

EPISODE 401

[SPONSOR MESSAGE]

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[INTRODUCTION]

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FT: Welcome back to So Money everyone. It's Startup Week! Yeah, we're doing themes once a month, in case you haven't realized it. In January we dedicated a whole week to college and student loans. Then in February we spoke to Millennials — Millennials who are kicking some financial butt. In March we spoke to Millionaires Next Door, which I know is a favorite around here. And now we're gonna talk to some amazing entrepreneurs that are in the startup phase of their businesses.

And Startup Week really was inspired by my show Follow the Leader, where I've been spending time with billionaires and mega entrepreneurs as they make tough decisions behind the scenes, how they execute strategy and run their businesses. And so I thought, "Wouldn't it be kind of interesting to look at some startups, some younger entrepreneurs, fledgling entrepreneurs as they're in the first year, two or three, of their business.

How are they raising money? How are they making ends meet financially? Because when you're starting a business, how do you actually also feed yourself when your income is completely inconsistent or non-existent, as it is in some cases? Our first of four profiles this week is Julia Shapiro. She's the CEO and Co-founder of Hire An Esquire. The company is an on-demand attorney workforce platform that helps attorneys connect with law firms and corporate legal departments to build a freelance career and alternative career path.

It's been called kind of the "Uber" for attorneys. The company's backed by a ton of investors, which is why I wanted to have her on the show actually. I wanted to learn, how do you find investors for your business? Her clients include Fortune 500 legal departments, and AM Law 200 firms, and this past Fall, Julia was named one of the Top 150 Professionals Under 35, and Top 10 Innovators in the legal industry by LinkedIn's Next Wave 2015.

So Julia talks about obviously how she was able to attract investors. What happens in that boardroom? What do you say to convince those rich people to give you their money? Some of the astonishing things that she has encountered as a female in Silicon Valley as she's tried to go and build her business. And the Eureka behind Hire An Esquire, why did she want to start the business?

Here is Julia Shapiro.

[INTERVIEW]

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FT: Julia Shapiro, welcome to So Money. I'm so fascinated by your startup and the fact that you have been so successful in getting all this VC. So first, tell us about Hire An Esquire and by the way, welcome to the show.

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JS: Thanks Farnoosh, and thanks for having me on the show. I guess the best place to start about Hire An Esquire is overall description. We are an online marketplace that helps law firms

and in house legal departments connect with an on demand attorney workforce. So one distinction I like to make, we're the only company in our space. There are a lot of marketplaces that help consumers like you, if you need a lawyer for a business deal or for any sort of trust and estate issue, there are a lot of marketplaces where you could go find a lawyer online as a consumer. But our marketplace is for legal departments and existing law firms that want to make their workforce elastic.

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FT: So what does that mean, elastic?

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JS: Everything in our economy has become on demand and businesses, just like us, just like you might want to use Airbnb or you might want to use a service so you don't have to buy something but you can rent it when you need it and not have to pay for it when you don't need it. The same thing is happening with companies, how they want to keep their cost structure.

So they might not want to have 50 lawyers on staff if they don't have the business for the staff all the time. So they can have 50 lawyers when they need them and then they don't have all of these lawyers on payroll when they don't need them. So basically elastic means the costs can fit business cycles or use cycles.

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FT: Right. Understand that. Yeah, love my Airbnb. I mean everyone wants flexibility, but how did you know that this was the business for you? What brought you to Hire An Esquire?

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JS: So I never planned on being an entrepreneur. I was born to be a lawyer, and I was an attorney and I was working at a large commercial litigation firm, and I really liked being a lawyer. A lot of people leave law and start business because they don't want to be a lawyer. I was a

lawyer and I was actually looking for a similar service. I was working in commercial litigation, there were a lot of big cases. The firm I was working at used a lot of contract attorneys and the process was super archaic. It was really bad for the attorneys, it was really bad for the law firms.

There was no technology involved and it created a lot of overheads. So the attorneys weren't getting paid a lot and the law firms were paying a lot and the staffing agency had a lot of inefficiencies. So I was basically trying to research a product like Hire An Esquire to use it, and it didn't exist and I was a bit shocked that it didn't exist, and I saw so many ways to make this process better and give attorneys a better career alternative.

Being a freelancer is actually really fun I think, and there's a lot of advantages to it. And I saw this product and this company as a way to bring that to a wider audience and also it was just the way the legal market was going in general and it was going to — the legal market was going to change to an on demand workforce and it was a matter of how it was done, and I wanted to be a part of making sure that it was done right.

