ALL IN!

One Team, One Goal, One Company

TRACE3

2019 Playbook

2019-2020 PLAYBOOK

Trace3 is special. If you have attended an Evolve Conference, an Outlier Award Show, SKO-TKO, or a Client Advisory Board, you have felt the magic. In those moments, the magic is real, it is palpable, it is contagious, and for those of you who have worked elsewhere, you know it is incredibly rare, illusive, and nearly impossible to recreate. We have it here.

Some of you may recall a Harry Houdini story I told in a past playbook where the great magician shared the difference between magic and "real magic." In the story, I shared how Houdini could explain the majority of his illusions by pointing out some type of trick he was doing. A misdirection, a sleight of hand, or something he did with smoke or mirrors. However, even he couldn't explain twenty percent of his illusions. He called those illusions "real magic," and for all of his expertise and obsession around demystifying "real magic," he never came to a clear understanding of how real magic worked. He just knew it did.

When I joined the company almost six years ago, I made it my mission to understand the magic that existed here. My goal was to capture and understand it and then make it as formulaic or repeatable as possible. That mission continues and below are some key aspects of what I have observed:

- Our commitment to elite engineering talent
- Our commitment to emerging technology
- Our meritocracy of ideas
- Our "juice at the edge" decentralized leadership model
- Our "lead where you are" or "lift where you stand" attitude
- Our commitment to organizational health and alignment (Table Group)
- Our commitment to client outcomes
- Our ability to recruit team members who "bring the weather"

All the above are aspects of our magic, and the list goes on and on. We have placed "hard dollars" and "blood, sweat, and tears" behind them, but the one consistent theme that weaves through all aspects of the magic at Trace3 is something Jocko discussed at our Evolve Conference: Extreme Ownership.

You have heard me say many times the number one thing I look for in our industry are those individuals and teams that can "bring the weather" or even better "be the weather." Bringing the weather isn't about having a "smile when you feel like crying" reflex or a "if you can't say something positive don't say anything at all" attitude. It's not about theatre or posture. Being the weather is about owning our success in every situation, and when taken to the extreme, it is an aspiration to control even the uncontrollable: the weather.

We live in a world where it's oftentimes popular to be neutral, pedestrian, fence-sit, or even worse, a victim (someone who points the finger). Many in that world scoff at people who are "all in." At Trace3, we are "ALL IN" and we take an "own the outcome" attitude in everything we do. We not only expect the challenges of volatility, uncertainty, complexity, and ambiguity, we embrace them. We embrace them and work hard to be masters of chaos and all things that seem daunting and unmanageable in order to help our clients do the same.

A special thanks to you who are "all in" and demonstrate extreme ownership even in times of confusion and friction. You are the "magic" of Trace3, and I love to correct misguided people who often refer to you as "converts" or even "zealots" by explaining to them what you really are is a group of "extreme owners." You own our reputation and you own our outcomes. Thank you.

Our GTM Philosophy: Together We Rise

I am often asked why we put so much time and effort into things like Cloud certs, VC briefings, Envisioning engagements, and our major client events like CAB, Outlier, and Evolve. These are just a few things we deliver as services for IT leaders and we do most of them free of charge. So why do them?

As I kid, I learned the old saying, "I'll lift you and you lift me and together we will rise." That simple statement holds the core philosophy to all the offerings and tools we give our clients. We are committed to "lifting" our clients, our teammates, and our partners, and we share a unified core belief that in lifting and securing them, their careers, and their businesses, we too shall rise with them. At Trace3, we believe "losing of ourselves" in the service of others is what anchors us and causes us to rise. It is that simple.

So the next time you are asked why we are doing "press as a service" for a client or why we are partnering with great (but expensive) universities to put on a "pocket MBA" course, I hope the answer is simple: we believe lifting and securing our clients does the same for us.

