

# HOW IS IT GOING?

## Client Connection Assesses Law Firms' Accounts Receivable Management Progress

*When it comes to accounts receivable management and collection efforts, law firms are starting to make progress in understanding the need to have in place the proper management structure, personnel and technology tools.*

Law firms are developing the necessary business infrastructure to address accounts receivable issues. This includes creating and empowering Billing & Collection Committees or Finance Committees, or, in smaller firms, giving senior lawyers the task of receivables oversight. Designing clear policies and procedures, and following them, is the final step.

More firms are purchasing collection software and hiring or promoting administrative staff as part of the management team to manage and collect receivables. Also, firms are talking about the difficult questions concerning appropriate client intake issues and their impact on how clients pay their bills.

Lawyers are changing their attitudes and are becoming aware that collecting receivables can be performed in a friendly, professional manner, one that will not hurt client relationships. As a result, they

are beginning to see the need to contact their clients about outstanding bills sooner rather than later – and seeing such efforts succeed as clients pay their bills.

Although many firms have built a framework for managing and collecting receivables, they have not instituted a real working program, nor have they focused their attention on how to reduce aging receivables. Each tentative step forward is sometimes counteracted by a nearly equivalent step backward.

Following are examples of progress that has been made – and the big issues that remain to be tackled:

- Firms are paying more attention to accounts receivable issues. *But*, all too often, this does not necessarily translate to better or more successful collections. Lawyers still have too much autonomy concerning how and when receivables are collected. Also, many firms believe that open dialogue between management and the attorneys will ultimately result in effective collection efforts, yet they have not enforced accountability guidelines to measure success.
- Firms are spending time revising and revamping their collection policies and procedures. *But* they are failing to first understand what it takes to implement these rules. It is one thing to commit procedures to paper, but it is quite another to ensure that the attorneys have accepted and are following the new rules.
- Firms regard an increase in revenue as an indication that collection efforts are working in their firms. *But* they are not reducing or collecting older receivables, particularly those over 90 days.
- Firms are beginning to recognize that intake is a vital aspect of receivables management. *But* intake remains a key problem area that firms have difficulty addressing. Far too often, receivables become a problem because the firm takes on work that it shouldn't. Attorneys are often given too much latitude in determining the clients they bring in. Compounding this problem is that many firms do not undertake concerted collection efforts sooner. They are left with bills that have aged and, frequently, end up as uncollectable. Firms are just beginning to research the different types of credit or scoring reports that are offered to investigate the financial background of clients.
- Firms are establishing Billing & Collection Committees or designating senior lawyers to oversee accounts receivable. *But* they frequently do not understand their duties or do not take the time necessary to follow up with the attorneys to whom they are assigned. As a result, they are also not holding the billing attorneys responsible for their actions. Committees need to take a "roll up your sleeves" attitude to ensure that receivables over a specified

balance and age are addressed regularly. Their job is to ask questions, get answers and resolve issues that prevent receivables from being paid.

- Firms have installed individuals to head and sit on committees or to be in charge of this task. *But* they have not necessarily selected the right people. Will they invest the time necessary to address receivable issues? Do they have the authority – and the inclination – to compel action? Do they buy into what accounts receivable management is all about?
- Firms are hiring more collection managers or promoting them internally. *But* for those promoted internally, they frequently do not have the expertise to collect and reduce aging receivables, though they may be well-suited to perform other duties, which led to their promotion. They may be asked only to generate reports, mail reminder statements and perform duties at the attorneys' request, rather than dealing with real receivables issues. On the other hand, for those who have been hired from outside and are new to the legal profession, they may have difficulties understanding the nuances of client/attorney

relationships, the complications of getting clients to pay their bills and the experience within the legal profession to understand the law firm culture.

- Firms have seen the need to have collection software in place. Good, cost-efficient software options are available to them, and firms, including mid-size and smaller firms, are spending the money to purchase the software. *But* many are not utilizing the software correctly. Information captured in collection software can be very useful in measuring and analyzing receivables data, but it can only be utilized when you have someone with the proper knowledge to manage and operate the software.
- The software has the capacity to generate meaningful reports. *But* many firms are not asking the questions necessary to generate the right reports. Many firms are unsure what type of information should be measured and which reports will provide them with that information. Firms are tracking their receivables better. *But* they fail to recognize the warning signs that a bill will not get paid. And they remain hesitant to accept the fact that some receivables need to be written off.

**So, what are the numbers telling you?** Firms still have plenty of accounts receivable on their books that are over 90 days, and have no real clue how much is collectible. They have so far been unable to identify which accounts will pay, when they will pay and how much they will pay.

The actions firms have been taking to get their arms around their receivables have been steps in the right direction, but it is vital that they not stop halfway at just addressing the problems. We have seen progress, but the race is far from over. There's plenty more to do before firms can rest on their laurels.

*Do you have a question regarding your receivables? Please send your question to our president via e-mail ([jakek@clientc.com](mailto:jakek@clientc.com)) and he will be pleased to respond, free of charge. At Client Connection, we know how to manage receivables, and we would be happy to share a little of our knowledge with you.*

**Client Connection is the leading consulting company focusing on accounts receivable management issues in the legal profession. We assist law firms of all sizes throughout the United States by furnishing accounts receivable management services, developing practical receivable programs, training law firm staff in effective collection methods and executive placement of professional collections managers. Client Connection recently introduced Client Collect, the first software that is part of a total accounts receivable management solution. Client Collect is the only software designed by consultants whose entire professional focus is on helping law firms manage their receivables. Client Collect provides law firms – and the professionals responsible for their collections – with all the support they need.**

**CLIENT CONNECTION**  
Accounts Receivable Management Solutions for Law Firms

Get in touch:  
800.236.8232  
972.378.0407 fax  
[info@clientci.com](mailto:info@clientci.com)

Visit us at our website:  
[www.clientci.com](http://www.clientci.com)