



ALL DIGITAL MEMBERSHIP

THE SIX STAGES OF GROWTH (AND HOW TO BREAK THROUGH)



FEBRUARY 2019 COACHING CALL

Scott: Hello, everyone! I want to welcome you to our All-Digital How to MANAGE a Small Law Firm Coaching Call. Today is going to be a great day. My name is Scott Whittaker and I'm going to be your host for today's call. If you haven't already done so and you're just dialing in, get ready to take some great notes. RJon is going to be joining us in just a moment.

One of the things we've said is to consider this as if you are meeting with a potential new client. You would meet with a potential new client. You would go into that meeting prepared. You would know a little bit about them and what their wants and needs are and you would not let any distractions come in the way of being able to meet with them and talk with them and see how you might be able to help them, so let's do the same for this call. Block out any distractions. Don't let anybody interrupt you during this time. Turn off your social media and all that sort of stuff. Turn off your email and just get ready to take some great notes on everything that RJon has to share with you. I'm going to check on a couple of things and we'll get started in just a moment. I know we're right at the top of the hour here, so give me just one moment and we'll get started in just a second.

Hey, everyone! This is Scott Whittaker. I'm going to be your host for today's call and we're going to get started in just a moment. It looks like RJon might be having a little bit of trouble dialing in, so let me shoot him a text here and make sure he's good to go.

All right. RJon is here. Let me do a couple of things just in the way of housekeeping. If you haven't already heard me say so, I want to make sure that you're treating this time that we have with RJon as if you're meeting with a potential new client, so you wouldn't let any distractions take place. You wouldn't be checking your Facebook during that meeting. You wouldn't be taking phone calls. You wouldn't be checking your email or anything like that. Let's not do that during this call. Let's go to work on your law firm and let's help you help more people. Let's set aside any distractions. Go ahead and take out a pad of paper and a pen. Get ready to take some great notes. I know RJon is on the line. RJon, when you're ready, just let me know.

RJon: Hey, Scott!

Scott: Hey, RJon! How are you?

RJon: I'm doing well, thank you. I apologize. First, I had a hard time dialing in and then I realized my dog got out, so I had to go grab him back in. I apologize, everyone. I just don't want my dog to get run over, so I had to get him. He's in. I'm in. We're all in. It's all good.

Scott: Yeah. We've got a great group with us. I've checked with our operator and he's been letting me know that we've got a great group of people already on the line with us, so thanks for being with us. We appreciate you taking time out of your day to help us, help more people with our law firm. I've got to say this upfront though, RJon. I'm a little bit sad. We lost some members, some of the old members.

RJon: We lost two members.

Scott: No, we lost four members. It's worse! Actually, I'm kidding around. RJon knows this, but we did lose four members, four members who won over the past couple of months free tickets to go to the Live Quarterly Meeting last week. They did so and they had such a great time and saw all the value that the members of the C-suite program receive that they decided to upgrade their membership on to C-suite. All four of them did. Congratulations to them! I know great things are going to happen, but that means we've got some spots available now for more All-Digital members, so I look forward to filling those spots as well.

RJon: That's only because we locked them in a closet when they got there and we browbeat them and we harassed them and we threatened them. We of course forced them to make a decision on account of [Inaudible 00:06:06]. They're only lawyers. They don't have any free will whatsoever and they can't make any of their own independent judgments and decisions. That's the only reason they decided to engage our services as the outside CEO of their law firms, is because we just got them there and then tricked them. Of course, that's not true at all.

These are intelligent, sophisticated people who have businesses that they want to grow and

they met -- they got around -- oh man, I think we had the room set for 400 people and they got around all of our members and their spouses and significant others and they saw what it was all about, what was happening. Scott, I'm sorry you weren't able to make this one, but we had something really cool that happened at the beginning of the Live Quarterly Meeting. We asked all of our members to stand up whose law firms had broken the seven-figure barrier for the first time in 2018, meaning 2018 was the first year their firms grossed more than \$1 million, and you can actually see it on the video. Everyone who's on the All-Digital Program will be able to see that too when it gets posted pretty soon and you'll see -- I think we had 24 members, 23, 24, 26, something like that, members whose law firms broke the seven-figure barrier for the first time in 2018, and that was so exciting. Of course, I think that might have something to do with why we lost some digital members when they saw that happen.

Scott: Yeah. This is a good segue. Today, we're going to be talking about the different stages of growth in a law firm and I want you to share what those stages are and some of the common barriers and then really hit on what can our members do to try to push through some of those barriers and what you see from your perspective in working with so many lawyers. Those are people who've broken that barrier and they did so because they put a system in place and they went to work on the parts of their law firm and quite honestly, just to say so, they engaged the services of How to MANAGE a Small Law Firm as well to help them and guide them along that process.

For those of you who are in the All-Digital, which all of you on this call are, that's our goal for you, is to get you to a place to where you're experiencing growth and you're experiencing so much growth that you need more from your membership. If that's you where you're already saying, "I've got some growth that is taking place in my law firm and I need some help on managing this" and maybe it's more than what your All-Digital Membership is able to provide you, email me and we'll see if we can get you in the next Live Quarterly Meeting and the Discovery Day and learn more about those C-suite services.

That's my little plug for it because it really does.

To have four winners from All-Digital go there and experience everything that they experienced and see and be around other lawyers who are going to work on their law firm and are using those services and then make the decision to upgrade really does say a lot. It says a lot about them. It says a lot about the C-suite services. It also says a lot about the All-Digital Membership that you have in getting you to that place to be able to make that decision. So if that's you, let me know and we'll see what we can do to get you at the next one.

RJon: I think it also says a lot about the members who we've met because I didn't meet any of the digital members until after they decided to upgrade their membership from All-Digital to actually having us function as the CEO of their law firms for them. This just happened to be what it was and I didn't meet any of them. They all met hundreds of our members, lawyers with small law firms all over the country who are just living the dream. They got a chance to meet them and I just want to share the credit with our fellow members who really are very encouraging and [Inaudible 00:10:27] to people who come into the group.

