



Now is the Time to Start Your Receivables Management Program

By Vincent M. Bell
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Why does it make sense to start a year-end collections program in the Spring? The obvious answer is that the earlier a firm starts, the more time it will have to collect money before the firm has to close its books. The more complicated answer is that if a firm waits until that stressful period between Thanksgiving and New Year's Eve, it will be forced into making more and more compromises with clients – read **WRITE-OFF's** – in order to get its money in on time.

Effective law firm collection programs require discipline and organization. Historically, law firms have done a mediocre job of collecting their accounts receivable on a timely basis. The primary reason is that it is usually the responsibility of the billing/origination partners to collect their own money. Many lawyers feel very uncomfortable calling their clients to ask for money. In every other industry, there are individuals in the accounting department who are responsible for managing the business's receivables. Law firm clients certainly have those people in their own accounting departments and they understand the value and importance of it. The whole collections process in law firms has been stilted and at least initially it may be difficult to change that relationship with clients. But devoting the time, energy and resources to setting up a formal **Receivables Management Program** within the firm's accounting department will improve your firm's financial performance and profitability.

Begin now and the firm will have more than enough time to take all the necessary start-up steps and get the program running at full speed in time to have a very successful collections year in 2014. The most important step is to make a commitment now to establish a formal **Receivables Management Program** run by your accounting staff. It can't be something quixotic or set up at the last minute as a magic solution to a poor collections year.

Your firm's **Receivables Management Program** has to be structured and it has to include all the necessary steps including:

- Secure senior management support
- Get partners' buy-in
- Consider a phased-in approach
- Assign and train collection's staff in accounting department
- Set aggressive billing and collections goals

- Use current time and billing system to organize data in a formal way
- Maintain ongoing communication with billing partners
- Establish/tighten firm-wide rules for write offs and write downs

By taking the time now to set up a formal **Receivables Management Program** within the accounting department, the firm will improve its financial performance and profitability **this year**.



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Upstream Consulting Group provides law firms with strategic financial and operational consulting to improve profitability and facilitate growth. It has extensive experience in setting up successful **Receivables Management Programs** for law firms. Please contact us for a confidential consultation.