Weekly Report   **From Ric Payne**

Saturday, August 15, 1998

Hello everyone …. This is a Captain speaking. I'm back in the left hand seat for a while.

Quote for the week

"The most visible difference between the corporation of the future and its present day counterpart will not be the products they make or the equipment they use—but who will be working, how they will be working, why they will be working and what work will mean to them."

Robert Harris
The New Paradigm of Business: Emerging Strategies for Leadership and Organizational Change, Pedigree Books, 1993

I Had a Dream

After setting the auto-pilot on I decided to sit back and rest my weary eyes. I drifted off into a deep sleep and had the most amazing dream.

I am back in practice. The year is 2008 and the firm is ras-net.com – a virtual accounting practice comprising 10,654 independent Centers of Excellence around the world.

I was about to have a busy day.

My alarm clock when off at 6am and proceeded to summarize the emails and voice mails that had come through during the night. Fortunately, about half of them had already been answered for me because I'd set my message filtering and automatic response system in place the night before. Several appointments had been penciled into the available times on my calendar by the other party and all I needed to do was confirm the arrangements and the caller would be informed.

I went downstairs and told my computer to make some coffee for me and then give me my day's work plan to review. While the coffee was being made I talked through each of the tasks and told the computer what files I'd need. They were assembled in temporary work folders for me.

I have an appointment with a prospective client. He lives in Edinburgh so I can't visit with him until about 8pm Australian time. I'll scheduled a video conference for that time and check the 'advise contact' box then post the message.

During the previous night he'd completed a qualifying questionnaire which, amongst other things, advised him that I would be willing to meet him. The client filtering system had already confirmed that there are 26 initiatives we could work on to improve his business operation and that a cursory analysis of his KPIs there was a profit improvement potential of about £165,000.

I also had 23 references to my ras-net knowledge base that would apply directly to his business and there were 12 other ras-net associates who had case studies for firms in this industry. Interestingly, it seems he has structured his business in a way that is not the most tax effective. I don't understand anything about tax so I'll get my associate in San Diego (who specializes in the new global tax legislation) to review it if we accept the client.

I noticed that the prospect was using an EDI-based accounting package that was a freebie given to him by the Bank of Scotland. I knew that applet did not have all the bells and whistles and KPI monitoring functionality engineered into the XYZ Intelligent Business Information System (IBIS).

I figured one of my Client Service managers would be able to deal with that issue before lunch tomorrow by accessing the client's computer while he was asleep and dragging the IBIS icon from his computer over the top of the icon for his program. The conversion would be instantaneous but in any event he'd be able to run the help video at any time if he was unsure of anything.

I also noticed that his average virtual currency balance in the past year had been £275,000 and that he was getting 2.3% interest from his bank. Fortunately, our link with Cybersmart Treasury Inc (a company that specializes in seamlessly finding the best interest rate around the world and moves funds accordingly) will allow us to get him an extra point without any exchange risk and instant access—being Scottish I know he'll appreciate that. It will pay for his new client sign-on fee.

The next matter I worked on was a thank-you note to a local client who had just had a most productive visit with the owner of a similar business based in Boise, Idaho. I didn't realize it but a couple of weeks ago he had sent me an email asking if I knew of anyone in his industry with a business about the same size.

My automatic response system had given him 16 leads and the first one he called was a winner. He just wanted me to know that he saw tremendous value in the $48,000 retainer he pays for my services which include access to ras-net. Thank goodness I have access to ras-net which enables me to know which of my associates have clients in various industries so that I can put mine in contact with them.

After that I got down to the real business of the day. My client monitoring system had been reviewing all my clients' KPIs during the night and 7 of them had started to move outside the control limits we had set. The statistical analysis that was built into the system revealed that the movement was non-random and that some underlying cause was present.

I reviewed each of the clients' results and as I was doing that I had my Knowledge-base Scanner enabled so that I had a list of initiatives and things to look for that I'd be able to flag when I updated his on-line ras-net advice system. For three of the clients I decided that all I needed to do was tell my computer to send the Alert and Advice Report.

For the other 4 clients I had to do some thinking—something I hadn't had to do apart from deciding whether to have black or white coffee earlier this morning. Two of these clients had been causing me trouble for several months. They didn't want to follow the advice that we had been giving them and on several occasions their monthly payments had not been honored by the bank. I decided that I would not waste any more time with them so I told my computer to fire them. That would give me the time I needed to work with my new Scottish prospect.

The remaining two clients were struggling. They were in tough industries and I did not seem to be helping as much as I'd like. I got onto my ras-net knowledge base and found an associate in Durbin, South Africa, who had a bunch of clients in this industry for whom she'd accomplished some astonishing results. So I sent her a quick video-mail to introduce myself and my client. Within 20 minutes I got an alert to say that she'd received my video mail and we could talk live a 6pm my time. My system noted the time conflict with the call booked to my prospective Scottish client so our two computers finally settled of a conference at 5pm tomorrow.

