

# 5 Best Practices for **Law Firms To** **Optimise Accounts** **Receivables**



# Table of Contents

3	Preface
5	Digital Tools to Improve Cash Flow
6	AR Best Practice 1: Solvency as a Problem-Solving Strategy
7	AR Best Practice 2: Invest in the Flexibility of Payment Plans
8	AR Best Practice 3: Choose Transparency
9	AR Best Practice 4: Make Your Invoicing Method Rigorous
10	AR Best Practice 5: The Art of Chasing Proactively
11	Key Takeaways for Law Firms
13	About Us

# Preface

What are Accounts Receivables, commonly abbreviated as the mysterious "AR"? Accounts Receivables are funds yet to be received - outstanding revenues for unpaid services your law firm has provided and invoiced.

Law firms often try to juggle between two things - trying to sustain and grow their business, while having limited time and resources to manage chasing late payments.

As lawyers, it is essential to learn about Accounts Receivables, as their management is crucial to your firm's health, especially in today's age. Research suggests that the COVID-19 pandemic played havoc with the slowing global economy, directly affecting cash flow due to delayed payments or defaults on payment.<sup>1</sup> The pandemic had nefarious effects on businesses, and the change in customers' payment behaviour is the collateral damage whose effect must be counteracted. Currently, the collected amount for legal services is estimated to be below 90%.<sup>2</sup>



*For law firms, now more than ever, effectively managing your receivables and cash flow is critical to ensure that your firm can thrive and make the right investments to attract and retain the right clients and employees, and build a strong foundation for continued growth.*

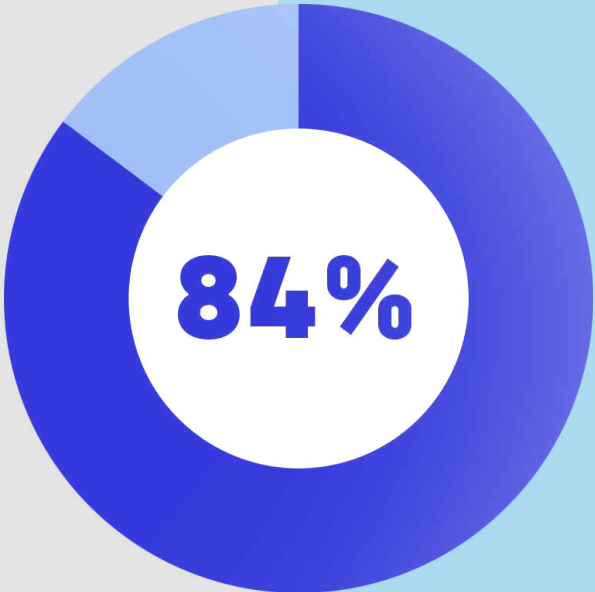
**Robert Hanna,**  
Founder & Managing Director, KC Partners  
Host - Legally Speaking, Podcast™ powered by Clio



# Law Firms and Digitalisation: The Time is Now

The digital age is here. Companies across a number of industries, particularly the legal industry, are moving towards more digital solutions. Partners in most legal firms now have a broader acceptance of the role of technology in the effective delivery of legal services than before the pandemic began: 84% of partners surveyed by Acritas expected their firms to increase investments in technology.<sup>3</sup>

The time is now to change and think more long-term about the most effective tools, processes and enablers that will help your business to grow and evolve with the times. If law firms don't do so today, they risk being left behind.



*of partners expected their firms to increase investments in technology*



**David Turney,**  
Co-Founder &  
Managing Partner  
Avery Law



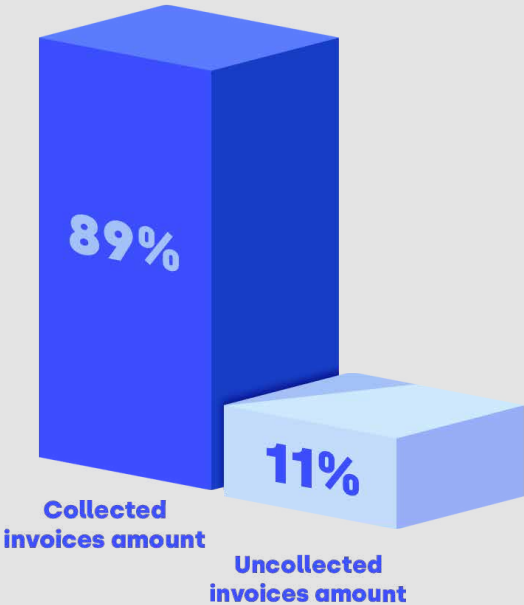
*The digital age is here. At Avery Law, our team recognizes the impact that technology can have on the legal field. That is why our firm has fully embraced tech-enabled tools, such as the management of our accounts receivables, to save time, support essential functions and re-invent the way in which sophisticated and value-driven advice is provided to our clients.*