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FT: How do you go about finding money for your business? You know, there is a school of thought that taking on venture capital dollars/investor dollars is risky because now you're indebted and you're also accountable to these investors. So one, how do you find money and then two, how do you create a relationship with these investors where it's a win-win?

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JS: Yes, so finding money despite all of the headlines and tech crunch is not easy at all. Finding money is incredibly difficult and I had actually started the business to not need venture funding. I convinced a bunch of people to work for equity and I was working for equity and I did not want to have to raise money because of a lot of different reasons. There's a lot of, just as you said, it takes a lot of time to do it and there are a lot of complications that come with it.

So we raised money after we had a product built, and we had product market fit. We had a couple of large law firms on our platform before we got our first investment dollar. And even with

that, even with the traction and the product and a couple of major law firms on board, it was still — our first round probably took us about a year to raise. It was my co-founder and I, it was the first time we had ever raised money. We really didn't know what we were doing at first at all and it was just figuring it out on the fly, taking hundreds of meetings and then learning as you went.

I don't know if that was the best approach. There are more resources now and there are more programs and mentorship that guide people through the process than there was when we started. So if somebody does want to raise money, before they do it — we had talked to everybody we knew who had done it and gotten that second hand advice. That's pace one, that's completely where you have to start. But I'd probably recommend anybody doing it now to look for one of the incubators or programs that helps guide people through that process.

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FT: When you got a significant amount of money, can you take us back down memory lane? Like what happened in that meeting that you think really gave a person on the other side of the table the desire to invest in you? Like what was your pitch?

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JS: So I think what's really important for everybody who has some exposure to the investment world or the startup world to realize is that most people don't get money on their first meeting. There are of course the Facebook stories and products that have already blown up that then investors want in and they're ready to give people money on the first meeting.

But for the most part, despite what people say, when you talk to other founders and you hear their story and then you peel away the layers and hear what actually happened, most new entrepreneurs, you're never going to get money after one meeting unless you have a product that already is very hot and is making a lot of money.

So the first, our lead investor signed on. He was a seasoned venture capitalist, had founded one of the largest VC funds and we actually developed a relationship with him for over a year. So he had been watching the company and the product then actually giving us feedback on our deck

and our business for a year before he decided to sign on. So we'd had multiple meetings with him, many phone calls, many reviews of our deck and our business plan and model.

So he finally decided to sign in and through in his money, I believe, after a meeting we had had in San Francisco in the Fall of 2013, but we had been talking to him for a year since then. So it wasn't this, as you see on TV or in tech crunch. It wasn't this one magic meeting that suddenly somebody was willing to throw money across the table at us.

[00:10:15]

FT: Or on Silicon Valley, you know? That show on HBO that I love.

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JS: Yes. Which is, it's funny 'cause that show does — I live in San Francisco and that show does have a lot of truths to it in the way things happen. But again, I think that's a really good example of a product that was already, you know, people were very interested in and there was already a war for it. And that's when those sorts of scenarios do sometimes happen.

I do have some of my founder friends who have built very hot products that were blowing up, and they did have those experiences. But most people, unless your product is already, you know the bidding war between two tech titans, you're probably gonna be developing relationships with investors for six months to a year before they want to write you a check.

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FT: As a female in Silicon Valley Julia, or maybe you're not in Silicon Valley but you're in the Bay Area, what are the challenges and opportunities for women?

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JS: So I would say that there are more challenges than unique opportunities. I do think that San Francisco's actually better than New York for women raising money. So most of the

opportunities you have are the same as anybody else. There are a lot of female specific programs and things that are around to mentor women. A lot of times they don't necessarily — they're not a path to funding, or in my opinion, making things any easier from my perspective and what I've seen in the market.

The challenges do tend to be very subtle biases. So you might have investors telling you that your product isn't scalable and should be run as a lifestyle business when they've invested in men in a similar vertical. So a lot of times when you pitch or when you get comments about things not being scalable or, "When are you going to give up this business and go have a family?" Is said in a variety of different ways that are either overt or subtle.

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FT: They ask that?

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JS: Yes.

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FT: Um, I feel like that's super illegal.

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JS: Well it's not because they're not a government institution, they're not a large public company, and a lot of times that sort of conversation, that comment will once in a while happen in a room where there's maybe an associate and an investor. But a lot of times that conversation's going to happen when somebody that you've connected with agrees to meet you for coffee or has a follow up meeting with you and it's you and the investor, and that's what happens.

