



DIALING FOR DOLLARS: ACCOUNTS RECEIVABLE CALL MANAGEMENT

Ellen Freedman, CLM
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Ever since I wrote the article entitled “Getting Paid” almost five years ago, I have been consistently called upon to do a seminar on the same topic from one end of the state to the other, at events ranging from bench bar conferences to luncheon MCLEs. Invariably, I am frequently contacted on the hot line following a seminar to ask me how to properly make the actual call for money. As a private consultant I have been hired on many occasions to provide on-site training in making these types of calls. I have gone over the script so many times with individual firms, I thought it would be helpful to diagram it, so I produced the flowchart which accompanies this article.

Probably the best news I deliver during my seminar is that the attorney isn’t the right one to make the routine calls to follow up on receivables. First, it doesn’t make sense to invest otherwise billable hours pursuing past due billings if someone else can perform the same function just as, or more, effectively. Second, it is almost impossible for an attorney to contact clients seeking additional work while they are simultaneously trying to collect on past work. And finally, most calls are more of a customer service function than a “collection” function, and therefore should be handled by the most customer–service–friendly person at the firm.

Finding the most customer–service–friendly person means, for most firms, that the bookkeeper is NOT the right person to make the calls. Think about it. Most bookkeepers are “rule followers”, and have little tolerance for those who do not follow rules themselves. Everything in their world has to be neat, tidy, and organized, in order to proceed on a schedule which is consistent from month to month. Their idea of making a call about a past due bill is to say, “Our terms are net thirty days — what part of that do you not understand?” Hardly the kind of rapport you want to establish! In small firms where options are limited, the most customer–friendly person is often the receptionist. In larger firms there are more options available. If the firm has an administrator, that person should have the requisite people skills to make the calls. Don’t assume that an office manager, especially without sufficient legal background and good people skills is suitable, though. I had one firm referred to me for counseling by the Disciplinary Board because their new–to–legal office manager was yelling at and threatening all their clients with law suits! That method may work in other industries, but is certainly not suitable in the legal profession.

Calls should be made on each receivable as soon as it reaches the due date. Different types of clients may have different due dates, depending on their payment terms

and arrangements with the firm. For example, insurance companies may pay quarterly, or in 45 days, whereas other clients may have bills due within ten days of receipt. If you have varying payment terms, tracking the date to start the calling process can be a little more complex. In order to make calls when required, you need a billing system which can produce an aged receivable report on demand, or you need to make a tickler entry for follow-up on each bill as it goes out, especially when the terms are other than Net 30. The actual call is placed to the client's bookkeeper or accounts payable clerk.

When the initial call is made, you just want to ensure the bill has arrived, and determine whether there are any issues concerning the bill which might hold up payment. A frequent "stalling" technique is to claim the bill has not arrived. If that is the response you receive, you should immediately — that day unless your call is made right before 5:00 p.m., in which case the next morning — fax and federal express a copy of the bill. I don't normally recommend hitting a fly with a brick, but in this case you want to make sure that this excuse will never be offered to you again by this client. You will also convey a sense of urgency, indicating that your firm cares about whether you get paid on time. You should be back on the telephone the very next day to confirm receipt of the fax and hard copy, and to again ask whether there are any problems with the bill.

If a problem or question exists, you must determine the nature of the problem. Try to get the client to specifically identify what charges are problematic. Ask the client to temporarily hold back that portion of the bill until you can respond, and to pay the balance in the meantime. Remember, it is always better to get a slice of bread even if you can't get the whole loaf.

Problems on bills should be researched and resolved as quickly as possible. This is definitely a customer service issue, and the client has every right to have their questions answered in a prompt and courteous manner. I usually counsel clients to "empower" the person making these calls to write off charges up to a certain percentage, if they feel the situation warrants it. For example, if the client expresses unhappiness with the efficiency with which a young lawyer has handled a matter, and the fees in question equal less than 10% of the overall fees on the bill, your employee should authorize the client to take a courtesy reduction, provided they send in their payment for the balance right away. When the costs or fees questioned are in excess of the percentage you set, this is when the attorney must get involved. You must contact the client to resolve the issues without delay. Concentrate on being open in your communications, and patient with the client's lack of understanding as to what goes into managing their matter. Don't be defensive, and certainly don't make the client feel that way. You never want the client to regret that they raised issues. Their discomfort level might motivate them to seek another attorney to handle their subsequent matters.



