

# COLLECTION SOFTWARE: ARE WE THERE YET?

## Navigating the Often-Bumpy Road to Software That Really Addresses Law Firms' Collection Needs

*More and more law firms have installed collection software to help them deal with their growing portfolio of receivables. And, in far too many instances, they have been frustrated by their experience. There are a number of reasons for this:*

**Software alone is not the answer.** Many firms have believed, erroneously, that by installing collection software, their receivable problems will be solved. They lose sight of the fact that the software is just a tool, though a potentially powerful one. More important, however, is the strategy the firm adopts in using the software, and the people who are using it. Software is an aid to – not a substitute for – the personal contact needed to get bills in line for payment.

**Software tends to work better when it's turned on.** A surprising number of law firms install the software but never get around to using it. Their intentions are good, but the firm culture becomes an obstacle. Many are unsure how to use collection software as a strategic business tool to help increase revenue while holding the individual attorneys accountable for collecting their aging receivables.

**Firms do not fully understand what software can do for them.** They are often victims of their own cultures, approaching their collection efforts with a plan that does not provide results. They are unsure what information about their receivables they need to gather and how to analyze that information.

**Many firms don't know how to determine if collection efforts are successful.** They make the mistake of believing that since they have someone using collection software, they are making efficient collections. Although the day-to-day use of the software is important, even more vital is using it to provide firm management with a clear picture of the progress of collection efforts.

**Software does not make up for poor decision-making.** However effective a firm's software, it can never help a firm succeed if the attorneys take on clients who will not or cannot pay. In such circumstances, the value of the software is in helping the firm identify who these clients are – and what their unpaid balances are – sooner rather than later, so as to minimize these mistakes in the future.

**Firms have not realized the full potential of software.** It should not be regarded as a tool solely for calendaring and note taking. That's just scratching the surface. Firm leadership can and should use it to predict cash flow, determine if and when clients will pay, and identify which collection

methodologies will work best for which clients. They *should* utilize it to “get their arms around” their receivables, generating specific reports that are meaningful to the firm.

**Effective collection software can (and should) offer your firm all the following capabilities.**

*What is your software offering you?*

- 1. Classification Codes** – Does it allow the firm to classify receivables by the following criteria?
  - The prospects for payment: expected to be paid, possible write-off or problem account
  - Reasons for non-payment: cash-flow problems, bankruptcy, administrative issues or dissatisfaction with service
  - Who is handling the collection: a member of the accounting department, the attorney himself or an outside consultant

Once classification codes are assigned, management can use the codes to identify which accounts it wants a collector to work at a given time. For example, it might direct the collector to focus on all accounts over 90 days with a balance over \$500 that are classified as problem accounts.

- 2. Accounts Receivable Notes** – Does it maintain current and historical collection notes so the firm can review a collector's work? Will it allow the collector to set different parameters for viewing the

receivables on the screen? For example, by age, by department, by attorney, by balance or by classification.

- 3. Task Schedule** – Does it allow you to maintain and follow a schedule for timely follow-up with clients?
- 4. Payment Promises** – Does it prompt the collector to put payment promises on a tasks list so he or she can make sure that payments arrive on the promised date?
- 5. Tasks List** – Does it show all follow-up tasks and payment promises on a task screen? Does it have the flexibility to sort receivables by any criteria, including due date, balance and classification?
- 6. Aging** – Does it permit firm management to easily set aging buckets to fit the firm's particular collection needs? Will it allow the collector to set different parameters for viewing the receivables on the screen? For example, by department, by attorney, by balance or by classification.
- 7. Accounts Look-Up** – Does it allow the collector to call up a client by any number of pieces of information, including client's name, contact name,

invoice number; check number; phone number.

- 8. On-screen Information** – Does the software put the relevant invoice and payment information on screen?
- 9. Contact Information** – Does it let you maintain, and easily update, all contact information, including phone and fax numbers and e-mail addresses?
- 10. Reports** – Does the software allow you to create a variety of reports, including accounts receivable reports and query reports?
- 11. E-Mail Capabilities** – Does it allow you to e-mail screens on accounts to appropriate attorneys or to firm management?
- 12. Exportability** – Can you export collection screens or reports to a Word or Excel document?

Does your software offer these features? We suggest that if it does not, you may want to consider shopping around for software that does.

Of course, having software that offers all these capabilities is only half of the equation. It is also essential that your firm have a sound collection strategy, including

workable policies and procedures, and a means for effective one-on-one contact with clients to ensure bills will be paid.

There is no getting around the fact that collections is "roll-up-your-sleeves" kind of work. Good software will make it easier.

Choosing the *right* software to address your firm's particular needs is crucial. Consider seeking help in making this selection.

*Do you have a question regarding your receivables? Please send your question via e-mail ([clientc@earthlink.net](mailto:clientc@earthlink.net)) and one of our professionals will 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 offering total accounts receivable management solutions to law firms. 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, placement of professional collections managers and providing cost-efficient collection software.**

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