Alignment: Clarity vs. Certainty and One-Page Playbooks

I love our Table Group sessions led by the consulting group of one of our favorite authors, Patrick Lencioni. Years ago, I began stealing some of the core value questions from those sessions and incorporating them into quick "one-pager" playbooks. I felt at that time (and still do) if we could answer six simple questions at an individual, team, and company level where our answers were aligned/congruent at all three of those levels, we would be unstoppable. Certainty is rare in our business, but clarity is something I believe can be delivered in a simple one-page playbook. Below are the questions I believe (if answered truthfully) will bring clarity and power to all of us:

Individual:

- Why does my role exist? What's the job my teammates/company need me to do?
- How should I behave in that role?
- What do I do (and don't do) in the role? To what do I say yes and no? *"Make the decision that makes a thousand"*
- How will I succeed in my role? How will I know?
- WIN – What's Important Now? ...What should I be prioritizing above all? *"You cannot overestimate the unimportance of practically everything"*
- What's my battle or rally cry...what saying or phrase immediately brings me back to my priority/focus?

Team:

- Why does my team exist? What's the job the company needs us to do?
- How should my team behave?
- To what should we say yes/no?
- How will we succeed? ...How will we know?
- What's Important Now (WIN)? What's our priority?
- What's our Rally Cry? ...What phrase or statement brings us back on target?

Company:

- Why do we (company) exist? ...what's our "why"?
- How should we (company) behave?...traits we look for in new hires?
- What should we lean into and away from?
- How will we succeed? How will we know?
- What's important now (WIN)?
- Rally Cry?

CALL TO ACTION: Each individual will write a one-page playbook that answers the above questions for themselves, and each team leader (along with team) will do the same by the end of August.

Collaborate: Our Strength Has Become a Weakness

We owe each other clarity, not certainty, and I am a huge believer that one-page playbooks where we accomplish alignment between business units and client teams makes us unstoppable. That said, one of our strengths has also become a weakness and is causing dysfunction and waste throughout the company. The strength I am referring to is our "decentralized leadership" model that was put in place many years ago. Decentralizing control and focusing on "juice at the edge" (pushing headcount dollars and some key decision-making authority to the client teams) has been very successful in building effective teams/expertise around individual client environments and needs. In some cases, however, the playbooks written at the team level are at odds with playbooks within one or many of our corporate teams.

We are a great company, but like all companies, our resources are limited, and we simply can't afford to have any of our corporate teams write a playbook that doesn't support the playbook written by one of our client teams, and vice-versa.

This is happening far too often and shows up glaringly in the middle of exhaustive resource searches for client projects both large and small.

For 2019 and 2020, we all have to lean into the idea of "one company, one team, and one goal." This might sound familiar to many of us as it is very close to the OTOV team name and mantra we all admire. Starting today, I need the leader of each corporate team or business unit to collaborate and help design the playbook of our regions and teams, and I need the leaders of the regions and teams to collaborate with and help design the playbook of our corporate teams. I know this seems "simple/stupid," but I believe this is an area where we are failing each other and our clients, and it is eroding many possibilities for our future.

CALL TO ACTION: By the end of September each Region will collaborate with each BU on their Playbook and vice versa. Our goal is to become as aligned as possible to close out 2019 strong and become fully aligned for 2020.

State of the Union: Red Phase

Over the past 18 months, I have referred to the below chart in many forums to portray the phases of dominant-biased thinking organizations go through over time.
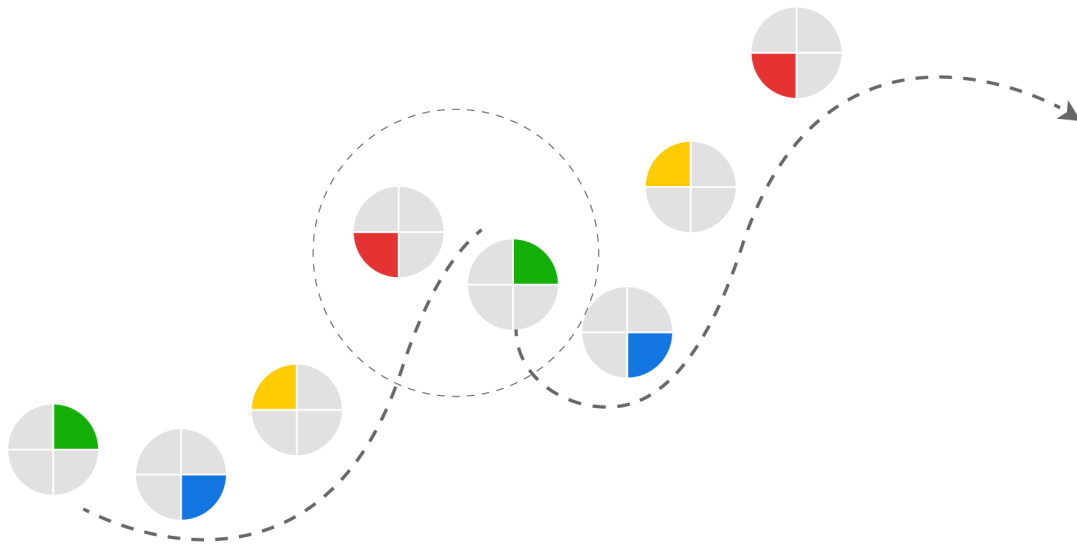
Dr. Jeff DeGraff used this chart at our last Client Advisory Board to help some of our top clients understand the phases organizations go through as it relates to innovation. As I listened to him speak, I realized we were heading into a significant "red phase" at Trace3 and I needed to make sure we all understood that.