# Digital Tools to Improve Cash Flow

According to a recent Legal Trends Report, the average law firm collects only about 89% of their invoiced amounts.<sup>2</sup> While 11% uncollected may not seem significant, for a number of law firms, this can easily amount to tens or even hundreds of thousands of dollars in late payments that can undermine a law firm’s ability to sustain its operations and invest in the long-term growth and success of the business.

Managing AR can sometimes be a complex process due to time, resource and capacity constraints. Usually, legal firms do not have in place a formal credit control function and AR process to be able to effectively monitor and chase late payments. Instead, a senior partner, associate or administrative staff are left to monitor and follow-up “side of desk” on top of their regular day-to-day activities, leaving them with less time to focus on client work, business development and other high-value add priorities.



If, however, the law firm has a staff finance manager, it is common that the sheer volume of invoices that they have to deal with for their firm leave them with little time to be able to prioritise which invoices to chase, when, and how best to engage clients for the recovery of payments.

So, how do law firms overcome these challenges? Through the adoption of digital tools and best practices to support effective AR management.



**Ralph Wehrle,**  
Partner  
Briffa

“As a leading specialist in intellectual property law, we often talk to our clients about the importance of maintaining a healthy cash flow. As a business ourselves, we also understand the day-to-day challenges that businesses face, and the importance of technological tools to help manage receivables, save time, and improve cash flow for legal and non-legal businesses.”

# AR Best Practice #1: Solvency as a Problem-Solving Strategy

Checking the solvency of a potential customer before engaging in any type of legal service is the first thing you should do to avoid any unfortunate surprises. This basic credit checking might sound tiresome, but rest assured, it is less time-consuming than chasing after late-paying customers.



Knowing who is at high risk of late payments will give you the upper hand in choosing whether to conduct business with them or not.



It will also give you a headstart in case of any changes in a customer's credit risk, so that you can anticipate any payment issues and devise different payment plans.



Going through your portfolio and categorising your accounts based on credit risk is the most efficient method to channel your collection strategy in the right direction and optimise your Accounts Receivable management. Opt for a three-tier system, from good to fair to poor. Opt for clarity.

If you still think this is too much to undertake, you're right. Automation can do all this for you, while you and your lawyers can focus on providing top-quality services.

# AR Best Practice #2: Invest in the Flexibility of Payment Plans

Revenue is what keeps a business alive. Accounts Receivables can't sustain your cash flow; only money can. If your customers are experiencing cash flow problems or liquidity issues, flexibility is key.

Don't underestimate the power of renegotiating payment terms, or setting up a payment plan. As long as a serious credit risk assessment supports it, this strategy increases your chances of collecting your fees, and strengthens your customer relationships. According to Deloitte<sup>4</sup>, this strategy proved efficient in reducing late payments, whilst increasing revenue.

## 3 Tips to Reducing Late Payments



**Renegotiate Payment Terms**



**Set Up Tailored Payment Plans**



**Provide a Simple Payment Experience**



**Juan Brea,**  
Chief Operating Officer  
Masur Griffiths Avidor LLP



*At MGA, our priority is always to deliver the best results for our clients. When it comes to invoicing and collecting payments, we want to make sure that the process runs seamlessly, so that our clients have the digital tools and optionality required to ensure a frictionless and client-centred payment experience.*





# AR Best Practice #3: Choose Transparency

Charging your customers upfront fees, or retainers, is another way to decrease your Accounts Receivable that big law firms usually live by. This straightforward practice has many virtues, whether for a first consultation, a first assessment, or simply before providing any service.



A customer's reaction to the demand for upfront fees will discourage serial late/non-payers.



Upfront payment establishes a relationship of trust between you and your customers in two ways. First, it gives a professional image of your company to the client. Then, it offers you a guarantee of receiving full payment from the client upon completion.



