



If You Don't Ask the Right Questions, How Can You Expect to Get the Right Answers?

The fourth quarter is approaching, and, if you're like most firms, you are starting to give more serious thought to collecting your accounts receivable. And perhaps, this year, you are beginning to worry a little more than usual.

Now is the right time to do a candid self-assessment to judge your firm's attitudes about – and approach to – accounts receivable management and your ability to improve your collections. Managing accounts receivable is a continual process, one that requires persistence and vigilance. Those in management who have ultimate responsibility for collections should ask themselves the following five questions:

Are we still giving our attorneys too much individual autonomy in ensuring that their clients pay their bills? Whether or not you have policies and procedures in place to manage your receivables, are you holding your attorneys accountable for holding their clients accountable? Although many institutional and non-institutional clients are experiencing cash flow issues that are delaying or preventing payment due to the staggering economy, attorneys should consistently keep in touch with clients regarding payment status.

Professional, consistent follow-up is now even more essential to ensure clients understand that their unpaid invoices are being closely monitored and the management of the law firm is kept informed. If attorneys cannot or do not want to make the time to monitor payment status, the firm must be prepared to have the right support in place to help the attorneys manage their accounts receivable. The attorneys play a vital role in assessing the clients' ability and inclination to pay. They do not necessarily have to play a direct role in getting them to do so. Firms continue to be faced with an enormous dilemma: attorneys who do not choose to take the time to get their bills paid or do not enlist others to assist them.

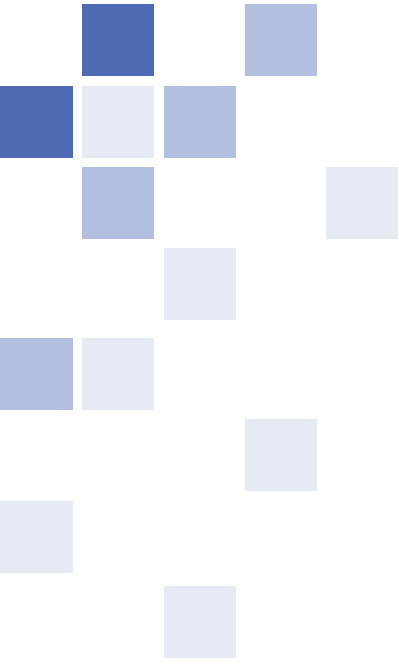
If an attorney chooses to take personal responsibility for collections, understand what specific actions that attorney will take to ensure the bill is paid. It is just as much the firm's responsibility to make sure the attorney takes the proper steps as it is that attorney's responsibility to do so. Tell him or her up front that you are looking for realistic expectations about getting paid, not wishful thinking. Make it plain to your attorneys that the firm needs to get a better handle on aging accounts receivable, and if there is no chance of collecting in a given instance, they need to alert the firm.

Identify attorneys who have particular difficulty collecting their receivables throughout the year. It's a safe bet that they will have similar problems collecting at year end. Give them the assistance they need to be successful.

Many firms can quickly identify attorneys who have difficulty collecting their accounts receivable, but this year many more attorneys than usual are likely to face such problems. This will add to the number of attorneys the management of the firm must monitor:

Is there still a stigma at our firm concerning collections? 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 do whatever they can to wiggle out of that responsibility. The stigma arises partly due to the collective memory of nasty letters and pushy phone calls. The reality, however, is that clients tend to be very receptive to appropriate contact, like respectful phone calls or e-mails.

The longer the attorney does not say anything, the less likely the bill is to be paid – and even less likely is the attorney to say anything. If the client has not paid after a reminder statement or letter, call the client because there may be a reason for the unpaid bill. Perhaps it's a lost bill or there are questions about the services rendered.



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Whether they are institutional clients or not, they may be experiencing cash flow problems. It is better to find out now and deal with it than to ignore the issue until year-end. Don't wait until the bill has aged too long before you realize that there is a problem. There probably was a problem when it was 30 days past due, but it was never addressed.

Does our accounts receivables management program fail to address the real collections issues?

Many firms have created accounts receivable management programs, but we have seen far too many that do a poor job of setting attainable goals and measuring and evaluating the success of their efforts. You may need to take a step or two back and evaluate your objectives and the policies, procedures and personnel you have in place to achieve those objectives. It is critical that the leadership of the firm understand it must first have a proper, working business infrastructure that deals specifically with accounts receivable management before it can measure the effectiveness of the firm's collection efforts.

Sometimes the collections infrastructure has grown into an inefficient bureaucracy, with committees and attorneys focused on issues that do not lead to actual collections. This can be especially true when administrative staff has been hired or promoted to perform collections, but are not having their performance judged by their actual collection results. Just because someone is a good employee doesn't necessarily mean they have the experience and know-how to work with clients to get bills paid. Firms need to do a better job making sure they have the right people in place to manage receivables. They need to hire true accounts receivable professionals, make expectations clear to them and give them the support and the tools they need to succeed.

Are we giving too much professional courtesy to clients?

Once again, because attorneys are uncomfortable asking to be paid, they frequently grant far too much leeway to the client in making decisions about paying their legal bills. Some attorneys go so far as to be squeamish about something as mild as a reminder notice.

Clients get upset about shoddy work and poor service; they do not get upset when they are asked for payment. Actually, most clients are perfectly willing to pay their bills, although some will take advantage of lawyers who neglect or forget to remind them to pay their bills. The truth is that though attorneys may be uncomfortable with the concept of receivables management – handled either by themselves or by others – clients do understand and accept the notion and are not offended by tactful inquiries about unpaid bills.

Are we relying too much on past history to judge how collections will go this year?

Historically, it has always been helpful to gauge future collections based on past experience. While the past should not be ignored, in these times, it may be less useful as a guide to future behavior. The economic climate is very different; mindsets have changed and so have business practices. Recognize that you are doing business in a different world, and make adjustments accordingly.

Measure monthly revenue projections, but, more importantly, be realistic about whether the firm is underachieving in its collection goals. There has to be a month-by-month game plan, and it is essential that the plan be realistic. Don't wait until the last quarter or, worse, December. Figure out whether your clients are having difficulty paying your bills now. If they are already struggling, it's unlikely to get better as year-end approaches.

The truth is that while the economy is certainly having an impact on the ability of firms to collect, if you answer "yes" to at least one of the above questions, your firm is already operating with a handicap.

As they say, the first step in addressing a problem is admitting there is a problem. First, recognize what your firm may be doing wrong in managing its receivables. Only then can you determine the steps to take to begin addressing the problems and getting on the path to more effective collections.

Client Connection assists 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.



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