Some attorneys balk at the idea of empowering an employee to offer courtesy reductions. According to the Commercial Law League, receivables aged one month are 93.2% collectible; at 3 or more months they are only 72.3% collectible; at 1 year or more a bill's collectibility drops to just 28.4%; if your bill ages 2 years or more you can expect to recover only 12.5%! Would you take on a matter knowing you were going to provide a discount of over 87% on your normal rate? Keeping these numbers in mind, you want to do everything you can to keep your receivables from reaching that 90 day mark. Offering a maximum adjustment of 10%, which is what I usually recommend, is small compared to the write-offs you will ultimately incur if you allow the disputed bill to remain open and unpaid for too long.

Before the call ends, you must secure a specific date on which the payment will be made. Often clients will not want to commit to a date, replying "I don't know, I can't say right now when I'll be able to pay this bill." There are two concerns here. First, is the client having cash flow problems? If this is an otherwise good client, and your instincts tell you they are just short on cash, it is up to you to offer them progress payment terms. Most clients do not think that they can send their attorney a partial payment. So they don't pay the bill at all, rather than send a check on account. You must let them know that a partial payment is ok. Try to get a commitment for a partial payment right away. You do this by asking something like, "If you can't pay the entire bill right now, can you send \$2,500 on account at this time? Then we can work out a schedule to pay off the balance that works better with your cash flow." If the client says no, ask again, lowering the payment to \$1,000. Again, you want to get a piece of it as quickly as possible, and work out a payment schedule you can monitor, so that the amount which begins to age is increasingly smaller.

Your other concern is to get a payment date promised before you allow the call to terminate. This isn't easy. It's not acceptable to end with "I don't know when" from the client. You need to keep asking specific questions like "Well, can you get the check out in another week?" If the client says no you should then ask "Can you get the check out in two weeks?" And so forth. Keep asking about increasing time frames, until the client finally says yes or probably. Then repeat the date promised, and let the client know you will check back with them on that date to confirm payment has been made.

The first time you have this conversation with the client, you may find that the client gives you an untruthful answer in desperation just to get you off the phone. As someone who used to manage the accounting departments of financially troubled companies, I know how to "avoid" making payment better than most people. I know that most people who call for money do so erratically. So any excuse to get them off the phone usually buys another two to six months of silence before they call back. Under those circumstances, anything which ends the call, even a lie, is a good trade for the extra time. That's why it's essential for you to immediately diary your calendar for the date promised, and follow up on that date without fail. When a client finds out that you will always follow up, rather than disappear for an extended period, they will stop making empty promises, and deal with you in a more forthright manner. And again, your persistence will indicate how important it is to you that your firm get paid.



Follow-up is key. Always diary the client's payment commitment. Always call when the check is supposed to go out to see if they are keeping the commitment. If not, negotiate a new date, and try to get a first or another progress payment. Diary the calendar again for the next promised payment date.

Keep in mind that the client's bookkeeper is a rule player. That person would pay every bill the day it is received, leaving the client's company devoid of cash, if permitted. (Think about your own bookkeeper or payables clerk, and you'll know I'm speaking the truth.) They really hate receiving your calls, no matter how friendly the context of the call. When they come to know that you will always make calls when the bill is due, they will do everything within their power to ensure YOUR bill gets paid before someone else's who does not call, or calls only sporadically. Yes, when it comes to payables, it is true that the "squeaky wheel gets the oil." Remember that SOMEONE is getting to be paid, and your job is to make sure it's your firm, rather than someone else. Consistent and persistent follow-up, always with a warm friendly tone, will not only make significant inroads into shifting your receivables back toward the current column, it will also provide each client with the ability to voice concerns about bills, and work out payment terms when needed. It's a win-win situation.

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