



Comprehensive approach to Risk Management putting Financial, Data and Efficiency Risk in one Platform



Robert Bracey - CEO Rob

CEOCFO: *Mr. Bracey, what is the idea behind Quartet Service?*

Mr. Bracey: It is technical management, and we focus on managing risk most of all. We make sure that technology reduces our clients' overall business risks and then we reduce the technology risks they face. That is the thrust of our company.

CEOCFO: *How does that differ from a typical managed IT company or managed services provider?*

Mr. Bracey: We put our money where our mouth is. Our prime service has no contracts, no capital costs, and service guarantees. It comes as a mashup of four different types of technical services. One is hardware, one is software, one is processes, and the last is a comprehensive service package to ensure that everything works together well. It is almost a shared risk approach. We have flat fees and guaranteed service, and that really takes the risk profile for our customers way down.

CEOCFO: *Tell us a little about the hardware aspect. Why is hardware important for you?*

Mr. Bracey: Hardware is an aspect that people seem to get all confused about in technology. With our particular suite of services, Pure Desk, we can work on a number of different hardware platforms as long as they are technically sophisticated enough to withstand the tools that we embed. It gives companies some real leeway in what they use, so we are putting a stake in the ground by saying that hardware has to be of this specification, but within that specification there is some flexibility. One of the reasons that we do that is to extend the capability of our clients to manage their asset lifecycles. Most asset lifecycle programs are based on the age of the machine. In fact, ours is based far more on the technical performance of a machine. We measure everything that happens on these machines, and when there is some performance degradation, we look to replace it. The technical refresh cycle is usually extended because we do not arbitrarily use a machine until a certain date. We use it up until its technical performance threshold and then we replace it. It is a very neat perspective. From our standpoint, it is way more sophisticated. The data we use to determine when we refresh a particular piece of hardware is way more than it used to be, even a year and a half ago.

CEOCFO: *What is the common thread among the companies you serve?*

Mr. Bracey: If they think that technology should be a significant part of their strategic differentiation, they use us. For companies that just sort of endure technology, they usually do not sit well with our services. If technology is part of your strategy, then Quartet really works. Those companies are usually more profitable than their competitors, and they are certainly more sophisticated in the way they use technology. That is the biggest differentiator. We have learned how to bring economies of skill and scale to our clients. The term used to be mass customization. We have learned how to multi-tenant best practice processes and services so that smaller companies can benefit from a sophisticated approach to IT. That is probably where Quartet differentiates itself most.

CEOCFO: *Do you know when you are speaking with a prospective client if they are a right fit?*

Mr. Bracey: They usually self-select. The number of meetings that are a waste of time for us because the client is not sophisticated enough is small. If they get through some of the things they see on our website and we end up talking to them, they are usually pretty sophisticated. We find that if there is not some sort of appreciation for soft costs and

appreciation for what risk management can bring to a client, it is usually not a good fit. The umbrella under which we designed our services is actually risk management and risk mitigation, and our definition of risk is pretty comprehensive. It goes from data risk to employee productivity to hardware risk and financial risk. Those clients that are sophisticated enough to have a comprehensive view of risk, we usually do very well with.

CEOCFO: *How do you assess the security needs for your clients?*

Mr. Bracey: Part of it is just math. We look at the case studies of other risk scenarios and then see to what extent that applies to a client. For example, if it is compliance risk, what are the chances of being caught and what are the costs if you are caught of nothing compliant? If it is data risk, what is the impact on your brand and what are the reimaging costs? We have a checklist of risk factors that we go through, and we quantify the ambiguity. We find that if you quantify the ambiguity around risk, it really helps narrow the focus for both ourselves and our clients. We do know that one approach does not fit all. For example, a lot of our financial firms, hedge funds and fund management firms have a significantly greater risk profile than some of our not-for-profit clients. I say some of our not-for-profit clients because some of them have extremely high risk profiles. We are dealing with a number of clients who have significant health care information, and the risk to their clients and the risk to the organization's ongoing stability is very high. Having some disciplined approaches to assessing risk and quantifying the ambiguity is a real big deal for us. It is a situation whereby the supplier has an obligation to help its clients understand things. It is not like we are dictating. We have a number of disciplines and we ask our clients how they stack up amongst those disciplines. It is a great situation in that normally in a sales situation it is on either side of a table. Once we get into one of these risk assessment things, it is like we are both on the same side of the table trying to figure out in which areas risk is most relevant to them and what we should do about it. It is almost like consulting from our perspective.

“We have learned how to bring economies of skill and scale to our clients.”- Robert Bracey

CEOCFO: *Do many of your customers take advantage of your VoIP, telephone services or corporate IT?*

Mr. Bracey: The primary motivation for our VoIP services right now is one throat to choke. When something in technology comes up, they call us, and quite often that extends to voice. Interestingly, on this Pure Desk platform, we have included a soft phone so that in a Wi-Fi enabled area, people are going to be able to use these machines for phones. We do not have anybody doing that yet, but we know it is coming down the pipe. We have Pure Desk set up for cell phones and video camera capabilities as well. We are getting ready for this comprehensive approach to IT. The voice services as they have been traditionally defined are more about taking the trouble away from people than they are adding something. Pure Desk is changing that perspective.