So it definitely — they're not gonna ask you that at a pitch with your pitching on a stage in a competition or with a lot of people. No one's gonna ask you that question in the audience. That very much happens in an office or over coffee with two people. And it's actually in some ways very refreshing when somebody will come out and ask you that because people do it subtly so it's a little bit easier to address it if it's direct, rather than if it's not acknowledged and it's subtle.

So those are the challenges and the data and statistics back it up. There have been many studies even one done I believe by Harvard and MIT that was essentially double blind where they had pitches to VC's with the same — the person with the same credentials, the same tone of voice and the same exact pitch and I believe men were about 20 times more likely to be invested in than women with all of those factors controlled for. So I think that it's proven that there's gonna be a lot of subtle biases, and you just have to be prepared for that.

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FT: Well asking a woman when she wants to have a child is not subtle, whether it's happening over coffee or in front of 300 people. I think that's really wrong and I think that whether it's legal or not, it's wrong. They're not asking because they're excited for you. They're asking because they wanna know is there gonna be a deadline to your business? Or that there's gonna be — what's your exit strategy? They assume once you have a kid you can't possibly do anything else. Ugh, I'm getting so worked up here Julia. Tell me something good! Tell me something good about being a woman in Silicon Valley.

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JS: Well I'll tell you why that question can be good, and it's better than somebody looking at your finger, asking — to see if you have a ring on, asking if you're in a relationship and doing other things that are more subtle to get there. So one thing I find really helpful when people ask me that question is I've actually seen men struggle more with balancing family and work than women in this industry.

So I usually bring up that fact that, you know, I say to them, "Truthfully I have no plans to do that, but I think that you should also really think about your male founders that you invest in how

them having a family might impact them." So I do think that it's good to bring that question into the open because it really is hard for anybody, male or female, to do both if you're at the early stage of a company and you're giving it intense focus.

So I think that that is an issue, but it's for everybody, not just gendered. So I think it's good to be able to have that conversation with investors and when they ask you the question directly, you can bring it up and I personally can give them a couple of examples of men who had to step out of their company or stepped down or decided not to go the scalable, you know, the VC funded scalable route because of family.

So I like to bring that into the dialogue because it's a concern, it's hard to have a split focus, and it needs to be acknowledged that it's for everybody, not just for women and I think that that will overall, acknowledging those things, level the playing field.

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FT: It's an everyone's issue, I think. Good for you for bringing that up because I think it is not just a woman's issue, it's everyone's issue.

[SPONSOR BREAK]

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FT: My So Money team's recently become a fan of a company called Realty Shares that's disrupting the real estate finance industry with their crowd funding platform. Here are some investment advice brought to you by our April sponsor, Realtyshares.com. Haley from New York writes:

H: "How do I invest in real estate in California?"

FT: Well, Haley, one easy way to invest in any one of the 50 states is through a real estate crowd funding website. There are a few but realtyshares.com has the lowest investment

minimums. Realty shares allows accredited investors to invest as little as \$5,000 per transaction in residential and commercial real estate projects across the US.

What's great about Realty Shares is that all of the real estate deals are source and vetted by experienced investment professionals. Thousands of investors are using the platform to browse through deals and invest in minutes. Of course, keep in mind that all investments are risky and may lose value. Past performance is not indicative of future results.

For this month only, when you sign up at realtyshares.com/somoney and link a bank account, the company will transfer \$50 into your linked bank account. Visit realtyshares.com/somoney to begin today.

[INTERVIEW CONTINUED]

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FT: Tell me a little bit about what's going on in the legal world? Because I have to think that why a company like yours can be successful is because we do have a huge supply of lawyers in this country and they can't all get jobs at law firms and make partner, right? I mean I remember the first time you really started to realize this was during the recession when a lot of people were graduating from law school without jobs, which was unheard of and scary 'cause you spent all this money to go to law school.

So there was this debate now going on, "Is law school worth it? What should you do if you're a lawyer?" It was kind of shameful for some who had law degrees and were not working or freelancing, but how much of that economic situation is fuelling the success of your business? The fact that you can now pair these attorneys with firms?

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JS: The recession is impacting in interesting ways. More I would say on the law firm side than the attorney side. So what's happening in the legal industry is reflective of overall changes happening in society and our economy where everybody is under pressure to cut costs and

there's more competition and law firms were one of the last people to change to more efficient business models. In other companies and industries you have lean methods, you have Six Sigma.

