

## Take Decisive Action Before Summer Breezes Take on Autumn's Chill

*To manage your accounts receivable, time is on your side...but it won't be for long*

**The summer months are the ideal time to focus on the challenges you are facing with your accounts receivable. While the pace of work may be a little slower – and before the frenzy that inevitably happens during the fourth quarter – take the time now to look squarely at your accounts receivable state of affairs. You are not alone. Many law firms struggle with receivables issues. But only some choose to take decisive action to address them. Join that group and consider the following steps:**

### Recognize that your efforts need to be year-round

Too many law firms continue to think collections is easy; all you have to do is remind clients to pay and they will. Stop tolerating "good clients" who don't pay their bills. Although waiting until year-end may work for some institutional clients, many clients, both institutional and non-institutional, require much more vigilance year-round. Be realistic about whether the firm is underachieving in its collections goals and efforts and consider if the firm has developed bad collection habits.

### Evaluate your accounts receivable management needs and strategy to ensure you are making progress

- Do we have the appropriate governance and leadership structure in place?
- Do we have meaningful reports and information?
- Do we understand how the attorneys are managing their A/R and if they are spending enough time on their collection efforts?
- Do we have the right administrative staff in place, and do they have their priorities straight?

- Are we measuring our performance by the results we are achieving?

### Calm attorneys' fears about implementing an A/R management program

Educate your lawyers on various techniques and strategies for contacting clients that will keep their relationship strong. Law firms lose clients by doing poor work or by failing to deliver client service, not by asking clients to pay their bills; managing receivables will not hurt the relationship if you do so professionally. In today's economy, and in the face of changing law firm economics, it has become a best practice to contact clients about unpaid bills. Don't be reluctant to hire professional staff with experience in accounts receivable management for law firms.

### Figure out what problems you need to overcome

Cash flow problems and a tendency to hoard cash are main reasons why clients do not pay, or pay slowly. They understand that they can ease their cash flow problems by delaying payment or by not paying at all. They may claim that they are not satisfied with the services provided or are unhappy with the results. They may experience "sticker shock" when they expect to receive a bill of a certain size and are surprised when a much larger one arrives. E-billing can also delay payment. The growth of e-billing and the greater length of time needed to resolve e-bill issues with clients has caused firms to re-evaluate their collection efforts and separate e-bill and non e-bill collections.

### Deal with the backlog of older, difficult A/R

Pursue these receivables actively until they are paid or until you have determined that they are uncol-

lectable. You must make consistent efforts, with status reports going to firm leadership to ensure progress is being made. Typically, firms focus their efforts on those clients that pay timely and avoid working with older accounts because they take time and are often not pleasant to deal with. You are making a big mistake if you think these types of receivables will be paid without working closely with clients and letting them know their account is being monitored.

### Limit the autonomy you give your attorneys

Firms continue to give their attorneys substantive control over collecting receivables from their clients. Frequently, no one is checking with the attorneys to ensure they are spending the time necessary to collect their A/R. Identify your problem attorneys, your problem practice groups and your problem clients – and take action. Meet with these attorneys on a regular basis and ask them to tell you when bills will be paid. If they do not meet their own deadlines – or don't have a good explanation – make sure others in the firm are available to help.

Attorneys are given too much leeway in dealing with their clients during the first 11 months of the year, only to have their feet held to the fire during the year-end sprint. A culture of forgiveness needs to be replaced with a culture of high expectations so revenues are increased through better collection efforts throughout the year. If attorneys cannot make the time to monitor payment status, the firms must ask collection professionals to monitor it for them. Attorneys are vital to assess the clients' ability and inclination to pay. They do not necessarily have to be the ones getting them to do so.

### Make the most of your A/R staff

If you have A/R staff, they should not be focused on keeping the attorneys happy by providing copies of bills and reports. Anybody can do that administrative work. Instead, determine if they are just concentrating on good-paying clients that need reminding, or are making collecting older, difficult accounts the focus of their efforts. Identify how many direct contacts they make daily with clients and how many accounts they are handling. Most importantly, determine how many actual dollars they are collecting, especially the older accounts that continue to age. If your staff is handling e-bills, identify how many of those accounts they are handling and how long it is taking to resolve these issues.

### Don't look at the past to predict future behavior

While past performance may be a guide, it may be less useful for purposes of ensuring firms will have a successful year, unless the right changes are made to A/R management. If a firm is unhappy with the results it is getting, it is time to try something different. Remember the definition of insanity: making the same mistake over and over, hoping for a better result.

If your firm has created an accounts receivable management program, take the time to set attainable goals, and evaluate your success in achieving them. Do not allow your collections infrastructure to balloon into an inefficient bureaucracy with lots of committees and attorneys who are focused on actions that do not result in collections.

**Do not accept the idea that ageing receivables are simply a part of doing business. Firms that address and actively work at getting results from their collection efforts will see a real payoff in the end. For those that do not, it will be a long year.**

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

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