Upfront fees keep your cash flowing, so you don't have to worry about Accounts Receivables.

For law firms of all sizes, practising upfront fees doesn't leave room for surprise when it comes to billing so that your customer knows exactly what to expect.



**Ryan Dingley,**  
Director  
Dingley Marshall Lewin  
Inc.



*Through digitization, we have been able to increase client engagement, while still maintaining and nurturing client relationships through the use of digital tools to manage our receivables and help to ensure the right timing, channel and tone of voice in which to engage our clients for upcoming and overdue invoices.*





## AR Best Practice #4: Make your Invoicing Method Rigorous

If you don't want late payments to overtake your law firm, keep your invoicing process faultless.

If your invoices exhibit approximative or incorrect information, or if you don't send them to the right customer, your customers will not be at fault. Make sure your data is up to date. Error is human; that's why automation exists.

If you keep sending your invoices with a delay, you are also enabling late payments. Clients pay their bills quicker if they receive their invoices shortly after benefiting from a service. An immaculate invoicing procedure comes hand in hand with flexibility for payment methods. If you want to avoid payment delays, don't overcomplicate your payments.



# AR Best Practice #5: The Art of Chasing Proactively

Just because you sent your invoice, doesn't mean you should rest. The real work starts then.

Contacting customers to confirm the receipt of an invoice can be an incentive for them to pay as soon as possible. You can also send a reminder email a few days before the due date to ensure the customer hasn't forgotten about your fees, or to rekindle their will to pay. Proactive communication is your best chance to ward off late payments. You should not wait for your Accounts Receivables to become outstanding for a long period. Pick up the phone to give your customers a gentle reminder, or email them.

However, unless you have a dedicated team in charge of collection, you will most likely deal with it yourself. Manual collection processes are repetitive chores that can quickly drain your time and energy. Automation will make your life easier in this domain by offering you seamless and painless collection.

An automated solution can track clients that are behind schedule. Thanks to machine learning tools, you can benefit from a tailored strategy to chase each customer by finding out what works best for them. Some may respond better to emails than text messages, while others may respond better to calls.

Unlock your outstanding revenues, while still maintaining good relationships with your customers. Collection processes must be bespoke and mindful, as each customer has their reason for late payments. Artificial intelligence and machine learning can segment your customers by sorting out loyal customers with a good history of payment behaviour from late serial payers. It can even use a different tone of voice for each of them, whether a gentle nudge or a stricter approach.



**Jonah Paritzky,**  
Family Lawyer  
Paritzky Family Law



*Through digitization, we have been able to gain accurate, real-time visibility into our business and help support our objectives today, as well as our investments into the future.*



# Key Takeaways for Law Firms

One of the biggest challenges that law firms face from a financial standpoint are late payments. The good news is that digital solutions are here to automate and improve accounts receivable management for law firms. Through these digital tools, law firms will be able to:



**Save Time.** Manual accounts receivable management can take up to 16 hours of extra time a week. Constantly going through excel spreadsheets, drafting emails, taking notes of performed actions and reminders, checking your accounts to see if the client has paid etc. take time away from your core business.

Automation of AR will eliminate the need for different tools such as outlook, excel, etc. and outdated legacy processes - giving yourself and your team back time to focus on what matters most to you and your business.

**Maintain and nurture client relationships.** Legal firms are too busy focusing on serving existing clients, or building their book of business, to be able to effectively manage and chase late payments. Law firms are concerned about how to best manage the chasing of late payments in a way that enables them to effectively sustain positive relationships with their clients.

Digital AR management software that uses machine learning to estimate the best time, tone-of-voice, communication channel, and frequency to send reminders to your clients regarding outstanding payments can help influence better invoice recovery in a manner that still enables law firms to maintain positive relationships.



**Improve cash flow.** The cash owed to your firm is essentially a free credit to your client. Not only can your firm miss out on essential investment, but can even struggle to pay its own expenses. [Research](#) demonstrates that 26% of invoices are uncollectible after three months. After six months, this percentage increases up to 70%. Eventually, from twelve months, this percentage rises to 90%.

Through digital Accounts Receivable solutions, law firms are increasingly able to recover their outstanding payments faster and greatly improve their cash flow.



