAB and I expanded on it. We decided we should think about the high value items. Could we have a handshake commitment on Staffing/Residents, Consulting engagements, Training as a Service, Products, and New Technology? Specifically, the client would expect Trace3 to deliver two new Technologies (per year) that would keep them current in the market based on our understanding of their environment and processes. I fought for a three year handshake around these 5 items so we could focus on just trusting each other to become more efficient and profitable. More efficient and profitable for BOTH the client and Trace3. I left that meeting incredibly energized. We felt after that meeting that some but not all the clients in the room were ready to engage us this way and that is exactly what we need to know.

We need to segment our clients based on how THEY are comfortable engaging us. I believe the ones that engage the most will be the most successful because they will leverage us for what we are best at which allows them to excel at their core competencies. Trace3 is like an IT organization on

steroids. We are incredibly proactive with technology and touch hundreds of different environments in almost every industry vertical. Our best clients will want to do an LOI and leverage that. We will spend money investing in them. We will ALIGN to them, define success criteria for the relationship, and help Co-Manage the environment. Our goals will align with theirs. This will be our easiest segmentation. They will have access to all our resources based on the handshake LOI.

The next group will be the clients that want to partially engage. They will not start with all the lines of business, but want to engage on a couple. These will be the hardest for us to clearly monetize and make profitable. We will have to selectively make investments in these clients. An EM engaging with this tier will have to be on a case by case basis. We do not charge for EMs so the clients will have to respect that and help monetize in another way. You see how it can get complicated and will need discussion. I have found that clients in the segment are perfectly willing to sit down and discuss the value of EMs and TAMs and decide with us whether they are worth the investment. It gives both sides more clarity.

The third tier or segment would be the clients that are only interested in on thing. Just Staffing, Training, Consulting, or Product. As we grow, we will have to make decisions on how best to deliver a high level of value to this segment. This is more of a “deal” based relationship and not where we want to stay. Our good clients and QOE have pointed out the danger of limited engagement. If after a year we cannot build a stronger relationship, we will have decisions to make based on opportunity cost.

The 80/20 Rule

The reason we will be segmenting the clients is so we can get clarity on how to deploy our resources and get value alignment. The 80/20 rule states the 80% of your revenue will come from 20% of your clients, the 20% you have the best relationships with. Outside of a few clients, we have given resources more to regions than to accounts. In Value Alignment, we will be focusing a great deal on the individual clients.

I titled this section of the playbook 10-50-100. At the end of 2014 Trace3 will have ten \$20MM clients, fifty \$5MM clients, and one hundred \$1M clients. We are not setting this goal on a whim or so we can figure out our total revenue in 2014. We are doing it so we can understand how to best deploy and/or align our resources. We will service all three segments. The amount of resources engaged (EMs, TAMs, etc) will be based on their willingness to engage and segmentation.

As I write this book, Trace3 has two clients over \$20MM and both have dedicated teams of people on the accounts. We have twelve that have done over \$5MM in revenue and thirty-seven that have done over \$2MM. There are 74 that have done over \$1MM. For those of you that remember the Double the Anchors goal of QOE you can smile. Here is exactly what I wrote:

“At the end of 2008 we had 5 accounts we did more than \$3M with and 26 accounts we did more than \$1M with. By 2011 I want to double both of those numbers.”

The Double the Anchors goal was heavily based on acquiring net new accounts each year to hit the goal. CYOA and 10-50-100 is going to be focusing more on Aligning Value around the existing base by extending more resources

to them as my story of the Napa CAB illustrated. We will still be focused on Net New clients. It is part of our DNA. In 2012 we want to do joint planning sessions with our best clients and figure out what we can do to increase efficiency. We want to try and minimize duplication of effort. 10-50-100 will help give us clarity on how to staff for each client.

There will be plenty of clients that are in the \$3-10MM revenue range that use all of our services and resources. We will have the segmentations to help with coverage models, but our best clients will align to most all our offerings and could very well end up being in the 50x5 segment. This is truly our sweet spot right now. We also have the situation after the Napa CAB where some of the larger clients are beginning to engage in much larger scope. The clients that spend over \$500MM in IT will need different coverage than those with a \$40MM total spend. Different coverage, but there is no reason the \$10MM of the \$40MM is not better business than the \$30MM of the \$500MM. We know to truly have foundational success for all our clients we need to be in the carpool lane. The more lanes they engage us on, the better we can invest in them. Understanding how to correctly invest in the clients is the goal.