My belief is young entrepreneurial-minded companies (green phase) arrive at a point where they have products and offerings worthy of real athletes/distributors (blue phase) that join the company in order to knock down barriers and move product. As the company succeeds, it tends to move into a golden phase where it recruits experienced "been there, done that" people (golden phase) who are mentors and coaches in order to drive collaboration, alignment, and best practices across the business. This golden phase tends to feel good across the organization, and for many, it is the realization of the vision and hopes of the early company. Monthly, quarterly, and annual numbers confirm the company has finally arrived.

There is a catch to the "golden phase"; eventually your volume exposes you. This happens when a client team books a large engagement and finds itself scrambling to resource the project because people they used to count on are committed elsewhere. This also manifests itself when a client team realizes the days of leaning over a cubicle (where help has always been found) yields only an empty chair because their favorite engineer is now delivering a different project. We sometimes refer to this as "outrunning the cavalry," and many of our client teams have found themselves with sabre or bayonet in hand engaged battle, only to realize the horses and cannons are way too far behind, leaving them exposed.

I believe $800M was our "exposure point." Many of you recall me hyping our five-year CAGR and how proud I was to be part of an organization that had grown organically from $0-$800M in revenue in such a short time. However, it also became obvious to many of us that if we wanted our trajectory to continue, we needed to professionalize, systematize, and nationalize the business. That is when we shifted our thinking to our next phrase: the red phase.

The red phase is all about maturing and professionalizing the business for future scale. It's about bringing in people (reds) who deliver on systems and processes in order to strengthen our foundation and raise our ceiling. It's about dramatically increasing our ability to scale.

Today we find ourselves deep in a red phase and depending on where you sit in the business, you likely range from somewhat uncomfortable to extremely uncomfortable. That stated, we all know "growth and comfort cannot coexist," and I believe our red phase will raise our ceiling to the $3B-$5B range in the not too distant future.

As we go through this red-phase, perspective is critical and I believe it's helpful to understand how people who joined the company during the prior green, blue, gold phases are likely to feel.

Greens: In a red phase, Greens (Entrepreneurs) typically feel like the company has changed too much and is becoming too "big company" like an IBM or a government agency. Greens are likely to believe we have become too institutionalized or conventional.

Blues: In a red phase, Blues (Athletes) tend to feel like we aren't paying attention to our clients and have forgotten who (and what) keeps us in business. Blues tend to believe we have become "out of touch" with reality and way too internally focused, creating hoops and processes that slow everything down.

Golds: In a red phase, the Golds (Coaches, Mentors, Teachers) tend to feel a strong need to keep everyone together. They spend most of their time hugging on individuals and teams, reassuring them that although red phases are necessary, they are also temporary and our moment of discomfort will soon pass, rendering a better company ready to scale.

Reds: When Reds enter a company like ours, they tend to feel a strong admiration for our talent and past success, mixed with some shock and disbelief as to how we have come this far without more process, linkage, and systems.

Trace3 is a beautiful collage of these green, blue, gold, and red thinkers and although we are currently grinding through a significant red phase, I believe we are over the half-way point and headed for home. There is still much work to be done, but I honestly believe the worst is behind us.

One of my favorite Churchill quotes is: "When you are going through hell, keep going." I can assure all of you the current state of our company is not what it will be a year from now.