Clarity, flexibility, transparency, rigour and proactiveness should be your keywords regarding your Accounts Receivable management. Every bit matters to reduce late payments, from your credit risk assessment to your collection strategy. What you implement today will serve you tomorrow and save you valuable time. Adopt these five best practices today to keep outstanding revenues under control - and help your business thrive.

**Focus on law, and digitise your collection.**

For more information please contact [www.kolleno.com](http://www.kolleno.com)

**FARHA**



**James Farha,**  
Founder &  
Managing Partner  
Farha

“

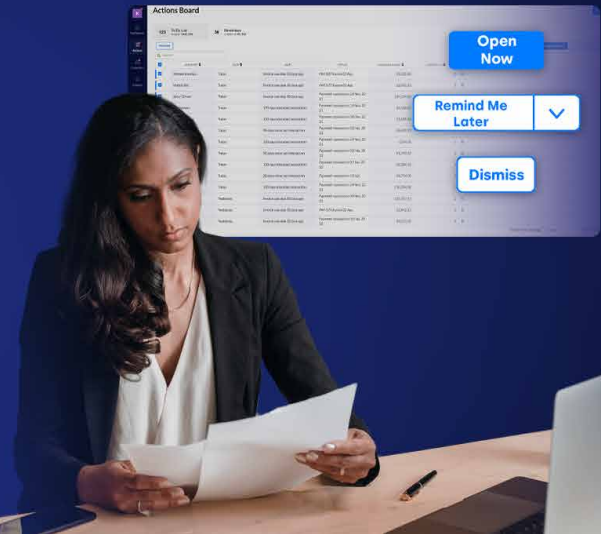
*At Farha, building deep customer relationships and transparency is key with our legal clients. As our firm continues to grow, the adoption of digital tools and best practices will be paramount to how we evolve as an organization, manage our receivables and maintain and nurture positive client relationships.*

”

## About Kolleno

### What is Kolleno?

Kolleno is a cloud-based accounts receivable management and cash collection platform designed to help legal practices. We believe that no firm should be held back by late payments and work with CFOs and C-suite executives across industries to help digitise and modernize their accounts receivables and credit collections process.



### How do we help?

Through our platform, Kolleno helps CEOs, CFOs and their credit control teams to better optimise their financial health by:



Improving cash flows through the seamless and timely payment and recovery of receivables through our digital platform



Providing accurate, real-time dashboards and data to provide senior leaders with a 360-degree view of their Accounts Receivables



Automating manual tasks and eliminating human errors to enable finance teams to focus on higher value-add activities

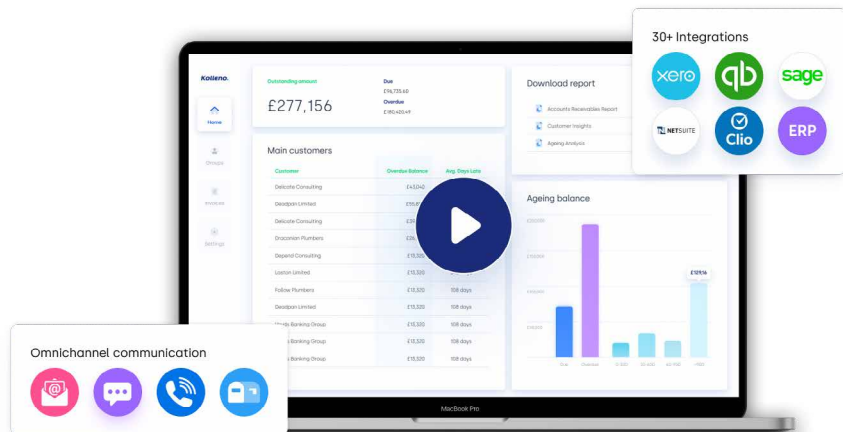
### Contact Us

[www.kolleno.com](http://www.kolleno.com)

+44 20 4538 2411

[hello@kolleno.com](mailto:hello@kolleno.com)

**[DEMO SIGN-UP](#)**





# References:

1. [Coronavirus: An Unwelcome Guest at a Bad Time](#)
2. [Clio: Digital Trends Report \(2021\)](#)
3. [Thomson Reuters: 2021 Report on the State of the Legal Market](#)
4. [Deloitte: Strategies for optimising your accounts receivable](#)