In Value Alignment we are segmenting to find the most valuable clients. Turns out they will probably be the ones that also value us the most. Keep that in mind. We are going to have some huge growth in 2013 and 2014 just because of the execution expertise we attain in 2012. Don't let big product numbers blind you to the fact that foundational success is so much more than product. We want these clients for life. We want to continually make their jobs and lives easier by providing great service. They are going to need to trust us in order for us to do that. They will have to engage with us in more than one lane.

EM Alignment

For the most part, Trace3 will align EMs to the clients that want to engage in multiple lanes. EMs will have named accounts to work on and will learn the client's environment, processes, and culture so we can best service them. In 2012, the EMs will not cover more than 30 accounts. Most of us could probably name these 30 accounts. They are our favorite accounts in each region. Notice I did not say our largest revenue accounts in each region... I wrote favorite because we have built a strong relationship of trust with them. I always enjoyed having meetings with clients I trusted. We just got so much done so much faster. The people I worked with almost always ended up getting promoted because of the efficiencies we produced. It was just more fun. The EMs will start with these clients. They are already engaged with many of them.

EMs will be working on monetizing themselves by identifying areas with the client where we can solve problems via infrastructure projects. They will also help refer the other lanes when it solves problems for the clients. It will be very similar to the Sales Reps except they will key much more on consulting and services as their specialty.

Service Delivery Managers (SDMs)

We are going to break the current EM group into EMs and SDMs. The EMs will service the top 30 accounts (4-6 per region) and the SDMs will serve more of the midmarket clients where we are just beginning to prove serious value. The SDM will be similar in day to day function as an EM but will work more with what the clients in the mid-market segment want to engage with us on. To date we have found there is a great deal of value for our clients in this segment around smaller projects and especially staffing. I would expect the SDMs will be extremely successful with

managing Open Hour contracts, Installs, Staffing, small projects, and helping clients understand the value of Training as a Service. The SDMs are completely capable of writing SOWs for large infrastructure projects when they arise, but until we prove value through some of the other lanes and gain more trust with these clients, they will be slower to engage. So to be clear (although I am sure there will be exceptions) EMs will be tied to accounts and SDMs will be tied to regions. As regional clients move to more of a named status, SDMs will follow them up the stack and become more focused EMs. By aligning EMs and SDMs to different segments, we give ourselves and our clients clarity on how to engage.

Atlas Shrugged

If it turns out that you have read this far and do not like this playbook I have a piece of advice for you. Go punch Eric Carter in the face. ☺

Eric told me that a book called Atlas Shrugged (and Fountainhead) changed his life when he read them. I think Eric is a pretty damn smart guy so I, like an idiot, picked the bigger of the two books – Atlas.

I was completely blown away by the book. It does get very, very, very slow in parts, but there are over 500 pages that I loved. The concept in the book is that the producers and entrepreneurs should be cherished and valued at the highest levels in society rather than be slandered as profiteers and greedy. It examines what would happen if all the “creators” or entrepreneurs who hold up the economy became so disenchanted with being villianized and made to support the welfare state that they quit. The premise is, what if “Atlas” who supports the world on his back, shrugged and let it fall? It was totally fascinating. It attacks entitlement. It thrashed

those that think they are owed things from society. It says profits and strong companies CREATE, they do not hurt. Work should be valued and creating and innovating should always be monetized.

Agree or disagree with the premises of the book, (and trust me, it is polarizing) it makes you think.

It made me think. It made me wonder whether I was aligning people correctly in Enough is Enough. It made me question my premises. Then in the second half of 2011 I got to experience misalignment firsthand. I realized some things.

1. I will never be ashamed of creating a company that drives big profits because it creates incredible opportunity. And honestly, we deserve the profits. We have overcome great risk to be where we are. We have earned every penny.
2. Attaining greatness is on the individual. I can at best inspire and at worst create alignment to make it easier to attain. I was putting too much pressure on myself.
3. Paying people for any job without a success criteria clearly defined is not good business. Employees have value to a company, immeasurable value, when they understand and exceed their success criteria. To pay without the criteria can lead to entitlement and mediocrity.
4. I want to be one of the people in the book that changes things. I want to innovate our industry with Trace3. I want to innovate Venture Capitalism with InstantScale. I want to innovate with people that have a like-minded value system.

5. The last thing I realized is that Enough is Enough is truly the greatest thing I will ever write. The only exception is any part of it that could lead an individual to feeling entitled. In the way I intended the messaging, there would be little chance of that happening.