"The grass is greener where you water it," and we all need to hang in and realize the sooner we get through this red phase, the sooner we will get back to a green/blue trajectory. However, we will be green/blue at a size and scale that will impress and even baffle our ecosystem. Thanks to all of you "true champions" who have leaned into the red phase and continue to drive us through the friction.

Everyone in Sales: Client Teams are the Clients

At the risk of sounding like "Captain Obvious," I am going to call out we don't manufacture products at Trace3, and we have very little when it comes to "hard assets." Our people and the IP/solutions we create are the assets here, and it is critical we all understand that. One of my favorite compliments of our talent comes from a client who we supported in hosting a U.S. Presidential debate. This client shared with us that although he "has an army" of technical people, we are his "special forces." Jocko would be proud!

That client's sentiment comes from our ability to move fast and deliver solutions and outcomes. Many of you have heard me say we all need to have an "everyone in sales" attitude. To be clear, I am not asking anyone outside of sales to function like sales people, but I am asking all of us (Ops, Finance, Legal, Consulting, Engineering, etc.) to keep a sharp perspective in each of our roles as to how we help clients do better and move faster. This sentiment is not born out of wanting more revenue, but rather a desire to help clients get to their desired business outcomes faster.

Over the last 18-20 months, I feel like some of us (me included) have become a little foggy on who it is we serve here. As much as we might want to impress a client, partner, or teammate in a very direct way, for the remainder of this year I would like us all to focus on delivering for the client teams. In other words, <u>TREAT the CLIENT TEAMS as the CLIENT</u>.

As much as we might like to be engaged and relevant with a major client, I believe taking good care of the Client Team or any of their teammates is the quickest route to moving the needle for the client.

<u>CALL TO ACTION:</u> TREAT THE CLIENT TEAMS AS THE CLIENT.

Measuring Our Success: Company and Team Level

Company Measurement = Achieve $1.3B in revenue.

Last year we eclipsed $1.2B in revenue and this year we have set our sights on $1.3B as our goal. This represents a much slower growth trend than our five-year CAGR but based on what we are trying to accomplish relative to the systemizing, professionalizing, and nationalizing of our business (our red phase), I believe $1.3B is a proper and even lofty goal.

Team Measurement = Number of Client Teams that ascend in level/rank.

For 2019 and 2020, Marketing, Sales Enablement, Innovation & Research, Consulting, Engineering, Operations, Finance, POH, Legal, etc., will all be measured by the number of Client Teams that move up a level/rank, i.e., SAMs graduating to M-Reps, and M-Reps moving up through levels 1-4.

Below are the seven types of Client Teams we have at Trace3:

- M4 (Diamond): Franchise owners with more than $100M in bookings that will be treated as General Managers running Regions
- M3 (Platinum): Franchise owners with roughly $75M in bookings
- M2 (Gold): Franchise owners with roughly $50M in bookings
- M1 (Silver): Franchise owners with roughly $20M in bookings
- M-SAMs: Strategic Account Managers who live in market and focus on major accounts while reporting directly to an M-Team
- NA-SAMs: National Alliance-based Strategic Account Managers who are centrally located in a major call center brokering technology, inventory, services, and support to our clients
- G-SAMs: Geographically-based Strategic Account Managers who live in market and report to a Regional Sales Director

Our Client Team talent is Best-in-Class at all levels and we truly boast many of the highest-producing teams in the industry. It is my intention that all our Strategic Account Managers (M, NA, G) who want to grow a business to the point of gaining their own dedicated M-Team will have that opportunity. I also believe those Client Teams who have already scaled the "hero's cliff" and made it into our M-team ranks (franchise style team leaders) should have the opportunity to move from M1 all the way to M4, where they won't just run a team but a region.

CALL TO ACTION: For the rest of 2019 and 2020, all Corporate teams will use Client Team rank/growth as their primary measurement. We are treating our Client Teams as the Client, and everything we think, build, and do will be focused on helping them grow and achieve the "next" level. I am confident if we take care of them, they will take care of the actual client.

NOTE ***In the coming weeks we will produce a "run book" with much more detail and specifics around the above client team levels along with the benefits and policies and of each.

"The Main Thing is to Keep the Main Thing the Main Thing"

Sometimes when I feel like my Son is drifting on his school work or some other task, I like to ask him what he's all about, and then I follow my question with a cheeky response like: "Then be about it!" We both giggle a little, but at times I walk away feeling a little hypocritical in that I, more than anyone, need to get back to being about what I should be about.