With all of this being said, I want to be really, really, super duper extra clear, the whole reason why we created the Digital Membership in the first place is precisely because we wanted to create a resource, we wanted to create a program that would empower solo and small law firm owners to grow their law firms in a DIY, do-it-yourself kind of way because the time was when we originally -- when we originally conceived of this, time was on the horizon. Now, the time is like on the doorstep when we'll no longer be able to accept new C-suite members because we're now up to something like 365 C-suite members meaning CEO, CFO, COO -- we provide CEO, COO, and CFO, so this is for them.

When we get to 400, I have made a commitment to my team first and I've made a commitment to our members, second, that when we get to 400, we're going to do a one-year moratorium and not accept new C-suite members. What that means is if someone obviously gives up their seat, we'll replace them, but we're not going to offer more than 400 spots. Once we get to that, we'll have a 12-month moratorium and not open

up more than 400 spots. Instead, we're going to take the time, the energy, the money that we have invested on recruiting our own team, which we closed our books out already for last year. We've invested almost \$600,000 to recruit, train, and grow our team of professionals who provide services to our members.

Remember, they're all full-time, 401(k), W-2 employees. These are not freelancers. They're not doing it part-time. They're not doing it as part of something else they do. This is their career, is functioning as the CEO, COO, or CFO for our members. When we get to 400 members, we're going to shift our attention to really for a year just bringing the team together and really improving the value proposition all around and make things better for everyone. The point is the Digital Membership was created to be a standalone value to members who are subscribing and using it. You should not feel like you're not getting something that will help you to apply it. It's just we're a DIY type of a program.

So that being said, Scott, the main topic is the stages of growth and what keeps most law firms from breaking out of each stage. Do you have any questions or are we going to take live Q&A at the end?

Scott: We'll do live Q&A at the end. I've seen the stages of growth. I would venture to say that most of our members do not know what those stages of growth are, so I would like for you to give those stages of growth, talk about some of the commonalities at that particular stage that keep them from growing and why they don't grow past it, how they can, and then we'll open it up for questions and see what questions our members may have.

RJon: Okay, great! I just wanted to check with that. The stages of growth are as follows. The first stage of growth is between zero and about \$250,000 in gross revenue. The name of the game in the first stage, if your law firm is in the first stage of growth, the name of the game is really "hustle, market, sell". You just hustle, market, sell, hustle, market, sell, hustle, market, sell your way out of that stage.

What prevents or what stops most law firms from breaking out of stage one is that quite

frankly, they're not a law firm. Most lawyers who have firms at the zero to \$250,000 stage really have just created a job for themselves. They haven't actually created a business. They have not built the kind of infrastructure. They have not thought about what's going to happen when the firm gets past \$250,000, and so they didn't take the time to lay a proper foundation. They didn't lay a proper marketing foundation so that it could grow past \$250,000. They didn't put a proper sales foundation in place, so they couldn't go past \$250,000. They didn't take the time to document proper policies, systems, procedures so that they can have a systems-run firm, which is required so you get past about \$250,000, as well as financial controls and physical plant and all that kind of stuff.

This is a really critical thing to understand. A \$500,000 law firm is not just an overgrown \$250,000 law firm. A \$500,000 law firm is a very different animal(ph) than what a \$150,000 or \$200,000 is. A \$500,000 law firm is typically being driven by systems. It's a systems managed business and those systems get run and managed by typically people other than the owner. So the system at \$500,000 is typically being managed -- not usually directed, managed by someone other than the owner. At \$500,000, there's usually someone other than the owner of the firm who can meet with, if not all of the clients or prospective new clients, at least some of the prospective new clients.

At \$500,000, there's someone who's taking responsibility for working on the business at least in a day out of every week on the business working on policies, working on procedures, working on systems, reinvesting in the business. I realized to pass \$250,000, what prevents most law firms or lawyers from growing their firms past about \$250,000 in gross revenue is lack of leverage and a lack of leverage comes from the lack of systems, and a lack of systems comes from the lack of [Inaudible 00:17:39] and planning. I'll give you an example. We'll do the math together. I've done this example with thousands of lawyers, so I'm just going to take the liberty of filling in a few numbers as if everyone was in the audience raising their hand and calling out numbers to me.

You figure how many weeks per year do you probably want to give the firm per year. Most

lawyers, when I ask, “How many weeks are you willing to give the firm?” and I want everyone on the call now to listen and think about how many weeks do you want to give your firm, and I’m not asking how many weeks are you willing to give the firm. I’m asking how many weeks do you ideally want to give the firm. Most lawyers, when we really talk it through, if they’re being really honest with themselves, they want to give their firm typically around 44 to 46 weeks a year because if you take Christmas, Thanksgiving, New Year’s, and all the major holidays, that will add up to two weeks of the year. Now, you’re really talking about 50 weeks because no one wants to work on Christmas, Thanksgiving, and New Year. No one starts the year saying, “My intention is to work on all of the holidays.” So you start the year saying, “I really only want to work 50 weeks because I want to take off for all the major holidays.”

Now, what about a vacation? Everyone wants to take a two-week vacation. Members of our Million Dollar Solo Lawyers Club are required as a condition of membership in the Million Dollar Solo Lawyers Club, they’re required to take 30 consecutive days off every year. That’s so we can stress test the firm to see what breaks so we can make sure they actually have a real business and not just a job, but you don’t start the year saying, “My intention is to not take a vacation this year.” Everyone has an intention of taking a vacation, so when we say how many weeks do you want to give the firm, you’ve got to back up about two weeks for the average person. So now, instead of 50 weeks, you’re really talking about only 48 weeks.

Now, we talk about life and life tends to just happen. There will be a day when you will wake up sick and you won’t want to go to work or maybe you can’t go to work. There will be a day where you are perfectly healthy, but it’s your child who is sick and you can’t go to work because you’re going to take care of your child. Maybe you’ve got to run to the doctor or maybe you’re just going to be at home and give them comfort and be a supportive parent. There’s going to be a day when it will be your spouse or your significant other who’s just going to have a really, really bad day or something is going to happen and you’re just going to have to be there for that person and you’re going to want to be

a supportive spouse, a supportive significant other, and you’re going to want to be able to take that day off without having to look at your clock, without having to look at your wristwatch and thinking, “Oh my God, I’m losing billables.” No one wants to be home supporting their husband or their wife or their significant other thinking, “Oh my God, I’m losing billables.” So you budget for life to happen because it usually does to most people about two weeks out of the year.