So I know this section may seem like a little bit of a diary versus a playbook. My intent is to explain a bit of the “why” I am writing some of what I am writing.

Trace3 is going to be something very special. I could argue it already IS so special and in the same breath say with confidence that we have barely started. Atlas Shrugged helped get me aligned so that I can make Enough is Enough a reality for everyone that proves value to this organization. For that I have to thank Eric Carter. For those of you that want to read it, I encourage you to do so. Eric would tell you to read Fountainhead which I have yet to get to.

If you do read Atlas, you are going to want to punch him for the boring 300 pages in between the 500 great one... I will leave that decision up to you. You know where he sits. ☺

Do You Know Who You Are?

This was one of the key things I learned from reading Atlas and living/managing through 2011. The leadership team at Trace3 came under fire in the second half of the year, myself included. I really had to sit down and have a heart to heart with myself. There are things I want to do and goals I want to hit in life. Most everyone at Trace3 is like this. John, Ian, Amber, Rod (who eventually left), Titov, basically everyone, had to really look at whether they were aligned to excel in their roles. I really grew to respect every single one of them and understand a great deal about myself. You see, I was asking the leadership team to set the vision, build the

financial model, and align comp for 2012. They wanted to do it but in all honesty, me asking a group of 5-8 people to do this will never work. It is the job of the CEO to set vision. It is the job of the team to execute that vision. We have so many smart people at Trace3 I thought many of them could probably crush setting vision, writing a playbook, and modeling. It turns out, as Atlas helped me understand, I have a talent for those three things. I excel at them. Many of the others on the team are insanely good at executing a clear vision. Unbelievably good at it. It took us all about 6 weeks to realize this. Most everyone on the team came to me 4 weeks ago and told me they would do whatever it took to make Trace3 successful. They said they were all in and would take any role. Any role that was within their wheel house... You see everyone on the team knew and knows what they are exceptionally good at. WE as a leadership team were not necessarily aligned to succeed. That too will be changing in 2012. You will see most of the “VPs” at Trace3 take a role that has a large focus on execution and monetization. Titov will be moving to Practice Director. Amber will manage the EMs and be helping to monetize services in New Technology Integration. John will be joining me in a General Manager role.

At the same time we will have others that have outgrown their current roles and will be aligned to accomplish amazing things. Eric Carter will be breaking out a team to see if he can be the first to hit new levels of value to a couple Fortune 50 accounts. He is shooting for his team to bring in over \$50MM in sales next year utilizing every lane of business. Paul Markel is making the leap to driving over \$30MM in business. Anne Ponzio has taken a leadership role in LA amongst the EMs and I would expect she will help define what is possible in the role in 2012. Ken White in Denver has stepped up and will set the pace for Resource

Management trying to average three placements a month with his team. (My model only asks for one a month.)

All of these people have asked themselves the question, “What am I great at?” “What is it that makes me special in this market?” 2012 is the year to truly align yourself to those talents and help Trace3 crush this market. When you have a weak economy, the way we do now, it is a huge opportunity. Most everyone is scrambling to stay afloat. We have a chance to take huge share and push a majority of our competition out of our markets.

If you are a person working at Trace3 that understands what you are amazing at, lean into it. Re-immense yourself in it. Many of us were on the path to learn new things and try new areas. I personally wanted to do it with InstantScale. Some Post Sales Engineers want to learn to whiteboard better. Ops people want to go to Inside Sales. Inside Sales Reps want to go outside. I could probably list 20 examples. Before I write this next sentence I want to write this statement and make sure you hear it because it could be taken the wrong way:

There is always an opportunity for you to become more at Trace3. To learn more, to teach more, to make more, and to become more than you thought possible.

Now the caveat - I want 2012 to be a year of execution. I want 2012 to be a year of alignment that leads to greatness. I am not looking to grow the top line revenue of Trace3 in 2012. I am not looking to promote a bunch of people to middle management in 2012. I am actually trying to align people so cleanly that I minimize middle management.

2012 is about all of us taking stock in what makes us truly valuable to the company and leaning into those strengths. We will always be learning, but in 2012 I am going to ask you to focus 80-90% of your effort on what you already know and have proved major competence in.

I am going to ask you to do this and I will 100% lead by example. There were some things I was going to do that were different than being a general manager for the regions. Those things are still in front of me to tackle, but they will be taking the back burner in 2012. I have a job to do. As I titled this chapter, I 100% know who I am. I am going to give the best of myself to the execution on Value Alignment in 2012. I expect the same of all of you.

