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COLLECTING YOUR ACCOUNTS RECEIVABLE

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In today's economic climate, professionals and business owners are faced with the challenge of collecting delinquent accounts without losing valued relationships. The problem has two parts.

The first is that it's difficult to acquire clients, so it is necessary to be careful not to alienate clients in your effort to collect. The second issue is staying in business.

Inadequate attention to collection may severely impact your profitability and waste valuable time that could otherwise be invested in profitable relationships. Fortunately, with some attention to your collection effort, you can develop the dialogue, the documents, the policies and the procedures to collect the account and keep the client.

PREVENTING DELINQUENCY

The first step in conquering collections is to prevent delinquency from occurring. One way to prevent delinquency is to know your client. Even if you get a retainer up-front, it makes sense to check references. Call their accountant. Call their former practitioner. Learn as much as you can about your prospective client's attitudes concerning their payables before you accept them as a client.

Make sure that your clients understand the terms of payment in your retainer agreement. Instead of simply handing it to them and assuming that they'll read it and understand it, review it with them and ask them to acknowledge that they understand when payment is due.

Once you have done work for a client, you can further reduce the likelihood of delinquency by making sure that your billing goes out on time. Additionally, make sure that your invoices are clear and detailed. Show the due date on your invoice so that there is no misunderstanding about when it is due. If you take the time to implement preventative measures, you will be rewarded by keeping delinquency to a minimum.

However, regardless of the preventative steps you take, chances are you will experience some delinquency. When a delinquency problem occurs, don't wait too long before taking action. The longer you wait, the greater the risk that delinquent accounts will become write-offs.

FACING UP TO THE TASK

There are many reasons why professionals procrastinate when faced with a delinquency problem. One of the obstacles to collection is that it's distasteful. There is the anticipation of

conflict, embarrassment, and the fear of abusing clients. One of the ways to overcome this obstacle is to adjust your attitudes and the attitudes of everyone in your firm. You should realize that *you* are not abusing your clients when you are forced to take collection actions. Rather, the *client* has abused you!

Another obstacle to collection is disagreement among the partners and/or employees regarding how delinquency should be handled. While many professionals recognize the need for a comprehensive and consistent collection effort, others are overly reluctant to contact their non-paying clients. Their fear of losing valued relationships interferes with their ability to get paid on time. Some professionals are even offended by the thought of contacting delinquent clients and insisting on payment.

As long as partners battle over whether or not to collect, it will be virtually impossible to implement an effective collection effort. Therefore, the first step in winning the collection war is to establish a comprehensive collection policy.

A collection policy establishes a time frame when payment is expected and defines procedures for non-payment. A collection policy should answer the following:

- Do you require retainer agreements?
- At what time do you contact delinquent clients: 30 days? 45 days?
- Do you write a letter, make a phone call, meet in person?
- When is work terminated?
- Who in the firm is responsible for contacting the client?
- Who do you ask to speak to?
- How often do you follow up?
- Will you include late charges in your bill?

GETTING BUY-IN

However, a written policy alone is not enough to do the job if it isn't supported by the individuals responsible for its implementation. Everyone must buy into the policy. For that to happen, everyone should be required to participate in the creation of the collection policy. When people participate in the development of the policy, they will have a sense of ownership in it and be more inclined to ensure its success.

Once you have developed a policy, the next step is to instill the members of your firm with appropriate attitudes. The best way to promote the appropriate attitudes is to hold regular collection meetings, attended by all principals. Collection meetings will promote a corporate collection culture, ensure that each delinquent account is reviewed, and pressure the partners to stay on top of their relationships.

Finally, you need to train the members of your firm in the appropriate dialogue and strategies. Some professionals are too quick to threaten legal action, and their tone is insulting and demeaning. This attitude can alienate an otherwise cooperative client. Alternatively, some professionals are too apologetic and weak. Their lack of assertiveness makes it easy for debtors to delay.

The ideal approach is to be pleasant, confident and skilled in active, compassionate listening. You want to acknowledge the concerns of your client, communicate your desire to accommodate their needs, and then begin to identify a reasonable solution that meets everyone's requirements.

Although it is necessary to be sensitive to the fragile nature of relationships, it is important to make an extra effort to collect every account. With proper attention to collection, you can collect your fees without destroying valued relationships.