

# 2 Ways To Run Your Small Law Firm Like You Have an MBA



Is an MBA useful? To run your small law firm, it would be, right?

Many pundits feel it isn't. Their argument focuses on the fact that an MBA doesn't teach you the real world strategies and tactics you need to build, grow and scale a successful business.

They're right, it doesn't.

So why run your small law firm as if you have an MBA? Isn't that kind of self-defeating? It would be if that's all you had to offer.

## A better alternative? The Personal MBA

Jeffrey Pfeffer of Stanford University and Christina T. Fong of the University of Washington [analyzed 40 years of data](#) in an effort to answer a simple question. Do business schools make their graduates (MBAs) more successful?

Here's Pferrer and Fong's answer:

*“Business schools are not very effective: Neither possessing an MBA degree nor grades earned in courses correlate with career success, results that question the effectiveness of schools in preparing their students. And, there is little evidence that business school research is influential on management practice, calling into question the professional relevance of management scholarship.”*

Guy Kawasaki chimes in on this question as well.

In his book, [The Personal MBA: Master the Art of Business](#), Josh Kaufman shows firm owners how to create their very own *Personal MBA*.

Why is this important?

Most of us want the knowledge, training, and experience needed to build a successful organization. Here are a few ways attorneys can use their personal MBA to build and grow their small law firm successfully.

## **Strategy #1: Cash flow management controls**

Cash flow is the lifeblood of your firm.

If the cash flow in your firm is stable and predictable, your firm has *enormous* value. There's a tremendous value in building a firm with evergreen retainers, subscription fees, and recurring billings.

Here's something that's more valuable.

Good cash flow management controls. What exactly does this mean? It's actually pretty straightforward.

1. **Positive cash flow.** More money coming in, less money going out. This sounds incredibly obvious until you ask partners which financial metrics should be tracked. Firm leadership should be able to track a variety of financial metrics at any given moment.
2. **Strict financial controls.** You'll need the rules, policies and procedures governing cash flow management. How money is handled in your firm, who has access to it and went. You should also have strict controls over reporting – income, expenses, assets and liabilities.

This isn't all that complicated. You looking for specific financial information which includes the following:

- Amount of work done vs. amount billed
- Revenue billed per month
- Revenue collected per month
- Monthly expenses
- The accounts receivable lifecycle (the amount of time between you doing the work and receiving payment)
- Any discounts and/or write-downs (before billing)
- Write-offs after billing.

These metrics enable you to...

- Identify problem clients
- identify clients who pay well/on time
- Which practice areas are profitable or unprofitable
- Whether your collections policies need improvements to capture more revenue
- Whether your time tracking methods are accurate

This is your foundation. The success or failure of your firm, to a large degree, depends on cash flow management. Here's a comprehensive post on the [fundamental components of a successful legal practice](#).

## **Strategy #2: Consistent platform management**

How do you approach business development?

Many attorneys treat business development as a sporadic but largely unnecessary endeavor. Here's what I mean by that. Many attorneys struggle to attract new clients. They know they're struggling but most haven't addressed the problem.

addressed challenges graph

Platform building alleviates the pressure these issues place on firms. Building your own platform means you have a steady supply of traffic, prospects, clients and revenue.

Doing this reframes the rainmaking problem.

You're no longer begging for business, prospective clients are begging for a moment of your time. Why is this so significant? When clients appeal to you for your help they're...

- Consistently pursuing *you* for help. Client acquisition is no longer a problem
- Willing to spend more on your service and expertise. As a result, your firm is resistant to rate pressure
- Eager to consult with you on other matters. This improves costs and decreases expense ratios indirectly

A platform provides you with:

- A steady trickle, manageable stream or torrential deluge of prospective clients
- Prospective clients who are able and willing to pay your fees
- partners who are willing to build, promote and sustain your firm

It's common for attorneys to view advertising, marketing or promotion is *the* strategy to pursue. Here's the problem with this view, when you stop working your phone stops ringing.

A platform is different.

## **Run your small law firm like you have an MBA**

*A Personal MBA.*

Many pundits feel the traditional MBA has outlived its usefulness. Forty years of data show there is no correlation with career success or positive financial results. Does this mean an MBA is useless? You'll have to decide for yourself.

*A Personal MBA* could be your answer.

An informal training methodology you develop for yourself. A straightforward methodology you can use to learn/earn the real world experience. It's the ideal way to develop the strategies and tactics you need to build and grow a successful law firm.