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**Calling (to) Collect
Why it Makes Sense for Partners to Reach Out and Touch Clients
By Daniel Zimmerman**

Professional services organizations are unique in the business world. Executives in these entities approach commerce with reverence and revulsion: They love to make money selling their services, but they hate to dirty their hands with the actual task of asking for money.

The people who run the business aspects in firms (administrators, executive directors, comptrollers) need to understand the unique perspectives their employers (partners in law firms) hold from the start. Attorneys may be great at practicing law and networking for new clients, but they may need a little help with the business side of things.

Attorneys, for the most part, are very intelligent people. However, the typical attorney profile is to finish law school, pass the bar, and join a law firm. New associates are assigned to more senior partners to learn what the practice of law really entails. These partners themselves went through the same cycle years earlier. This cycle creates a recurring problem: The mistakes of one generation of lawyers are passed on to the next. The culture and attitudes within a law firm are very different than any other type of business. (Making attorneys view their organization as a business may be the first hurdle -- a law firm provides legal services to clients as CPA's provide accounting expertise to their clients.)

Law schools aren't handing out MBAs: Instead they focus on preparing future lawyers to be lawyers, not businesspeople. Herein lies the root of the problem. Without real life experience of running a business and understanding the economics of providing the service, many attorneys forget one of the most important steps to profitability and cash flow: billing promptly and collecting on those bills. Attorneys develop their own hierarchy of business processes and attitudes. they live by these personal rules:

"No one can call my client except me."

"If I send a reminder statement my client will be upset."

"It is unprofessional to call clients for fees. If they don't pay, we won't do work for them again."

"If we are too aggressive trying to collect our fees, we may lose our client, or worse, trigger a malpractice suit."

Few industries operate with the levels of gross profit lawyers enjoy. Having a high margin has led to an industry that accepts a higher level of unbilled time and aged receivables, more so than any other service industry. Studies like the one

PriceWaterhouse Coopers completes annually compare firms' realization levels with others of similar size.

But these surveys may give firms a false sense of security. Firms at the top of the survey often think they are doing great. By comparison they may be, but they are comparing themselves to a very low benchmark. Many law firms could add thousands of dollars to the bottom line simply by properly managing their unbilled time and receivables.

Many law firm administrators do have real business experience. This acumen tells them what should be done to improve cash flow and profitability. Unfortunately, the final decisions regarding a firm's approach to the management of these assets is again ultimately in the hands of the partners: The same partners who have never had real-world experience running a business.

Attorneys tend to be their own worst enemies regarding the proper management of the firm's cash flow cycle. Unfounded fears and apprehensions handcuff a proper approach to managing these assets properly and professionally. Many firms will turn to billing coordinators to handle collections. Rarely have these employees worked in corporate credit or banking and can't begin to know how to respond to client problems regarding billed amounts and quality of service issues.

Attorneys routinely relying on these workers illustrate a basic lack of understanding regarding the dynamics involved in collection.

To make matters worse, often collecting from larger more meaningful delinquent clients is left to partners. Due to the relationships the partners maintain with the clients, they often are reluctant to make the call. In these instances, no one follows up -- and the account remains unpaid.

True business-management experts know that their organizations have to bill the clients and collect their money. If a client is not paying, being afraid that a call will upset them is far down the list of concerns of the true business professional. The stand-back attitude in law firms allows clients to prioritize the payment of legal fees to the bottom of their payables.

Changing a Firm's Collections Perspective Firm managers need to deal with the existing attitudes toward collections and try to change them. In most firm cultures, this is a slow and difficult undertaking -- reluctance to collect has prevailed for decades. Effective collections may begin when a firm adopts a program of positive and negative sanctions depending on whether the partners manage their time input, billing and billed receivables in a responsible manner:

Establish average days in work-in-process (unbilled time) and billed receivables by practice area.

On a monthly basis, measure each partner's performance against these present benchmarks.

When partners exceed these benchmarks by more than 10 percent either way; they will be charged an interest charge. If partners are better than the benchmark by more than the 10 percent, they would receive the interest amount for the savings to

the firm.

There's a logic to this approach: Firm managers work to ensure the employees take responsibility to understand the importance of billing and collection. If you were to provide only a negative sanction without the positive benefit, it would be akin to making the offending partners "stay after school" for non-performance. This approach gives attorneys the opportunity to reward or penalize themselves based on how they choose to address this very important part of their jobs.

Law firm partners need to understand they are businesspeople. A firm should not have to impose negative sanctions to motivate partners to do a part of their job. Establishing a positive/negative program will lead to improved focus and performance by the partners.