



Show me the money!

Keep your accounts receivable on a short leash if you want your collection period to shrink, and your bank statement to grow.



Jeremy
Calloway

GUEST SPEAKER

How does a growth oriented company in our industry manage the balance between attracting new customers, keeping existing ones happy, and keeping cash coming in the door? Is it possible to administer an effective collections process without damaging the client relationship? Most of us have a formal collections process, but in reviewing the latest industry trends it is apparent we could be doing a better job. In fact, according to Zweig Group's *2016 Financial Performance Survey*, the data shows the median average collection period in 2016 was 84 days. Eighty-four days! This is a huge jump from 68 days in 2015. While the economy continues to produce billable work and our companies continue to grow, we must be mindful, and willing, to do what it takes to ensure we are getting paid.

One process we decided to focus on at the beginning of 2017 was, you guessed it, accounts receivable. In 2016, our average collection period was, for lack of a better word, average. I don't know about you, but I hate being average. To switch things up, we implemented an accounts receivable process centered around timely and consistent communication, with the goal of ensuring our valued clients are consistently adhering to our payment terms.

Our AR aging timeline is categorized by date range, beginning with the current timeframe and transitioning to past due values of one to 30 days, 31 to 60 days, 61 to 90 days, and greater than 90 days. Beginning with the current timeframe, it is our responsibility to consistently get invoices emailed to clients within the first five days of the month. Clients then have the remainder of the month to remit payment before the current

See JEREMY CALLOWAY, page 4



ON THE MOVE

AMES & GOUGH APPOINTS WAYNE T. MARSHALL AS VICE PRESIDENT AND CLIENT EXECUTIVE; WILL LEAD FIRM'S NEWLY ESTABLISHED NEW YORK OPERATIONS

Ames & Gough – a leading insurance broker and risk management consultant specializing in serving design professionals, law firms, associations/nonprofits, and other professional service organizations – has announced the appointment of Wayne T. Marshall as vice president and client executive. In addition, Marshall will lead the firm's New York operations, where Ames & Gough plans to open an office in the immediate future.

"Over the years, Ames & Gough has developed a significant base of clients throughout the New York metropolitan area,"

said Dan Knise, president and CEO, Ames & Gough. "As our work in this region continues to expand, the timing is right for us to establish a local presence. Wayne's extensive work with design and law firms on complex professional liability insurance claims demonstrates his understanding of the special needs and evolving exposures of these clients, and makes him ideally suited to lead our operations here. We're delighted to have Wayne as part of our team and look forward to his leadership and direction as we build our presence in the New York region."

Ames & Gough, which was established in 1992, also has offices in Washington, D.C., Boston, and Philadelphia.

A recognized expert in complex claims involving architectural and engineering firms, Marshall previously was with Berkley Design Professional in New York as a senior vice president and professional liability claims manager. Earlier, he was with Catlin as a senior claims examiner and subsequently, assistant director of U.S. Litigation Management of XL Catlin (following the merger of the two insurers).

An attorney, Marshall was an insurance litigator and served as a senior claims counsel for Zurich North America, where he focused on architect, engineer, and construction related claims. He earned a J.D. degree from Hofstra University School of Law.

JEREMY CALLOWAY, from page 3

invoice is considered past due. A few days before the end of the month, the accounting department reaches out to all clients who have failed to pay their current invoice.

This correspondence is conducted in a friendly manner and is a great opportunity to continue the line of communication with the client; all while reminding them payment is due and future submittals will be held if payment isn't received by the end of the month. The project managers can also help the accounting department out during this period. If they know a submittal is upcoming, bring it up in a casual conversation with the client.

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At the one to 30 day range work can still proceed on the client's project, but submittals are held until payment is received and finance charges start accruing on the past due balance. If you have done a good job of effectively communicating with your client thus far, this should not come as a surprise to them. If an invoice matures to 45 days, the accounting department emails an account statement to the client with a friendly reminder all submittals are being held and if payment is not received within 15 days the project will be placed on hold. Once an invoice reaches the 31 to 60 day timeframe, all work associated with the project is placed on hold until payment is received.

At this point, the project manager takes the lead in coordinating payment with the client and the accounting department assists as needed. If an invoice ages to 61 to

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90 days, we continue to follow the same procedures as for 31 to 60, but now upper management takes over the communication and collection efforts with the client. If payment is not received by 75 days, a formal notification letter is sent to the client notifying them a lien will be placed on the property if payment is not received within the next 10 days. Finally, just before the invoice ages to 90 days, a lien is filed. Luckily, since implementing this process we have not had to pursue this avenue.

While rubbing a magic lamp might make your wishes come true in the movies, in the world of business it takes dedication and the willingness of everyone involved to stick to the process for it to produce effective and consistent results. Trusting the process is already paying huge dividends for us. Flash forward to today and we have cut our ARs in half, with no past due amounts beyond the 31 to 60 day period and 80 percent of our total AR's living in the current column.

I hope I have relayed just how important communication is for the success of your AR process. I really cannot stress this enough. While it would be nice for clients to always pay our invoices on time, sadly, it doesn't always work this way. There will always be clients who will make collections tough, whether it is lack of funds, forgetfulness, or simply inadequate organizational practices. If clients push back and don't want to pay you in a timely manner, perhaps you need to ask yourself if you really want to be working with that particular client.

If you have any questions about this article or would like to discuss some innovative AR practices your organization has implemented, I'd love to hear from you. ▀

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