In my experience working with thousands and thousands and thousands of lawyers for, holy crap, almost 20 years now, I can just tell you that most reasonably, emotionally healthy adults with mature adult relationships, we usually need about two weeks life [Inaudible 00:21:16] for us. Now, instead of 48 weeks, you’re down to 46 weeks. So 52 weeks in a year, two weeks for Christmas, Thanksgiving, New Year’s and all the major holidays, two weeks for a vacation, two weeks budgeted set aside for life to just happen, and now you’re talking about 46 productive weeks. That’s 46 productive weeks.

Now, the next question is how many hours per week do you want to give the firm? The question is not how many hours are you willing to give the firm. No one wants to kill themselves for the firm. You want the firm to work for you. How many hours do you want to give the firm? Most lawyers, if they’re really being honest, they’re talking about, “I really want to give the firm about 45 hours a week, maybe 50 hours a week.” Some weeks will be more, some weeks will be less, but averaging around 45 hours a week, 50 hours a week, and that’s all in. That’s marketing, sales, management, production, financial management, financial responsibility for the firm, dealing with all the administrative things that come with being a business owner, tax planning and all those kinds of things, making sure the 941s are paid, the K-1s are paid and all that kind of stuff. That takes time as well as the marketing takes time. Meeting with prospective clients takes time. You’re not getting paid for that.

Most solo and small law firm owners working on their own without a whole lot of leverage, they’re billing about 25 hours a week because they’re working 45 hours a week. They’re doing marketing. They’re doing sales. They’re doing all the other things and they really get around

to billing about 25 hours a week. So now, you're talking about 25 hours a week times 46 weeks in a year, you're talking about 1,150, maybe 1,200 hours in a year. If you take 1,150 times let's just say an average of \$250 an hour then you're talking about \$287,000 a year and that's assuming that you bill from everything you do and that's assuming [Inaudible 00:23:30] for anything you bill, and we know that's not always true. So we're talking around \$250,000 to \$280,000 a year.

If you're working 40 to 50 hours a week, you're working an average of 46 weeks a year and your billing rate is around \$250 an hour, then you're going to cap out around \$250,000 to \$280,000 in gross revenue. It's really hard to get past that point if you're the one doing everything yourself because -- well, I just said it, because there's only so much time in the day, there are only so many weeks in a year, and there's only so much energy that you want to give to the firm before it starts to feel like it is eating you alive.

So what stops most lawyers from growing past and breaking out of that first stage of growth, zero to \$250,000, is a lack of leverage and exhaustion. You know, Scott, imagine you're hanging on to the side of a cliff. As long as you keep moving, you'll get over the cliff and back to safety, but you hang there for too long and you start to feel fatigue. Pretty soon, you just don't have any strength left and you let go. That's kind of where it is for a lot of lawyers who have been in the zero to \$250,000 stage for too long. There's a great country music song that I love and I keep forgetting the artist who sung it, saying, "If you're going through hell, keep on going. You might get through before the devil even knows you're there." Anyone who remembers the name of the person who sang that song, please post it on the forum so I can see because I forgot.

Scott: Rodney Atkins.

RJon: Excuse me?

Scott: Rodney Atkins.

RJon: Rodney Atkins. I'm going to write that down, Rodney Atkins. I could've sworn Garth Brooks did a cover on that.

Anyway, the point is that to get through zero

to \$250,000, it only takes about 18 months for most lawyers to get through from zero to about \$250,000. The problem is when they slow down or stop in the middle and then it's like quicksand. They just get stuck. I know I just changed the analogy, but I think everyone is smart enough to understand what I'm trying to say. It's like quicksand. It's like hanging on to that vine on the side of the cliff and you just get so tired that eventually, you just drop it and die. We've got to get through this stage. This is the hardest part of growing the firm especially if you stopped in the zero to \$250,000 range for too long because it starts to harden around you and you get stuck.

The next big thing that keeps people stuck in this first stage of growth is they start to surround themselves with other lawyers who are stuck in that stage of growth also. There are very few lawyers, there are very few bar association meetings that you're going to go to and surround yourself with a bunch of lawyers who have been stuck in the zero to \$250,000 gross revenue range for -- they've been stuck there for more than a few years. It's not like they're going to tell you, "The reason that I'm stuck here is because I don't know how to do a business plan and I won't learn." They're not going to tell you, "The reason that I'm stuck here for all these years is because I don't have a marketing plan and I refuse to make one." They're not going to say, "The reason that I'm stuck here is because no one ever taught me -- I didn't learn in law school how to sell legal services and I keep missing all these opportunities that are presented to me to learn how." They're not going to tell you, "The reason I'm stuck between zero and \$250,000 for all these years is because I've never taken the time to sit down and actually write out a 12-month forward-looking budget. I don't require my bookkeeper to give me a budget variance report every month. If my bookkeeper does give me a budget variance report every month, I don't know what to do with it or I just don't pay attention to it." They're not going to tell you the reasons why they're stuck between zero and \$250,000. Those are the reasons that cause law firms to get stuck.

Instead, what they're going to do is they're going to make up a bunch of stories. If you're not paying attention, if you're unfamiliar with what happens in this predicament, before you know it, you start to believe some of those stories and the

next thing you know, you start to accept some of those stories. The next thing you know, you start to repeat some of those stories. The next thing you know, you're stuck in the zero to \$250,000 range of your law firm because you're telling the same stories that the other lawyers are telling as to why they're in that revenue range. That's really the reason why so many of the members of Digital who visited the Live Quarterly Meeting, Scott, I think probably decided to upgrade because instead of being surrounded by a bunch of lawyers who were telling them stories about what can't be done and how hard it is, they were surrounded by hundreds of lawyers who are doing it and living a better life, so they got exposed to a different choice, a different group, different stories. They have a choice of going home with the same stories they brought there or instead -- obviously, four out of four chose to live a different story.