Law firms never did any of those efficiencies. They, in some ways they didn't have to so now with the economic pressures and the recession, you have law firms training fewer associates to fuel their law firms essentially and you had more competition and then losing business and suddenly having to think like a business person and be cost efficient.

So a lot of that is when, actually it's good for the freelance market for a couple of reasons. One unfortunate affect is that by doing this they often essentially work their associates to death. So you had a lot of associates it used to be if our parents were lawyers they maybe had to bill 14 or 1,500 hours a year, that was the billable requirement in the 80's and 70's. Now it's, a lot of firms, it's 2,200 hours a year.

In some firms I know they don't advertise this, but if you really want to make partner or advance, you've got to bill 2,800 hours a year. So if you're billing that many hours, you're probably working 25-30% more hours than that so that translates to 13 hour days, weekends, no vacation.

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FT: Wow.

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JS: So you had a lot of really good talent saying, "This isn't what I want. The financial rewards aren't there anymore. I don't wanna be partner, I don't want this lifestyle, and the law firm — oh I see law firms going bankrupt every day. The law firm might not be here that I'm working so hard for. It's probably not gonna look the same way and the advantages aren't going to be the same, so I want something different for myself.

And so that's where we have amazing attorney's in our system, very pedigree, top law schools, top law firms, and they want to work flexibly and they can be paid very well to do it, and that's where we see the market opportunity. Unfortunately, law is one of those professions where when you graduate from law school you're not really ready to be a lawyer. You need training and mentorship, and right now there's a huge gap for that.

So I would still caution people to think very — do their research and think very hard before making the financial investment in law school because it's still really tough for people to get jobs when they come out of law school where we really see the market changing and being flexible is for people with experience, who now there does tend to be more of a shortage of experienced lawyers, so they are more in control and in the driver's seat to demand flexible schedules and get really good compensation for working on a freelance basis.

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FT: Putting them in the driver's seat, just like Uber. You're "Uberfying" the legal industry. You are, by all definitions, a disruptor in the legal industry with Hire An Esquire and disruption is really the way to go at entrepreneurship now to kind of see what is the ammo in all the different industries, how can you bring something fresh and new and needed? It is risky because what you're fighting against is inertia, just the way that things get done and we're humans so change is hard for us.

So what is your best advice for listeners out there who want to traverse into entrepreneurship in a way that is disruptive?

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JS: I think from my perspective, and it is influenced by my own personal experience, I do think you need to find a problem that you really, really want to solve and you know very well and can see a solution to. So for Hire An Esquire it was a very niche problem. There's a lot of marketplaces that are consumer oriented. Everybody, a lot of people if they've had a landlord dispute or they've needed to have a contract reviewed or even applied for a loan, they know the pain of the regular legal industry.

So consumer marketplaces were really obvious to everybody. A lot of people were shocked and didn't realize how big enterprise legal staffing was. So I think that the way to be successful is to look for a problem that you feel very strongly about and you know very well from your own experience that probably isn't visible to the majority of the population because that's not something that they're doing every day. And then being able to have that experience and the personal pain point is the best way to develop and understand a solution that will be better.

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FT: What would you say was your biggest failure as an entrepreneur?

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JS: So I think being an entrepreneur is like failing about 10 times everyday. I joke that like if people in the company, if people make mistakes with something, which happens a lot at startups, I say that the goal is to get below 10 mess ups a day basically. If you're not messing up — if you're messing up not at all, it means you're not trying hard enough and you're not trying enough new things. You just try to keep it below 10.

So the biggest overall failure I think that I've had at the company, and this is one that I think is shared by every single founder, is hiring that's a bad fit. So I don't wanna ever say that anybody's not a good worker for anything, but there's a very specific personality and ethos that works well with startups and with your startup specifically that you, especially as a first time founder, you don't realize right away.

So the biggest cost to our company, we're a pretty lean company, we don't have super fancy offices, we don't do a lot of the fancy startup stuff. Our biggest cost, and this is probably true even for those types of companies, are our employees and your talent and your team is what is worth spending money on. So when you don't do that correctly, or when you find you hire a person that is a bad fit, it's more expensive than just the payroll.

It tends to impact how quickly the company can move in the culture and so I think my biggest financial failure as a founder is shared by both new and experienced entrepreneurs, is it's always the hire that's not a good fit that costs you the most.

