

What You Can Learn About Law Firm Management from *Shark Tank*

By Teresa Matich

Picture this: You've made it onto the television show *Shark Tank* and it's almost your turn to pitch your idea to Mark Cuban. You thought you had a pretty successful business, but now that you're in front of the camera, your palms are sweating and you're looking more critically at all the choices you've made.

Is your business truly profitable? Are you focusing on the right things? If not, how can you fix that?

At the 2016 Clio Cloud Conference, Anthony Marrone of The Marrone Law Firm¹ asked, "How do we change the conversation so that instead of running our law firm like a practice as it's traditionally been run, we run it more like a very successful small business?"

Lawyers asking for outside investment in their firms is ethically out of the question, but looking at your firm through a *Shark Tank* lens can be a useful exercise; thinking of your law firm like a small business forces you to look critically at your management practices to ensure you're building a successful practice.

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This exercise was the focus of Marrone's talk at the conference. Here's a brief overview of four key points he made.

1. Use short-term revenue goals to keep your team focused.

One of the first questions the Sharks usually ask is "What are your sales?" If you're running a law firm, you need a sales goal. As Marrone puts it, "You need a number."

If you want to hit revenue goals, you have to have a number, and you have to... reduce it to a daily number that your entire team knows. If your secretary or your receptionist doesn't know what you're trying to reach, they're not going to be able to help you get there.

For example, if you've done your budgeting, put together a solid law firm business plan, and decided that your yearly revenue goal is \$1 million, that leaves you with a goal of \$3,846.15 per day, assuming 260 working days in a year. "That's your number," Marrone said. "Every person in your office lives and breathes that number, and that's how you're going to hit your goal."

This is key for law office management that works—if everyone at your small firm knows your short-term goals and rallies together, you're that much more likely to succeed.

2. Replace yourself as a key employee.

The next thing the Sharks will want to know is whether you can scale your business. That's simple. You just need to hire more lawyers, right?

Wrong.

As lawyers, most of us are constantly trading time for money. If I bill nine hours today, I'll make \$1,800, right? If I do that for 219 days a year, that's \$395,000. So really, if I want to make a million dollars, I just need to copy myself one and a half times, and then I'll be there! Except, it doesn't really work like that. Scale does not work like that.

Mark Zuckerberg may be a brilliant computer programmer, but he doesn't write code for Facebook anymore. Instead, he focuses on important things that only he can do—like making key decisions for his business—and delegates day-to-day tasks like coding and designing to others at the company.

In other words, he's replaced himself as a key employee. This approach is critical for effective law firm management—you're a law firm owner, and it pays to act like one. Marrone explains:

I only want to do the tasks that legally and ethically require a lawyer to do...I do a lot of estate litigation. I'm not going to send my secretary to court for me, but for things like bookkeeping, sending out the bills, doing the mail, a lot of the routine stuff that happens as part of your practice...until you're able to replace yourself in that role, hopefully with an assistant or paralegal, you're not going to be able to scale and grow your business.

By removing yourself as an employee and treating yourself as an owner, you'll be able to meet increased demand for your services...you're going to have more time to spend marketing, networking, and doing the things you need to do to grow. And, you're not going to get run down as much as most lawyers do, because you're not handling those mundane tasks that

really are not profitable for your practice in the long-term.

3. Know your most profitable activities—and focus on them.

The Sharks (and, frankly, any investor worth his or her salt) will also ask how much your product or service costs to produce and how much you plan on selling it for. They want to ensure your business is profitable. Indeed, if you're curious about how to make more money as a lawyer, you need to consider your firm's profit margins.

For example, Marrone usually charges flat fees rather than hourly rates for his services, but he still tracks his time using Clio to determine the true cost of the services he provides and whether he's priced them correctly.

Two of the main things I do are irrevocable Medicaid trusts for people trying to protect assets, and Medicaid applications for people going into nursing homes...I charge \$3,500 to do the trust, and I charge \$12,500 to do the Medicaid application.

Initially, you'd say, "Give me those Medicaid applications all day," right? That's almost four times the revenue compared to the trusts. But, when we started tracking [our time] through Clio...[we found that] we had a 20 percent higher profit margin for the trust than we had for the Medicaid application, because even though the Medicaid application brings in more dollars, it's also four times more work.

So in reality, if you give me four Medicaid trusts in my practice for one Medicaid application, I'll be happier all day long, because I've done the work to figure out that I make more margin [that way].

In short, doing a bit of extra work to make sure you're spending your time correctly can pay huge dividends for your firm.

4. Focus on customer service.

The final question the Sharks often ask is "Who is your competition?" To succeed,

you need to know who your competition is and how you can differentiate yourself from them. "I really want you to think about your competition," Marrone said. "What do they do that's similar to you, and what do they do that's different?"

In most cases, you'll likely be able to differentiate yourself on great customer service. A lot of Marrone's work, for example, focuses on wills and trusts, and he pointed out that, from a client's perspective, one will is the same as the next. But good customer service can help him stand out.

I'm not going to be able to convince Betty Smith that my will is a superior product—that the document, the four corners of it, are better than yours. Because they're probably not. To a certain extent, they're all going to be the same. My advocacy in court may be stronger than another attorney's, or it may not be, but that's not what's going to win for me at the end of the day. It's going to be service.

If you're managing a law firm, focus on building processes that ensure excellent customer service and set your law firm apart. What does excellent customer service look like? Consider Marrone's comment: "I want everyone to have a wow factor when they come away from working with us."

For example, Marrone does his best to provide quick service, but he also sends pie to all of his clients at Thanksgiving. He has a special affinity for pie, but he suggested that other lawyers try something more relevant to their personalities.

Also, depending on your practice area, you may be helping clients who are going through some of the most difficult times in their lives. Adding special touches can help ease things a little.

You know, I deal with [some] very tough subject matter: Loved ones dying, loved ones getting sick, loved ones going to the nursing home...So you've got to figure out a way to differentiate yourself and bring some light-heartedness back into it...[For example,] we send anniversary cards, and we send birthday cards.

How to run a small law firm? Focus on what's important.

Your law firm may not be as interesting as a *Shark Tank* success story, but if you focus on the right things, your business could still be worthy of investment (in a hypothetical parallel universe where non-lawyers are allowed to invest in law firms).

When managing your law firm:

- Ensure you have a clear revenue goal.
- Spend your time on management rather than daily tasks.
- Evaluate the cost of your services to make sure you're spending time on what's most profitable.
- Focus on providing excellent customer service.

Whether you're starting a new firm or looking for ways to tweak your existing processes, start with one of these four points and you'll be well on your way to a more profitable law firm. ■

This post first appeared on Clio's blog (clio.com/blog) on July 5, 2017. Clio is the leading practice management platform, used by more than 150,000 legal professionals in 90 countries. State Bar of Michigan members are eligible for an exclusive 10 percent discount on Clio. Learn more by visiting landing.clio.com/sbm.

Teresa Matich manages the Clio blog, where she writes about legal technology and the business of law. She has previously worked as a reporter in the financial sector, and before that, she was an office clerk at a Vancouver real estate law firm.

ENDNOTE

1. All quotations and references in this article are attributable to Anthony Marrone II of The Marrone Law Firm and his presentation at the 2016 Clio Cloud Conference held in Chicago on September 19, 2016. Marrone focuses his practice in the areas of elder law, Medicaid, trust and estates, guardianships, and special-needs planning. He regularly appears in the news and gives public presentations, and also frequently speaks to groups of lawyers on social media marketing. He is the author of *The Social Media Marketing Blueprint for Lawyers*.