All right. Are you ready for the second stage?

Scott: I'm ready for the second one.

RJon: The next stage of growth is about \$250,000 to about \$500,000. What typically causes law firm to get stuck around \$500,000 is they don't engineer the positions in the firm well enough. They don't engineer the positions to be independent. If you think of it, if it's just you by yourself, you don't have anyone stop and interrupt you with questions all day long. You can just do your thing and it's actually kind of fun, not very complicated.

Bring in one other person whether it's a paralegal or a legal secretary or an associate or whatever the position is. You bring someone into the firm in order to gain some leverage. Unless you happen to hire a mind-reader, which [Inaudible 00:30:47], you're hiring a human being and human beings have questions. Most people want to do a good job and if you don't teach them how to do a good job, if you don't give them a clear description of what is the responsibility, where do the responsibilities begin, where do their responsibilities end, what are the boundaries of their job so that they know what the boundaries are in which they're operating, if you don't take the time to share with them what are the reasons behind the policies and the procedures that you have so that this isn't just a memorization

task that treats them like robots, but instead, they understand the reasoning and the rationale behind the policies or behind the procedures so that when they encounter a unique situation that the policies or the procedures don't address because your policies and your procedures can't address everything. There's always new stuff coming up, so you have to train your people on the reasons behind why those policies and those procedures are there.

Then of course, you've got to give them training and you've got to have an on-boarding program. At How to MANAGE a Small Law Firm, Scott, I've mentioned this in the introduction, we invested almost \$600,000 just last year in recruiting and training members of our team. When we recruit a new person, this is after they've gone through multiple rounds of interviews and everything else, when we hire them, the first six weeks of their job, 45 hours a week for six weeks, their full-time job is to do nothing but go through our training program.

Now, we're a \$10 million plus business. We have learned how to do this over many iterations and we're always making it better and it's never going to be done. It's never going to be perfect because we live in the real world and things are always changing and growing and we're always having to adapt and pivot on things. We have developed this over many, many years of evolution, but the point is we started with something. Most small law firms don't have any kind of training program in place for their new hires, so they go through the trouble of hiring someone, they might even pay a recruiter a recruiting fee, and the person shows up and they don't do anything to train them. Maybe they throw a manual at them or something and that's even something that most law firms don't do, but they don't actually plan.

You would never take a case to trial without a trial strategy and a trial plan. You would never expect someone to learn how to do an important new skill without training them. What lawyers do, what law firms do, because they haven't taken the time to document the policies and procedures and create actual systems that run the firm, they take each one and they say, "Oh, you are a paralegal at some other law firm. Great! You can now be a paralegal in my law firm." They never find out did the other law firm actually train

them. If the other law firm actually trained them, what training did that other law firm actually give them? Did the other law firm have the same criteria for how they wanted things done and why they wanted things done and when they wanted things done? The lawyer doesn't ever take the time to ask these questions and instead, they just set the person up for failure and frustration and what ends up happening is that first hire, instead of being a relief to the lawyer ends up being a burden for the lawyer because they come back and they ask questions.

Well, why shouldn't they ask questions? You haven't told them how to do anything. You haven't told them why to do anything. You haven't told them when to do anything. You haven't shown them how to do anything. You haven't taken the time to invest. You haven't invested the time to train them on the tools and equipment that they're going to use to do anything, and so they ask you questions. Eventually, they have barraged you with enough questions that they sort of kind of understand how to do the job and they're sort of kind of self-sufficient, but they're not really super profitable and they're not really very efficient, so you need to hire a second person, and then you go through the same thing all over again with the second person, and then you hire a third person. Next thing you know, you've got two or three people on staff, none of whom are really properly trained because none of them has any kind of real systems that they're working with because you don't have any systems in your law firm and they spend most of their time asking you questions and asking each other questions. It just so happens that around half a million dollars of revenue is where most law firms will stall out with this whole thing.

Scott, have you ever seen a tractor pull? Do you know what a tractor pull is?

Scott: I grew up in the south, so yes, I've actually been to a tractor pull, yes.

RJon: Okay. For anyone who does not know what a tractor pull is, I'll try to describe it and you can tell everyone if I got it right or not, okay?

It's a drag race between two tractors and each tractor is dragging a sled. There's a very heavy, very, very [Inaudible 00:36:26] sled over the

wheels. Wheels roll, so the tractor can pull the sled and the wheels are rolling with the weight on top of that. As the tractor moves further down the track, the weight moves towards the front of the sled causing the front of the sled to dig into the ground harder and harder and harder so it's harder to pull the tractor. Eventually, the sled got so much weight on the front of it instead of over the wheels that the tractor just can't move any further and stops. Did I accurately describe this tractor pull?

Scott: Yeah, you sure did, man.

RJon: Okay. This is exactly what it's like when you try to grow a law firm without policies or procedures and with no systems. You get one person on board and they start to slow you down, and then you get a second person on board and they slow you down some more. And a third person, they slow you down some more. You can manage to address all of their questions fast enough. You can keep the momentum going to get up to about three or four staff, but eventually, they're going to outnumber you to a point where you just can't move another inch with all of these people asking you all of these questions and making all these mistakes and needing all this supervision and needing all this input and needing all this micromanaging all because you failed to create a proper environment for them and for you to be successful with processes, policies, procedures, and systems, and so your law firm never gets beyond about \$500,000 of gross revenue. That's just usually where it stalls out. That's the second stage of growth.

Okay, third stage of growth. The third stage of growth is typically between around \$500,000 of gross revenue to about \$1.5 million in gross revenues. The cool thing is it actually is easier to get from \$500,000 to \$1.5 million than it is to get from zero to \$250,000. How can that be? Well, because to get past \$500,000 in the first place, you have to have some systems in place and you've got to have some leverage in place and you've got to have some help, and that help gives you -- it's like lubrication. It's like putting wheels under the weight so that it's easier to move. You didn't get out of the second stage of growth without being able to delegate some basic things to people to get things off your back, and so it's easier to get from \$500,000

to \$1.5 million than it is from zero to \$250,000 when everything is on your own back.