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FT: And it's so uncomfortable to fire people. And companies, big companies won't fire people because it's a cost to them. They figure like, "Well maybe the problem will solve itself or we can train this person to be better." But in all that time, you could've maybe found someone else who is more efficient. It's just, I think I hear this too. I think Mark Zuckerberg's talked about this, Steve Jobs talked about this, that hiring is so important and even if it takes you a year to find the right person, wait the year. Don't hire three people in that year that all will come and go.

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JS: Exactly. And we learn that going forward. Sometimes it's really hard when your company's scaling really quickly and you have a really amazing team and you're worried about burning out the people that you do have. But then you learn over time that it's not worth making those compromising.

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FT: How do you, I ask this of all my entrepreneurs this week, how do you make ends meet? As an entrepreneur there is an inconsistent paycheck that you're getting. Can you talk a little bit about how you manage your money as an entrepreneur?

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JS: So I think there are different stages for me, and I think as a first time entrepreneur I left my job with six months' savings and moved into my sister's basement. And I do think when you're a first time founder and when you're really passionate about something a lot of times there isn't much separation. So this is a decision that I think entrepreneurs really need to take seriously or perspective entrepreneurs.

I know a lot of people who weren't really ready for the financial sacrifice and how it would impact their overall finances, and they left their job and then within six months to a year when things weren't working, went back because they missed their apartment with the doorman in New York, or something like that. So I think people have to be really honest with themselves that if they are going to leave their jobs to start a company, there's going to be a lot of lean time and you have to accept that that's going to have an impact on your overall finances.

So the first stage, I didn't have a paycheck for about two years and I was living off of savings, I was doing some freelancing work, I was in New York happily crashing on couches and living in my sister's basement the other part of the time. So at the beginning there was no separation and I think that's pretty common and you have to be willing and ready to accept that.

Now I've had a paycheck, still a very small one. I'm making probably less than half of what I could be making if I were working for a law firm or a larger company. And again, to just comes down to values. When you're, even now at the stage when you're at a startup, you're probably working 80 plus hours a week and weekends. So you don't have a lot of time to spend money, so the smaller salary is okay because everything you're doing is for work.

So I think for me, because my life is so minimalist right now and it is pretty much still about the company, it's easier to one, make the financial sacrifice of not getting the paycheck. And two, you're really focused and prioritized so you're not spending your money on a lot of outside things because you really just don't have time to do them.

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FT: Is there anything that you miss that you're no longer able to afford right now because you're so immersed in launching the business, that you can't wait to get back to being able to pay for?

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JS: So I've never been a big "stuff" person, I've never really bought a lot and so there's probably nothing consumable that I miss. But what I do really miss is the luxury of free time. So to me that's the ultimate luxury.

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FT: Well yeah. Time is money.

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JS: Exactly. So free time a day where I don't have meetings, I don't have eight meetings scheduled and the ability to actually take a vacation and travel that's not for work. I travel for work a lot now. I'm on a plane a lot going across the country. I haven't had much time to actually get out of the country and be away from wifi. So that is both affording that kind of trip, both in time and money, is something that when my entrepreneurial journey slows down that's one of the first things that I will do.

[00:27:33]

FT: Good for you. Julia, we're so impressed. I'm so impressed, and listeners I did mention this earlier, but Julia is also a sister of someone who's been a friend to the show, Ali Shapiro who is a health guru and she's also been on So Money. So check out Ali Shapiro on the So Money Podcast. Ali also has her own podcast called Insatiable, so check all that out.

Julia, what is next for you? You know I asked other guests this week about their "five year plan", but you don't have to go so far out in the future. What are your hopes for 2016, before we let you go?

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JS: I am just really excited about where our product is going. We are doing some really neat things with helping people find the right job fit and tease out the nuances from a data

perspective of what the best position and career option is for them. So launching our first job recommendation engine is what I'm really excited about in the year.

As well as just continuing to take over our market. We keep booking more big clients and more partnerships, so I'm just really excited to continue to grow in 2016, and make this a really viable option for both law firms and lawyers. So that's the focus for 2016.

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FT: Rock on! We look forward to following you Julia. Thank you so much. Come back anytime! We'd love to get some updates on your business, and also any new lessons you learned about entrepreneurship. We're starving for them here on the show. Thanks so much.

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JS: Sounds great. Thanks Farnoosh.

[END]