

Start Changing How You Manage Your A/R

8 Steps You Need to Take NOW to Manage Your Accounts Receivable

After the year-end frenzy, you took time to catch your breath, dig out and take a fresh look at the new year. That new year is now going full-throttle, so it's time to get back in gear and get a handle on your firm's receivables. Most importantly, be realistic about where changes are needed. What is the state of your receivables – and what are you doing to gain a firm grip on them. Following are 8 steps that all law firms should take – NOW – to put your firm on course for a profitable year:

1. Evaluate your firm's accounts receivable management needs and strategy to ensure you are making progress.

Ask yourselves – are we doing the right job, or do our processes, policies and procedures exist only on paper or in theory? All firms should take the time and effort to evaluate if they have A/R management best practices in place. The key questions to ask are:

- Do you have the appropriate governance and leadership structure in place?
- Do you have a good understanding of how the attorneys are managing their A/R and if they are spending enough time on their collection efforts?
- Do you have the right administrative staff in place, and are they doing the right work the right way?
- Are you measuring their performance by results they are achieving?
- Is the firm regularly collecting its older, difficult A/R?
- Do you have meaningful reports and information?

2. Determine what role firm leadership should play in A/R management and collection efforts.

Effective receivables management needs to start from the top. Leadership needs to have the ability to tell the attorneys to address their collections, but also understand the need to use other resources to help them achieve results. To begin, firm leadership needs to perform a self-evaluation to figure out what the firm is doing right and what could be done better. Take stock of what you are doing – and why – and evaluate what is and is not working. An important aspect of this is assessing whether you have the right people, with the right skills, in place to do the job. This involves two groups – attorneys and A/R staff.

Understand that everyone managing receivables must be held to high standards of accountability to ensure progress is being made.

3. Determine why existing processes, policies and procedures are not working.

While the financial management sector of a law firm wants to have black-and-white procedures as in most businesses, they are often challenged because there are so many complicated transactions and relationships that do not lend themselves to black-and-white procedures. All law firms should have a position in place concerning accounts receivable management, and communicate their expectations on collections to the attorneys. However, the procedures need to be workable, and exceptions must sometimes be permitted; yet these exceptions should be monitored closely and not be seen as a way to avoid firm collection policies and rules. Firm management must also step in to help attorneys understand what specific actions they must take to ensure payment, give them a time frame for getting accounts collected, and provide the right professional support to help them.

4. Map out a strategy to overcome the backlog of older, difficult A/R.

Receivables must be actively pursued until they are paid or determined to be uncollectable. But don't kid yourselves into thinking that older receivables are going to be paid without effort on the part of the firm. There must be dedicated, consistent efforts, with status reports going to the management of the firm to ensure progress is being made. Choosing the right follow-up efforts is the key to making progress with these types of accounts.

5. Figure out what kind of A/R management information you need to be looking at.

A/R reports have to give firm leadership real, actionable information; they need to show that collection activity is moving forward and progress is being made on each account. Detailed reports should provide information on whether accounts are actively being pursued, what the payment status is, who is pursuing collections and what success they are having, why clients are not paying, and what steps are being taken to get them to pay.

6. Evaluate administrative staff dedicated to managing and collecting A/R.

The staff should **not** be evaluated on how well they keep the attorneys happy by getting them copies of bills and reports; anybody can do these types of administrative work. Is their success with good-paying clients that just need reminding, or are they making collecting older, difficult accounts the focus of their efforts? Also, determine 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, difficult accounts that continue to age. Determine which collections can be tied directly to the efforts of your staff.

7. Overcome irrational fears about putting an A/R management program in place.

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 as long as it is handled 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. Also, to help ensure success, do not be reluctant to hire professional staff with experience in accounts receivable management for the legal profession.

8. Make sure your clients understand payment expectations.

The business environment has evolved – mindsets have changed and so have business practices. Because law firms are doing business in a different world and making adjustments accordingly, it also requires that they routinely communicate with their clients about unpaid bills to ensure timely payment or resolve problem issues. While past collections experiences should not be ignored, in these changing times it may not be entirely useful as a guide. Although some clients have set rules of when payments will be made, firms must institute regular, steady, professional follow-up of unpaid bills to secure dates of when payment can be expected to help guide future follow-up. By showing clients that the firm is regularly contacting them and monitoring their payment status, they will learn that you are well-aware of their bills and that you expect payment. However, sometimes it becomes the attorney's problem because he or she is uncomfortable about asking for payment and grants too much leeway about timely payment.

Client Connection:

Who We Are and What We Do

Put most simply, we are the leader in helping law firms manage and collect their accounts receivable.

- We provide workable, effective collection solutions based on the transactions, needs and sensitivities of each client relationship.
- We manage and collect accounts receivable without hurting or jeopardizing the relationships attorneys have with their clients.
- We understand the various client issues, billing complexities and A/R problems to resolve unpaid bills for the various practice areas.
- We provide regular reports to ensure up-to-date progress and communication.
- We are a proven, cost-efficient service that works with law firms of all sizes and practices.

For over 20 years, we have worked exclusively with law firms. We offer solutions to the accounts receivable issues law firms face:

Affecting the bottom line - We work on a cost-effective hourly rate, and our work pays for itself. Through our work, we directly help firms increase revenue, cash flow and profitability.

Preserving the client/attorney relationship - We are not a third-party collection agency, and do not act like one. Our work actually results in enhancing many relationships while accomplishing the ultimate goal of having accounts paid.

Developing A/R solutions for specific practice areas and clients - We are in the business of helping law firms collect their accounts based on the variety of issues and obstacles that pertain to the billing of legal services and costs.

Collecting receivables and preventing future problems - We help reduce the backlog of older receivables while preventing more current receivables from aging too far.