This is a big surprise for a lot of lawyers who are sitting at these bar functions, hearing, uncritically accepting, and maybe even find themselves repeating these stories about how hard it is to have \$1 million firm and how they're so much happier that they only have a \$200,000 firm because the \$1 million firm would just be so much harder. It's actually exactly the opposite. It's actually easier to have a \$1 million firm than a \$200,000 firm because you've got leverage and you've got momentum.

All right. Why do law firms get stuck in that third stage of growth between \$500,000 and \$1.5 million? The answer very simply is numbers -- numbers and decisions. There are a few different ways to make decisions when managing a law firm. One way to make decisions when managing a law firm is based on experience. You can make decisions based on your experience except the problem is if you're growing your law firm really fast, your experience becomes less and less relevant every quarter. If you're not growing your law firm at all then your experience from last year or from five years ago will probably be helpful because things really aren't changing very much, but if you went from zero to \$250,000 in 18 months and then you went from \$250,000 to \$500,000 in the next 18 months and then you go from \$500,000 to \$1 million in the next 18 months and you go from \$1 million to \$1.5 million in the next 18 months, it's now five or six years later and you have a \$1.5 law firm and what you know from five years ago when you had a zero to \$250,000 is almost practically useless. It's got no bearing on what it's like to run a \$1.5 million law firm.

So the thing that gets a lot of lawyers stuck in this third stage of growth, \$500,000 to \$1.5 million, is they go back and start trying to make decisions based on the experience from a completely different set of situation, a completely different situation, a law firm that has a completely different set of challenges. It's like trying to navigate high school based on what happened to you in grammar school. It's just not relevant. That's the first thing that causes lawyers to get stuck in that third stage of growth and prevents them from going past \$1.5 million.

The second kind of decision-making is based on investigation. I know we're lawyers. We're supposed to investigate. Investigation sounds like it's something you should be very proud of doing, but there are just too many decisions that have to get made when you get up to around \$500,000, \$700,000, \$1 million. It's not that the decisions are more complicated. They're not more complicated. There are just more of them. It's not that the price of waiting on the decision -- well, it is. The price of not making a decision, the price of the delay, the cost of the delay, is larger.

When you're sitting there by yourself in your office with a \$200,000 law firm and you need to make a decision about whether to execute this marketing campaign or whether to execute that marketing campaign or whether to invest in this thing or in that thing for management and growth of your firm, you say, "Let me think about it. Let me investigate it. Let me do my due diligence. Let me think this all the way through" until the end of time and you take a month to figure it out, what did it really cost you? Other than your own time, you wasted your month of your life. Opportunity cost. You wasted a month of your life, but that's about it. That's all it really cost you. While you were wasting the opportunity of your time, you were still cranking up billable hours, you were still generating some income, so it was really truly just your own personal opportunity costs.

But you get to \$500,000 and you've got three or four members of your staff. Now, they're waiting on you to make a decision and that decision isn't just wasting your time. It's wasting their time. I'm not talking about wasting their time from an ethical or moral standpoint. I'm talking about the fact that you're paying them. You're paying three, four, five people to literally sit around doing nothing while you wait and ponder and analyze and think through and research and figure out and just -- paralysis by analysis is what we call it. While you're sitting there analyzing this thing to death because you don't want to make a \$5,000 mistake, you burn through \$15,000 in payroll over a few months while you're avoiding making this \$5,000 mistake.

This is the second part of how law firms get stuck in this third stage of growth, is they fail to evolve.

The owner of the firm fails to grow, evolve, and develop a new skill set to make better decisions in a better way, and what is that better way? What is the better way to make decisions? The answer is data-driven decisions. You make data-driven decisions based on numbers, based on having a dashboard, based on having a budget, based on having a budget variance report, based on having a cash flow projection, based on having an accounts receivables report, based on having a productivity report, based on having -- I said dashboard already.

Having these numbers -- and you don't have to be good at math. I'm terrible at math, but I really like to use numbers to make decisions because numbers are objective. The numbers can't be negotiated with. Numbers can't be argued about. You can't argue about the cause of the number, but the number is still the number. At the last Live Quarterly Meeting, Scott, we had a contest on Saturday night. Every January Live Quarterly Meeting, we have a contest. The contest is "The best thing I did to grow my law firm last year" and this year, I think we had six or seven law firms that stood up and they shared a lesson that everyone could apply on the best thing they did to grow their law firm last year. That was live-streamed and everyone should've gotten an invitation to watch it. If you missed the live stream, as a Digital member, you'll still be able to watch it when it gets posted. You won't be able to vote, but you'll still be able to watch all the lessons. One of the things that was really great was listening to some of the members up on stage talking about how they learned and how they started feeling empowered when they learned to use numbers to make better, more competent decisions in the business.

When you're in the third stage of growth, it's not that the decisions get harder. In many ways, the decisions actually get easier, but there's a lot, lot, lot more decisions to be made. If you're not using numbers and data to make those decisions, it takes a long time and you're always second-guessing yourself and you're always having doubts, and then you go and you change your mind after you've made a decision because you don't have the data to back yourself up and to assure yourself you've made the right decision, and so you reverse your decision. Pretty soon,

your whole staff learns that a decision out of you isn't a real decision. Pretty soon, they stop trusting any decisions you make and then you lose your leadership. This is what prevents a lot of law firms from getting out of the third stage of growth.

Those are the three main stages of growth, zero to \$250,000, \$250,000 to \$500,000, \$500,000 to \$1.5 million. Once you're past the \$1.5 million, the next stage of growth is \$1.5 million to \$3 million and this is about \$1.5 million to about \$3 million. Now, the big thing that happens around \$1.5 million is you hire a professional legal administrator. You hire a professional COO, also known as a professional legal administrator. The terms are interchangeable. At this point, How to MANAGE a Small Firm, you've outgrown our outside fractional COO service. We come to you. We say to you, "Congratulations! You're ready to leave the nest." Time to stop having us be the outside COO for your law firm. You need to hire a professional, in-house, full-time COO. You've got to step up and do that.

