

MANAGING ACCOUNTS RECEIVABLE

Do Your Attorneys Need an Attitude Check?

6 warning signs that law firms need to address when attorneys' mindsets lead to unpaid and ageing A/R

We can talk about the policies, processes and procedures you need to have in place for an effective accounts receivable management program. But those will not amount to much if your attorneys – all billing attorneys – are not on board with the program. The individual autonomy that attorneys demand for themselves concerning how and when they turn their attention to unpaid receivables can give them and their firms a false sense of security that they have A/R management under control.

But it's the law firm's revenue and financial goals that are at risk if attorneys are unable or unwilling to actively manage their receivables that require them to determine, day-to-day, when and if payment will be received and, if not, why. It's not about listening to attorney explanations of "I'm not sure why they have not paid," or "I thought they paid," or "there must be a mistake with this report". And, most of all, hearing the dreaded response – "I will get around to it" – certainly should not give the firm comfort that attorneys are making A/R their priority.

This is not to say that their intentions are not good and honorable. However, law firms must ask the question – "If we keep going down this path with our attorneys, do we expect our clients to regard payment as a requirement – or an option?"

Attorney attitudes towards collections can be detrimental to your efforts to collect A/R, so there is no time like the present for an honest attitude check. Consider these six warning signs that your attorneys' attitudes may be putting receivable collection at risk:

1. Attorneys believe they are the only ones who can contact their clients about their receivables, but they don't like to do it, don't want to do it - and just aren't very good at it! We get it: they have a professional relationship with their clients and are the logical people to talk to the clients. They also may have little confidence in letting others at the firm contact their clients.

While it is true that attorneys have the knowledge to talk the talk and walk the walk regarding the matter for which they have been retained by the client, others do have the appropriate communication skills and the professionalism to allow them to build strong relationships while getting bills paid. If firms do not have such people on staff, they must retain those with experience in adapting collection techniques to different situations, analyzing payment problems and understanding solutions that apply to different practice area and client situations. Attorneys must be inspired to have confidence in the people who will help them with collection efforts.

2. Attorneys ignore the signs of potential payment problems. If you have a bill that goes past 30 days unpaid, the attorney has seen the first warning sign of potential payment problems. Attorneys have allowed clients to believe that they can pay at their leisure. Because attorneys are not inclined to make contact regularly about unpaid bills, clients do not feel obligated to pay promptly. Attorneys ignore how clients can and will hide their cash flow problems with delay tactics in order to gain more time and leverage to pay their legal bills – or avoid paying

them altogether – such as: questioning services provided and costs charged, not returning calls or e-mails, ignoring attorney correspondence, etc. Many buyers of legal services often have sticker shock when they receive bills for legal services – and they are unprepared to pay them.

3. Attorneys, citing their busy schedules, don't make collections a priority. Anyway, they reason, their clients understand payment expectations. They need to be educated that collections is a process and must be done timely, diligently and promptly in order to achieve results. The business environment has evolved: mindsets have changed and so have business practices. Law firms need to understand that they are doing business in a different world and must make adjustments accordingly. This *requires* that they routinely communicate with their clients about unpaid bills to ensure timely payment or resolve problem issues. The attorneys need to communicate to their clients about unpaid bills, just as they do regarding the status of the matter they are handling for them. Attorneys – or the professional A/R managers supporting them – must institute regular, steady, professional follow-up on unpaid bills to find out when payment can be expected, or, at least, to help guide future follow-up.

4. Attorneys offer too much professional courtesy to clients, rather than reminding them about outstanding bills. Do not give your clients the opportunity to dictate the terms of payment – because if you do, they will. From the start of the relationship, make sure your clients know what to expect from you – and what you expect in return. Let them know that you are open to hearing any questions or concerns they may have, but that if they expect prompt service from you, you expect prompt payment from them. Remember: law firms must stop tolerating “good clients” who just don't pay their bills. Firms lose clients because of poor work and poor quality of service – not because they ask them to pay.

5. Many attorneys still fear that their clients consider it unprofessional to ask to be paid for their services. As a result, no matter how their firms press them to follow up with their clients for payment, they avoid that responsibility. The stigma arises partly due to the collective memory of nasty letters and pushy phone calls. The reality is, however, that clients tend to be very receptive to appropriate contact. Actually, contacting them early in the ageing process assures clients that their attorneys are engaged with their work.

6. Attorneys are not held accountable. This leads them to assume they have a lot of latitude regarding collections. Firms give their attorneys too much control of collecting receivables from their clients without holding them accountable, ensuring they are making progress and spending the necessary time managing and collecting their A/R. Attorneys must be contacted on a regular basis and asked specifically about when they expect bills to be paid. If they do not meet those self-imposed deadlines or don't have a good explanation, make sure there are other resources that are available to help. The traditional culture of forgiveness needs to be replaced with a culture of high expectations of increasing revenue through better collection efforts throughout the year, not just in December.

The attorneys can play a vital role in assessing the client's ability and inclination to pay. They don't have to be the ones getting them to do so.

Client Connection assists law firms of all sizes throughout the United States by furnishing accounts receivable management services and developing practical receivable programs.