Over the past six years I have been honored to be a part of Trace3 and to work with all of you. Our ability to forecast and achieve aggressive growth each year has been truly world-class, and I would put our five-year forecasting record up against anyone in the industry. But if I'm being honest, the last few years have been a struggle for me. Not because I don't love the company or what we are achieving, but because I have allowed myself to become far too immersed in areas of the business that fatigue me. Areas that don't represent my highest contribution (Essentialism) or that don't represent my "main thing." Things like governance, compliance, audit, lending, legal, real estate issues, etc., are not areas I love to play in, and in the realm of "trade-offs," I have allowed them to overwhelm and erode my highest contribution to Trace3.

So, from here on out I am going to get back to "being about it." I'm going to get back to my main thing: growing people and teams. Like the rest of our corporate resources, I am going to measure myself by how many client teams I can help grow and up-level, and I am going to "leverage and let go" of all those wonderful corporate responsibilities to the "black belts" we have hired who are far better athletes at those things than I am.

CALL TO ACTION: Get back to the "Main Thing."

Answer to the One-Page Company Playbook:

Why does Trace3 exist?

Trace3 exists to lift and secure the futures of our clients, teammates, and partners.

How should Trace3 behave? (traits we look for in new hires)

We look for people who exhibit strong street smarts, teaming skills, and juice (needle movers).

What do we do?

We are "all in" on cloud, data intelligence, and security along with all the core technologies (network, compute, storage, etc.,) that make them possible.

How will we succeed?

Client intimacy. Through tools and offerings that help our clients show their organizations what tomorrow looks like while executing on today. We will help make our clients "Board Worthy" and "Executive Team Worthy" and enjoy the ride with them.

What's important now (WIN)?

Finishing our companywide "red phase" of systems and process implementation that will allow us to scale much larger, while getting back to a pure client intimacy and delivery focus.

Rally Cry?

Killing Giants -Our Way!
You are "Giant Slayers," and over and over we have shown skills like David fighting Goliath. Like David, we are bringing bullets to a knife fight. As long as we "stick to our guns," we will continue to lay Giants at our feet.

Quotes, Phrases, and One-liners We Say a lot Around Here

- The main thing is to keep the main thing the main thing
- You cannot overestimate the unimportance of practically everything
- Make the decision that makes a thousand
- We don't see the world as it is, but as we are
- Plan the work and work the plan
- Own your Success
- Our future is as bright as our faith/vision
- Where there is no vision, the people perish
- Show them tomorrow to win today
- We get out of life that which we consistently focus upon
- What should be done eventually should probably be done immediately
- The only lies we are truly punished for are the ones we tell ourselves
- Bring the weather/Be the weather
- Vibe attracts tribe
- Share the struggle
- Success isn't for everyone
- The grass is greener where you water it
- What's old is forever new
- One team, one vision
- None of us is smarter than all of us
- Evolve or die
- Major in the majors
- Avoid the thick of thin things
- If you don't prioritize your life, someone else will
- Day One - Day After Tomorrow – SOY
- There are no bad teams, just bad Leaders (Jocko)
- Clarity not certainty
- All possibilities live in technology
- Growth and comfort cannot coexist
- Everyone in Sales
- Outcome over Ego, Progress over Pride, Cold dead fish or Sushi?
- Doubt your doubts
- Act or be acted upon
- Best time to plant a tree was 20 years ago. Second best time is today
- Leverage and let go
- Avoid sunk cost bias and learned helplessness
- Commanders Intent = Give the "What and Why" …they deliver the "How"
- Attribution error
- Prepare, Engage, Adapt, Overcome
- Care enough to be candid
- Challenges make us bitter or better

- I'll lift you and you lift me, and together we will rise
- Pressure is a privilege

Books

- Moneyball
- Buddha's Brain
- Outliers
- David and Goliath
- Lean Startup
- The Advantage
- 5 Dysfunctions of a Team
- Ideal Team Player
- Essentialism
- Extreme Ownership
- 7 Habits
- 360 Degree Leader
- As a Man Thinketh
- Innovator's Dilemma
- How Will You Measure Your Life
- The Day After Tomorrow
- Atlas Shrugged
- Moby Dick
- Innovation Code
- Chop Wood Carry Water
- Sprint