

Nine Essential Billing and Collection Skills for Lawyers

by Joel A. Rose

In creating and managing a law firm's money pot, consider the following: What mix of ingredients will help the firm's lawyers successfully bill and collect? How about money as a factor? This ingredient is an important part of the mixture. You must also throw in peer recognition and evaluation. Most lawyers want the added spice that comes from working in a firm that knows its priorities and values. Add these ingredients in the right proportions and your billings and collections will flourish.

Motivation Essential:

Lawyers will flourish because they want to succeed, but your firm's culture must stimulate their motivation to succeed. Take away motivation and your billings and collections will suffer. The key is self-motivation, which is the fuel that drives most lawyers to succeed. Firm management should function primarily to protect and encourage each lawyer's self-direction. Managers should interfere only in exceptional circumstances.

How do you foster this sense of personal responsibility? The best way is to encourage your lawyers to know and understand what contributions they make to billings, chargeable hours, client development, outside activities and firm public relations.

Negative Success Factors:

Lawyers become better team players when they can control and influence firm policies that affect their professional, personal and economic success. They see their success as an integral part of their firm's success. Successful firms work hard to develop their success factors. These success factors are intangible and difficult to quantify, but when they are missing it is easy to identify their symptoms. Success factors are like good health, hard to describe — but get sick and the symptoms become your medical diagnosis.

Diagnose a sick firm culture and you will find 10 symptoms: poor productivity; lawyers who fail to bill and collect; high personnel turnover; hostility between individuals; low morale; out of control overhead; lawyers unwilling to change or consider new practice ideas; lack of initiative or creativity; apathy; and the inability of management to gain

support for its decisions.

These symptoms, left unchecked, will destroy the self-motivation and productivity of any firm's lawyers and staff — and eventually the firm.

Contrast these symptoms with those found in firms that work hard to build and maintain a team approach to practice. The five symptoms of healthy firms are effective communications; heightened self-motivation; increased productivity and commitment to billings and collections; low stress; and fewer sick days and other absences.

Nine Essential Billing and Collection Skills:

Motivation is essential to drive a lawyer's commitment to bill and collect. But, without the proper skills this commitment can lie idle. Billing and collecting is a skill and not a talent. What are the skills your lawyers must learn?

First, allow your young lawyers to bill small matters early in their careers. Make sure these young lawyers have mentors to turn to for billing and collection questions and discussions. A good young biller and collector will be a good old biller and collector.

Second, do not try to turn every lawyer into a biller and collector. Some lawyers can't do this work or they don't want to learn. I have seen lawyers who freeze when it comes time to bill and collect. Know who these lawyers are in your firm and give their billing and collection tasks to someone else. Make your good billers, young or old, responsible for billing your major clients. Remove billing responsibility from lawyers who are reluctant or refuse to send out timely bills. A manager who detects an inability in a young lawyer to bill should act quickly to find the cause. Without proper training, young lawyers retain bad billing habits to the end of their legal careers. It takes training to develop good billers and collectors.

Third, every firm should set sensible written billing policies and procedures. Regularly bill every possible transaction, for example, monthly. Most midlevel managers have a limit on the amount of a supplier's invoice they can authorize for payment. Know the amount, because if your monthly is under the threshold it will get paid. Some firms consider it good practice to bill a transactional matter-in-progress before closing, especially one that takes many months to complete.

Fourth, if you want to turn receivables into cash, follow-up is essential. Send a new statement when the first one is more than 30 days old and further follow-up letters at 60 and 90 days. At the end of 90 days, remove the account from the billing lawyer and turn it over to someone else for collection. Billing lawyers are reluctant to aggressively pursue their slow paying clients. If a client tenders a reasonable partial payment on an old account, take it and run. Law firms spend too much time pursuing deadbeats. Lawyers forget "a bird in the hand is worth two in the bush" when they go to collect their own

accounts.

Fifth, make sure your bills describe your services. A client who can easily understand the work you did is likely to find your fee acceptable and pay promptly. Most computer programs allow you to enter the details clients want on their accounts. Make sure you have such a program, because without it you need to spend more time editing your draft accounts. These new programs eliminate the old excuse "not enough time to bill." In many well-managed firms, secretaries input time and service descriptions into their personal firm computer. This practice reduces errors because secretaries know their bosses' files better than someone in accounting. Also, secretaries are better able to pick up on errors when lawyers make dictated time records. This practice will streamline your billing process.

Sixth, remember that effective collections require timely billing. The sooner you send your bill after completing client work, the faster the client will pay. Different types of cases require different billing strategies. Bill transactional matters at or before closing because clients quickly reinvest the proceeds of many closings. Bill your litigation files at least monthly. Some firms now bill on a continuous monthly billing cycle. It is considered a poor practice to wait until the end of the month to bill all matters.

Seventh, ask for cash retainers. Cash retainers are essential when you deal with an out-of-state or small local company. Some firms are experimenting with refundable advance retainers. These firms refund this type of retainer at the end of a matter, provided the client has paid all outstanding bills and expenses. It is odd how some clients expect you to defend or prosecute a "great case" but are unwilling to advance you \$2,000. Are you not better off without these non-advancing clients?

Eighth, let clients pay all larger disbursements directly to outside suppliers. Wise lawyers know that outstanding disbursements are merely interest-free loans to clients.

Finally, use financial reports to help stimulate better billing and collections habits. All partners and their associates should receive each other's work-in-progress and aged accounts receivable lists. Your managing partner or director of administration should review these reports with lawyers who are behind in their billings and collections. But the publication and circulation of these reports is the most effective way to prod lawyers into action. You should not overlook the power of "the fear of a sneer from a peer."

Aggressive Billing and Collection:

Don't give up if your firm's culture does not support and stimulate a team approach. Instead, use one or more of these seven aggressive collection options.

- Hold monthly Saturday billing meetings.
- Withhold the draws of partners who do not meet their billing obligations.
- Charge clients interest for late payments, using appropriate truth in lending forms

signed by clients.

- Insist on advance cash retainers.
- Bill weekly.
- Sue deadbeat clients.
- Have the managing partner, an executive committee member or the marketing committee approve the acceptance of new clients or work.

Execute these practices in a firm culture where team play and individual responsibility reign and you will have cash, not work-in-progress and receivables.

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