We crush 2012 and there will be career growth potential for most all of you here. Focus on Foundational Success and Alignment for 12 months and you just watch what will happen.

Earning Your Keep

One of the best things about 2012 will be the individual's ability to earn their keep. There is such a feeling of satisfaction in knowing that you are contributing to the success of the company. I think that is one of the things I look forward to the most.

If there is a time that you are not clear on how you are relevant or how you are earning your keep for your department or region, I want you to take that very seriously. Make time to talk to your manager about it. The management at Trace3 wants and needs you to have this understanding of what you mean to the team's success. If you are struggling with your management, email me. If you don't get enough of my attention talk with Human

Resources. Always know that the intrinsic value of Trace3 is our people. Our people are our only tangible assets.

We expect you to earn your keep. We expect you to know that we are aligned, and there will be clarity on whether or not you are performing. I make the assumption that since you aspire for greatness in your position, that you prefer it this way. We should always be striving to prove our worth to the team. I will always do my best to explain the “why” of what our goals are and how you are specifically relevant to them. If for some reason you do not understand them or are unsure of how to contribute, getting that figured out is your responsibility and we are here to help. Take control of it. We are counting on you.

In Conclusion

I wanted to end this playbook with a story that has not happened yet. Odd I know. I was at a fundraiser for my son’s school and there were many other parents Jen and I knew at the event. One set of parents had four boys in their family. Their third son was on my oldest son’s baseball team for two years which I had coached. Their youngest was the same age as my middle son Carter. Carter was about to start baseball at the T-Ball level and they knew that. They asked if I would be coaching Carter this year instead of Mason (my oldest). I let them know I would be and they asked if I would be willing to coach their youngest son too. I said of course and that I would be happy to.

They then let me know their youngest had recently had surgery because his illness had recently come back. He was very young when he had been diagnosed with cancerous brain tumors. Luckily after massive treatments, he went into remission. They told me a couple months before that night the cancer had come back and they were now planning his

Make a Wish event. They wanted me to know that if I coached him, he would have a very hard time hitting the ball and would not be able to run.

I asked them, “Does he want to play?” They told me he really did and that many of his friends would be on the team. They said it would make him so happy. My heart broke but there was no doubt that I wanted nothing in the world more than to coach their son. I said if he wants to play and it will make him happy there is no way they could stop me from coaching him. I said in T-Ball, everyone hits and no one gets out. We are only there to have fun. I would be honored to coach him...

This story/season has not happened yet. This boy still has a chance medicine could save him and I do not know all the details. I know this though for a fact, I will never forget this T-Ball season. It will be a constant reminder for the rest of my life that there are things that matter in this world and there is everything else. We are here to be the best we can be for the people we care for and love. I am going to be the best damn coach that boy has ever had.

I am going to be the exact same thing for all of you. I know what I am capable of. I am inspired to achieve greatness with you all at the core of Trace3. We all have moments where we, as individuals, can affect people’s lives forever. Most of those moments are not as clear and obvious as the story I just told above. But I see many of them. I see them right now, sitting right in front of me. I plan on taking advantage of them. I hope you do too.

Thanks for reading this and please take a moment to send me an email with your thoughts on this book.

Hayes

2012 – Bullet Points

Everything we do should result in adding value to Trace3's three clients. This will be our litmus test for Foundational Success. It must work for all three to work in the future.

I believe that the employees of Trace3 strive to be incredibly proficient and effective at achieving greatness in their roles/jobs. I believe you strive for greatness.

A foundational aspect of achieving greatness and in turn happiness in business is understanding the math.

I need to write a playbook that allows EVERY single person to understand how they align to and are relevant to achieving this greatness I so clearly see.

I cannot lead a group of people that do not believe in the vision.

Fortifying our freeway so it can take us to 2014 and beyond will greatly depend on each person's ability to commit to using the system(s) properly.

Getting re-immersed in the regions and helping bring sanity to our explosive growth has me more excited than I have been since 2006.

A product like Training as a Service would probably run in the range of 4-8x revenue. Yes, a multiple on Revenue.

There is always an opportunity for you to become more at Trace3. To learn more, to teach more, to make more, and to become more than you thought possible.

2012 is about all of us taking stock in what makes us truly valuable to the company and leaning into those strengths. We will always be learning, but in 2012 I am going to ask you to focus 80-90% of your effort on what you already know and have proved major competence in.