What prevents law firms from getting out of this fourth stage of growth, which is \$1.5 million to \$3 million, is failure for the owner and the COO to work well together. Typically, the mistake that gets made or when a mistake gets made, what usually happens is the owner of the law firm hires the wrong person to be the COO of their law firm. Usually, they go and they try to get their best paralegal and they say, "You're my best paralegal. I know you and I like you and I trust you. You do a great job as my paralegal. I want to promote you to being the legal administrator for my firm and I want to give you a raise." The paralegal, not knowing that he or she is about to be set up for failure, says, "That sounds great! I'm honored by your trust in me. I appreciate the raise. I'm inspired by the opportunity," but they don't have any idea what they're doing because they've never been trained to be a professional legal administrator. That's an example of putting the wrong person in place and that stalls the firm out in that fourth stage of growth.

If you are ever going to hire a professional legal administrator, make sure that that person has the credential already then make sure that they agree that as a condition of their employment that they will earn the credential within the first year

of professional legal manager, which is offered by the Association of Legal Administrators. The Association of Legal Administrators offers a whole certification program for people who want to be certified as professional legal managers and then you'll know you've got someone who's actually qualified and trained to do the job.

The other thing that stops people from getting out of this fourth stage of growth is they might hire the right professional legal manager, but then the owner of the law firm him or herself ruins that person because he or she, owner of the firm, has never actually managed or supervised a professional legal manager and they just don't know how to properly manage, how to give proper feedback, what to hold them accountable for, how to hold them accountable, when to hold them accountable, where to give them support, where to give them a kick in the ass, where to give them encouragement, where to give them constructive criticism and on and on and on and on, and the owner of the law firm, because after all -- remember we talked about your experience. Your past is probably not going to have as much bearing on the future as it did in the past, so this is to let you off the hook because if you went to law school and you didn't study marketing and you didn't study sales and you didn't study management, you didn't study how to create workflow processes and procedures and systems, you didn't study how financial controls or financial management for a law firm and you've never ran a law firm before, you've never ran a \$1.5 million or a \$2 million law firm before, you never were a member of the Association of Legal Administrators, you never earned your professional legal manager certificate and you've never hired and managed a professional legal manager before or legal administrator before then how are you supposed to know what to do? The answer is most lawyers who hire their first professional legal manager or COO, they don't and they mismanage the person. That causes the firm to get stuck in this fourth stage of growth between \$1.5 million and \$3 million.

The fifth stage of growth is \$3 million to \$5 million and I don't think we have anyone on this call, Scott, who's anywhere even close to that, so I'm not going to really waste my time or waste their time.

Scott: Yeah. I was going to suggest that for these last two, you just give them the stage of growth and then we can go into our Q&A time and take questions just so that they know what the stages are, but we don't have to go into detail with what prevents them from growing beyond that because I want to make sure that we are applicable to where they're at.

RJon: Yeah. The fifth stage of growth is typically \$3 million to \$5 million in gross revenue, and the sixth stage, number six, it's typically over \$5 million. Once you're over \$5 million in revenue, it's like you've achieved weightlessness. You broke through gravity. You're in orbit and things just get so much easier and you can get things done so much quicker. The people who have \$200,000 to \$300,000 law firm and they look at the people who have \$5 million or \$6 million law firm and they go, "Oh my God, that person must be working a thousand times harder than me," they're not working a thousand times harder than you. They're actually working probably a lot less than you. It's just that they have so much more leverage and so many more [Inaudible 00:53:45] that they can get a lot more done with a lot less effort and that's not because they're better people than you. It's not because they're better lawyers than you. It's just because they've built the foundation when they had a \$250,000 law firm to support \$500,000 law firm and they've built the foundation when they had a \$500,000 law firm to support the \$1 million to \$1.5 million law firm, and they've built the foundation when they had \$1.5 million law firm to support a \$3 million law firm. We just build our way up.

We don't work harder than you. We're not smarter than you and we're not better than you. No one likes us better than you and rewarding us and punishing you. It's pure cause and effect. Scott, I'm ready for some questions and I hope that we get some because I just gave everyone a glimpse into their future, hopefully their future.

Scott: You know, I'm glad you said that because one of the comments I was going to make is that as you're listening to RJon and you're hearing him describe the different stages of growth, hopefully, number one, you identified what stage of growth that you're at. You've heard him address the things that are preventing you from growing beyond that stage of growth, but I want to give

you this thought. I want you to think about this. In order for you to grow to the next level, your belief that it can happen and must happen, that has to take place first before the growth will take place. I want you to believe that you're capable of making it happen, that it can happen, and we want to come alongside you and equip you so that we can help you achieve that possibility.

Having said that, I want to invite Kevin. He's our operator. Kevin, if you'll come on the line, you'll give everybody instructions on how to get in the queue and we'll go from there. Kevin, are you there?

Kevin: Yes, I'm here. At this time, if you have a question, please press *1 on your touchtone phone. Please only press it once. Pressing it more than once will remove you from our question queue.

Scott: Yeah. We're going to give Kevin just a moment to gather the queue here, so if you have a question, press *1. Only press it one time. If Kevin doesn't jump on to your phone line immediately, that's because he's maybe talking to somebody else in the queue, so just press it one time and then our operator, Kevin, he's going to isolate your phone line and he's going to bring you on the phone line with RJon and myself.

Now, if you've never been on one of these calls live, if you've never been in the queue then let me explain what will happen. You're going to be able to hear everybody's questions and they'll be able to ask it directly to RJon and you'll hear RJon's response, so this is a great opportunity to get your questions answered, but also a great opportunity to learn from the questions that others in our membership may have. Again, if you have a question, press *1. Just press it one time and Kevin will isolate your phone line and bring you on the line. We'll give Kevin just a moment. Kevin, when you're ready, we are ready for our first question.

Kevin: All right. We do have a question and that question will come from Cary. Cary, your line is open.

