

Lesson 2 – Stages of growth

We learned that there are five stages of growth for a firm, basically consisting of: existence, survival, success, take off and resource maturity. In this analysis, we are going to use the law market as parameter to indicate all these stages.

In the first one, “existence”, as its name suggests, is where the company has the most problems, and needs to resolve issues to know if your business is minimally viable or not. Lawyers has even more problems because he only can officially act in the profession after getting its certificate, so in the beginning, is very probable that this professional has not any client, and poor career support.

Using good benchmarking is a good way to understand this phase, as you find out if your customers want to pay for the price you are charging, or even if you land customers to your product or service, even if only potentially.

Continuing in the area law area, I see that in this area, human resources must differ from other departments because, although all professionals in the area leave the college knowing the contents of the legislation, while human resources must be concerned with issues internal to the company, the other legal departments, in this case, need to have the tranquility of knowing that they can focus their efforts only on exercising the only functions that strategically should have been previously established with each other.

In law market, in the same way it occurs in stage II, the “survival”, where the functions remain kind of same, however, with a new different objective, with more delegation, where now everyone applies their efforts to maintain the structure already created, but this time profitable. So, you already have some clients, even if it costed low profits, or even losses.

As Hayek explains, this system tends to work because, unlike the models where there are central planners, in this case, all planning is done in a diffuse and decentralized way, where everyone, even when subordinate to someone else, has a minimum autonomy to carry out the actions that it deems necessary and appropriate for the development of the firm, while act under the supervision of its superiors or partners.

After these two, we arrived at probably the most desired stage, stage III: "success". Success, basically, is when the company reaches a level of maturity sufficient for it to be stable, well organized, and mainly profitable.

When such a stage is well managed, it is possible to open the doors to the last two stages. Considering that get to this stage takes a great path, many of the managers after reaching that stage, end up being somewhat satisfied, and end their cycle by not exploring new horizons, and the law market is not different, is not rare to see experienced lawyers who lives in the same patamar for all his career.

Not that staying in this stage is wrong, but many times insurges some opportunities to go beyond, and they are lost due to the limited vision that they end up creating that leaving this comfort zone could bring unexpected consequences, even if the worst is over in the early stages, and because this mentality, and the fear of maybe must starting over, most people stagnate here.

To the brave explorers who continue the journey, if successful they will then reach the next stage, the "take-off". At this stage, the sky starts to become the limit, and the companies that were previously successful start to compete in a competition for a much larger share of the market. At the law market, it means get huge cases, hire a lot of trainees and other associate lawyers, move out to a bigger office, and become more specialized and richer.

The biggest challenges to be established in reaching and establishing in such a stage are its bases, it is necessary to redouble the attention in its management, since the errors start to be less and less tolerated, and reputation becomes something significant, and the financing of the projects more and more needs to be more precise.

With this, in practice your company becomes a considerable ecosystem, where you need to increasingly delegate tasks strategically, so that your subordinates no longer only perform the tasks you require, but also have an even greater autonomy for taking decisions. punctual decisions, aligned with the company's strategy, so that the "gears" do not stop working in a domino effect. The trainees control the office dues, anticipate petitions, checks the processes, and they can even get more clients to the office.

If everything was done correctly, then you will surely be able to establish yourself in the last stage: the “resources maturity”.

At this stage, you have, in addition to credibility, all the other requirements to be a respected brand, and to be able to innovate in projects much easier.

Paradoxically, this stage has some disadvantages. Friedrich Hayek was already considering this stage and concluded that it is practically impossible for a company to grow continuously for ever. The reason for this is quite simple: companies that are in this type of internship, are not able to have the same market perception as a smaller company, since they are not able to take advantage of the characteristics of time and place as small ones do.

Thus, not infrequently are the cases of small entrepreneurs who become great leaders of world-famous brands, but that after a certain time, the empire that seemed to be untouchable, begins to suffer, as for example what Nokia has already represented in a not-too-distant past.

When we talk about law market, we see that this stage is infested with some unfair competition, and you take some famous and important clients, with famous cases, who are observed on tv every day. Mistakes here can throw away all the hard work and reputation you made among the years.

Concluding, regardless of what stage your company reaches, the most important thing is to take the first step, because there is no magic formula to achieve each of these successes, and although there are certain standards, only case by case is that it can be properly adapted to the nuances of everyday life, economics, culture and so on.