Under the ras-net free trade agreement I can trade clients with other associates and I pick up 20% of revenue from KPI monitoring and operations support in each of the next 4 years. We can do that because all associates use essentially the same monitoring system and support

protocols. This means I don't worry about moving my clients on to other associates. About 15% of my revenue now comes from clients I've transferred which also means I'm free to focus on acquisition which is what I'm good at and enjoy.

I'll now tell my computer to download a 100 megabyte software upgrade for my system. That will take 3 minutes to download and install. I can't stand the wait, so I'll go grab myself a cup of coffee.

Goodness me it's 10:30 and I'm still in my pajamas!   I have a BGR session with 12 of my clients at 11. They have each invited a business guest, so I'd better look smart. The topic today is Guarantees and How they can Lead to Total System Reengineering.

When that's finished I'll check my banking records to make sure all my monthly revenue has come through. It's great not to have to send out bills all the time. It's also comforting to know that I have $100,000 coming in each month from the 25 clients my team services. The $4,000 that I pay res-net each month is a wonderful investment especially since I pick up about $14,000 extra per month in back-end revenue from the financial planning I do for clients, finance and insurance brokering and the small but growing fee I get from advising other associates in ras-net.

After lunch I'll connect with my Client Service Managers for our daily meeting and client situation review. A couple of them are putting some process templates into our clients' businesses. One has a video-CAB organized for a client at 4pm – that will link 12 of her customers from all over Australia.

Since we re-structured our local firm so that CSMs had virtually total client responsibility I have had much more time to concentrate on how, where and for whom I can add value. The CSMs are compensated on the basis of the net they generate and they are doing very well. They also have a wonderful career opportunity because after working with me for 5 years they become eligible to become a ras-net associate.

They invest just $250,000 of which $50,000 goes to Results Accountants' Systems and I get the balance financed over 4 years. To qualify for associate membership they must have 25 clients under management which will guarantee an income for them of at least $450,000 so their investment in the network is a wonderful investment for them. Like me they get access to every conceivable piece of information that could possibly be needed by a consulting accountant – it's interesting to see how much the profession has changed in the past 10 years. I sure do appreciate the vision those people at Results Accountants' Systems had for where it could go.

I had this dream after reading a report on the 12 fundamental themes that are defining the new digital era we are entering. They are –

1.   <u>Knowledge</u> work becomes the basis of value, revenue and profit. Knowledge systems evolve.

2.   All communication shifts from analog architecture to <u>digital</u> architecture.

3.   <u>Virtual</u> organizations become the norm. In fact, virtual everything becomes the norm.

4.   There is a <u>shift from command-and-control hierarchy</u> to work groups and teams utilizing object-orientated systems as lego-type building blocks that can be rapidly assembled, disassembled and are re-useable

5.   There will be rich <u>interconnections</u> within organizations and between organizations and their customers as we move from peer-to-peer networked computing to client-server

networks utilizing full multimedia capability. This will enable small companies top overcome the main advantage of large companies namely economies of scale and resource access—this in turn will encourage the growth of small companies as key business units.

6.   There will be an elimination of <u>intermediaries</u> in economic activity which will reflect in a blur between producer and consumer as the latter assumes a significant part of the formers role. The middleman function will be (is being) eliminated.

7.   Communication, computing and content will converge. The growth industries in the next century will the those that locate at the point of <u>convergence</u> and have experience in software, services, content and communications.

8.   <u>Innovation</u> will be the key driver of economic value creation. It will not come from traditional sources such as access to raw materials, low cost labor, scale etc. "No matter how good your product, you are only 18 months from failure", says Nathan Myhrvold.

9.   <u>Prosumption</u> will arise as enabling technology equips consumers to be producers. For example, consumers of knowledge and its application will become producers of the knowledge application. It will be an organic self generating knowledge growth network. Another example will be where consumers utilize object-orientated architecture to build their own applications in much the same (but easier and more powerfully) spreadsheet functions and macros replaced application developers.

10.   <u>Immediacy</u> will be the order of the day. Most things will happen in real-time which will enable much finer management of processes. Product life cycles will shorten. In 1990 it took 6 years for cars to go from concept to production, today it is 2. In the consumer electronics industry the typical product lifecycle is 2 months.

11.   <u>Globalization</u> will define new enterprise structures and organization. Time and space will be independent. People will be able to locate where they choose and networks of business clusters will form on a global platform.

12.   <u>Discordance</u> arising from the rapidity of change will create new social pressures and conflict. Order will be sought from organizations that are able to filter and focus applications technology and content. There will be a growing gap between the haves and the have nots, between those who work and those who do not.