Scott: Hey, Cary! Are you there?

Kevin: I think Cary might have himself on mute.

Scott: All right. Cary, we're not hearing you. If you're on mute, you might want to unmute your phone.

Kevin: Cary, can you hear us?

Scott: All right. Kevin, we'll take our next question and then maybe we can get Cary back on the line and get Cary back in the queue. Cary, I'm not sure what may have happened there, but if you're there --

Kevin: All right. Just one second. I think I have him. All right, Cary, can you hear us?

Cary: I can hear you. Can you hear me?

Scott: All right. There we go. Yes, Cary, welcome to the line!

Cary: All right. Thank you. Hi, RJon! Thanks for taking questions. I had two specific questions I wanted to ask you. Can you hear me right now?

RJon: I do. Thank you.

Cary: Okay, great! One is about there is kind of a pre-packaged estate planning program that's sold by a woman, Alexis McNealy(ph) that we were looking at. It seemed kind of interesting and we were thinking about revamping our estate planning practice. We do mostly probate. I was just wondering if you had any thoughts, if you knew anything about that, and if you thought it was a good program.

RJon: Let me give a couple of disclaimers here about Alexis. She and I have known each other since we were little kids. She is my sister of the same age, my younger sister, so we just knew each other from then. Alexis and her mom were actually supposed to come to my house next week for dinner to visit --

Cary: Oh, okay, I didn't realize that.

RJon: Yeah. I just want to be completely transparent about all that. I consider Alexis to be a friend.

Cary: Okay.

RJon: So I don't get any money, I don't get any

referral fees. I have no financial vested interest in whether you buy her program or you don't. I just need to make that full disclaimer, okay?

Cary: Got it.

RJon: I have reviewed those materials. I think they're very good. I think they're thorough. I have at least half a dozen, maybe more of our members of How to MANAGE a Small Law Firm who work with Alexis also specifically on their estate planning firms and I think very highly of her materials.

Alexis' personality, I think she's great. I enjoy her tremendously. I think she's one of the smartest people I've ever met. I mean that sincerely. My personality isn't for everyone. Her personality isn't for everyone. She's got strong opinions. Anyone with strong opinions, particularly women with strong opinions, tends to put people off in society today. That's something that everyone should just be aware of, but you've got to see the value in the product, and I see value. I think it comes with a money back guarantee, if I'm not mistaken.

Cary: It does, yeah, so that makes it kind of a risk-free decision, I guess.

RJon: Yeah. I think it's a risk-free decision. Of course, the biggest risk we all have isn't even our time. The biggest risk we all have is we don't want to be disappointed again. That's always the biggest risk we take really, is being disappointed. I think that it's worth taking the risk. I don't think you'll be disappointed with her materials. I don't think you'd be disappointed with what she delivers. I think that's the best I can tell you.

Cary: All right. Thanks very much. Can I have one more follow-up question?

Scott: Yeah, you sure can. Go for it.

Cary: All right. We recently had a celebrity trust case that we got a good result in. I was just wondering if you had any specific advice on using that in a marketing type of way.

RJon: Yes. Do you mind if I ask who the celebrity is? This is public record, correct?

Cary: Yeah. It was Bo Diddley. He's a musician from the '50s who was actually one of the creators of rock and roll. He inspired The Beatles, The Stones. He doesn't quite have the name recognition, but he has a pretty substantial trust. In our area where he's from in Gainesville, Florida, there's more name recognition and there's going to be like a newspaper article and stuff, so I was just wondering what we should be doing to capitalize on that.

RJon: Everything you can. Can you hear this?

Cary: Yes.

RJon: You can hear that?

Cary: Yeah.

RJon: That's Bo Diddley, "Who Do You Love". Yes, celebrity is irrationally helpful. Just understand people are irrationally drawn to a celebrity. Obviously, you've got to check with bar rules. Everything that I'm going to say is subject to your verifying that is complying with bar rules. Do you follow?

Cary: Yes.

RJon: Okay. Number one, photographs of yourself with Bo Diddley everywhere you can in your marketing --

Cary: Well, Bo's dead. He's been dead for 10 years. We were helping the survivors, the descendants get control of the trust administration.

RJon: Okay. Back up. I don't mean you posing with him, just you with his image.

Cary: Okay, I got it.

RJon: Right. Okay. We're getting a little bit far off field, but the mistake that a lot of people make when they work with celebrities is they take a picture of the celebrity today and no one remembers what the celebrity looks like. No one cares what the celebrity looks like today. If you've seen a picture of some celebrities in their 70s and 80s, they don't look anything like what they looked like in their prime. So when I say pictures of him, I mean pictures of his image.

Cary: Okay.

RJon: Do you know what I'm saying? Obviously, you've got permission from your state to do this.

Cary: Sorry, I'm a little slow.

RJon: No worries, no worries. You don't know that I know Bo Diddley and I know he's dead.

Cary: All right.

RJon: Doing a case study, writing an article, "What I learned handling Bo Diddley's estate," "Top 10 lessons that every musician can learn from Bo Diddley's estate," top 10 lessons or 10 things that everyone can do, that every music fan can learn from Bo Diddley's estate. Are you getting where I'm going with this?

Cary: Yes.

RJon: And then you're writing articles. You're doing case studies. You're maybe putting together a webinar or a teleseminar or a handout or something like that, or maybe you've been organizing a presentation. Obviously, if you're going to organize a presentation or do a webinar, you would be schematically tying it to Bo Diddley, playing his music, having his images, all that kind of good stuff. What are three -- we don't have time for ten -- what are three lessons you've learned as a lawyer from handling Bo Diddley's estate? Let me just jump to the chase. It doesn't matter what you say. The fact that you say, "These are three lessons I've learned from handling Bo Diddley's estate" gives you essentially the opportunity to brag about the fact that you're the lawyer that his estate chose to represent.

Cary: Right.

RJon: Do you see how I'm structuring this?

Cary: Yes.

RJon: All right. Now, what are three lessons you've learned that are going to be relevant?