CEOCFO: *Tell us about the corporate culture and going from pride to humility.*

Mr. Bracey: It is something we joke about in house. The number of things that we see great companies do that they would not do if they realized it is just overwhelming. Sometimes, we get caught in the same trap. Really well-managed companies sometimes do things that just don't make sense, but when you get to the bottom of why, we can empathize. I remember sitting with the CEO and CFO of a not-for-profit we had worked with for years, and we had done the forensics on how they got to a really messed up situation. The CEO and CFO went through every single one of the instances that led them to a crazy network situation. At the end of it, we sort of smiled to each other and said that is the way life works sometimes. That is what from pride to humility is. We used to think that we could go in and wave a wand and be above IT complexity, but that is not the way life works. We all make mistakes. Certainly one of the things that we appreciate at Quartet is that success comes much more from character and discipline than anything else. Somebody who has the humility and common sense to listen to our clients, then apply our expertise where it is relevant, will succeed at Quartet. Seek first to understand. When you listen, do your research and come prepared, you are off to a good start.

CEOCFO: *What are you surprised is not available today in the technological range?*

Mr. Bracey: I think that a shared-gain perspective to IT is something that is just around the corner. We believe strongly in the ability of IT to drive organization transformation. The greater we can get in bed with our clients, the greater the benefit for everybody. What we have experimented with a couple of our clients is gain sharing. Gain sharing from a revenue perspective with one of them and from a profit perspective with another. Efficiency guarantees is the thing which is probably the most closely related to what we do now. What I do not see our competitors doing and we have successfully done, is a guaranteed cost reduction relationship, in effect, taking accountability for the efficiency increases that IT should drive. We have two clients who have cost decrease guarantees in their contracts, so that no matter what, our costs will fall. The rationale behind that is it puts us in a position where we have to drive efficiencies. We have to make sure that our clients get better because our financial wellbeing is dependent on it. If we cannot convince our clients to reduce various

costs associated with IT, that is our problem. One of them we went really well with, and one we probably would have gotten a B+. In that case, we were naïve to some of the political requirements to make changes.

CEOCFO: *Did you always have such a strong degree of self-confidence?*

Mr. Bracey: We were always confident, and one of the reasons we were always confident is because we are employee owned. We don't have any financial imperatives to follow other than our own, so we were and we still are very disciplined to focus on retainers. What has changed in the last little while is our ability not only to articulate what we bring but to craft products that help that become a reality. Financially, we are a very conservative company, and our balance sheet is great. That really helps to say what is true and what you believe in. In regard to culture, we are character driven. We hire by character first. It is funny, there is a book out called *Hiring for Attitude*. Since we became disciples of that book, it is way easier to talk to people, it is way easier to talk to our staff. I was talking to a new Quartet sales associate the other day and I said that part of his problem was he was selling too much and consulting too little. Our services are like an alternate management format – a different way of managing your company. When you are developing that, you have to listen, you have to think, you have to prepare, and you have to work with the client to figure out what the best way to do it is. It is tough to do that if you do not have some confidence and stability, which we are fortunate enough to have.

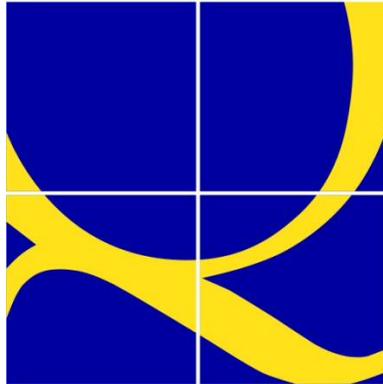
CEOCFO: *Put it all together. Why choose Quartet Service?*

Mr. Bracey: It is a comprehensive approach to risk management. Financial risk, data risk, efficiency risk – we can bring more to the table. We have not seen our new product, Pure Desk in the market yet. It is almost everything as a service – hardware, software, process, service as a service – and the whole thing is bundled into a low monthly fee with service guarantees. A management consulting friend of mine said this morning that maybe our tagline should be “never buy a computer again, buy what it does.” We are trying to make sure that our clients buy what computing does.

CEOCFO: *What is your geographic reach today?*

Mr. Bracey: Lately we've been getting calls from all over North America. We are across Canada for sure, and we have a bunch of clients in New Jersey. It is funny because it is almost like the way we grow. The first client in New Jersey spawned six other clients who are all on retainers now. The majority of our work is in Toronto, and the fastest growing part of our business is outside of Toronto. We do not do anything in Europe yet, and we probably will not. We do some support work and help desk stuff in UK and China. We did not intend to, but somebody asked us to.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine



QUARTET

Quartet Service Inc.

For more information visit:

www.quartet-service.com

Contact:

Robert Bracey

416-483-8332 x2007

RBracey@quartet-service.com