Cary: The three lessons I've learned is just one, the importance of arm's reach estate planning. He's in a bad position because he wasn't even

really fully literate and his managers just baked themselves into his will and testamentary trust to the extent that it really ended up benefitting professionals more so than it benefitted his family, and that was the situation we had to press --

RJon: Right, but what's the lesson -- so that would be an article. That would be a good article for top 10 lessons that every professional musician can learn from Bo Diddley's trust. That's one article. Now, another article is 10 things I learned as an estate planner handling Bo Diddley's trust that can help all music fans or relevant to all music fans. I'm a music fan. I'm not a professional musician. I'm never going to be a professional musician. What can I learn from Bo Diddley's trust?

Cary: The importance of estate planning, the importance of --

RJon: It's not the importance. Do not say the importance of estate planning. Every estate planning lawyer says the same tire old line about the importance of estate planning. Anyone who needs to learn about the importance of estate planning is too stupid to benefit from knowing about the importance of estate planning. Everyone who needs to know about the importance of estate planning already knows that estate planning is important. Do you get that?

Cary: Yeah.

RJon: Okay. Don't waste your breath talking about the importance. "Estate planning is important." Everyone knows. What's a lesson that people can learn? One of the lessons people can learn, for example, is Bo Diddley was illiterate or he was practically illiterate. He didn't actually know what was in his estate plan. The lesson is don't be afraid to ask questions. You're entitled to clear answers. Just because you didn't go to law school doesn't mean you won't understand this stuff. If you don't understand what is in your estate plan, chances are no one else will either.

Don't let lawyers bowl you over or intimidate you or think that because you didn't go to law school, you can't understand this stuff. That's a really valuable lesson that you could say you learned

from handling Bo Diddley's estate because do you think Bo Diddley became Bo Diddley because he was a moron? No. The man's a genius. He was a freaking genius. He just didn't take the time probably because he was intimidated and didn't know that he deserved to know what was in his estate plan.

Cary: Yeah.

RJon: You follow my point?

Cary: Yes.

RJon: Okay. Did that help?

Cary: Yeah, that's very helpful. I'll follow the advice. Thank you very much.

RJon: You're welcome.

Cary: Thank you, RJon.

Scott: All right. Again, if you have a question, press *1. Press *1 if you have a question. As far as I know, RJon, right now we don't have anybody in the queue, so we'll do a last call for questions. If you have a question, press *1, and Kevin, if you'll let us know if anybody has jumped into the queue.

Kevin: At this time, we don't have any callers in the queue.

Scott: All right. That's our last call for questions. Press *1, I'll give it one more time. If you've got a question, press *1.

RJon: All right. Going once, going twice, going three times.

Scott: RJon, thank you very much!

RJon: We'll have dinner and we'll play some Bo Diddley music.

Scott: That's right, man. Listen, thank you. Thanks for a great call. Thank you, everyone, for being a part of this. If you're listening to this by way of your member's bonus kit or you're listening by way of the online membership site, I want to thank you for being a part of our membership as well. If you have a question, don't hesitate. Post it

in the members only forum or email it to me and I'll be glad to get your response as well. Continue to look for the tools inside your membership site. We're constantly updating that and adding more to it under the "What's Working Now". If you haven't logged in to the membership site lately, be sure to check out the "What's Working Now" tab. That's where you'll find a bunch of tools to be able to help you whether it'd be financial management tools, tools that help you set better goals, which we talked about recently on one of our calls. A bunch of people are talking about it right now with it being just the first of the year. There are marketing and sales tools there, policies and procedures, so be sure to check that out. If there's a tool that you need and we've got it, I will try to track it down and I'll give it to you and try to add it to the "What's Working Now", so be sure to check that out.

Again, thanks for being a member. Check the upcoming events for the next All-Digital Coaching Call. Be on the lookout for any emails from me, reminders letting you know about our calls that are coming up. Again, thanks for being a member. Thank you, RJon. Thanks to our operator, Kevin. Everybody have a great rest of the day.

RJon: Thanks everyone! Bye-bye, Scott! Thank you.

Scott: We'll see you. Thanks!

Kevin: This officially ends the call. You may now disconnect.

HOW TO MANAGE A SMALL LAW FIRM

“ALL-DIGITAL” MEMBERSHIP BENEFITS:

- **A Coaching Call Every Month (\$997.00 Value)** I'll coach you on the “Seven Parts of a Law Firm” where I will help you manage your law firm to create greater profitability, increase in clients, managing (or hiring) staff to keep up with your newfound growth, developing your physical plant and get you marketing tools that actually work.
- **What's Working Now Plug and Play Tool Every Month (\$197.00 Value)** Imagine having me give you proven and time-tested tools with the goal of making you more profitable each and every month - well that's exactly what I do for you as a How to Manage Digital Member.
- **How to Manage Digital Dashboard (\$99.00 Value)** “Happy Lawyers Make More Money!” This dashboard will give you a working tool that you can use to track your mindset and see where the money is going in your law firm. This trademark dashboard will equip you to make more money and see how to increase your profitability.
- **Access to me and my team to get your questions answered and my feedback on your law firm (\$297.00 Value)** Every month there is open Q&A where you'll have the opportunity to ask me questions about getting more clients, marketing, staffing, - basically anything I'm qualified to answer.
- **MAILED, Members Only Bonus Kit with paper and ink transcripts (\$97.00 Value)** of each coaching call. This allows for easy reference. Not to mention they'll be part of your leadership library. When you have a challenge you'll actually know where to go to find the solution!
- **Exclusive Member's Only Newsletter (\$47.00 Value)** This PRINTED newsletter centers on everything you need to grow and manage your law firm.
- **Annual Super Conference (\$2997.00 Value)** with guest experts on related quantum business growth strategies including traffic generation, prospecting, retention, staffing, etc. You'll gather with some of the best and fastest growing law firms around the country. Where else will you be able to learn from others who are in the trenches, just like you!

HOW TO MANAGE A SMALL LAW FIRM

HAPPY LAWYERS MAKE MORE MONEY

www.HowToMANAGEaSmallLawFirm.com