

**PROFESSIONAL SERVICES SECTOR:
INSIGHTS SERIES**

Helping you navigate the new normal

A fact sheet on ways to unlock your
working capital in uncertain times.



The keys to improved working capital are already at hand

Cash flow and working capital have become the enduring themes for business performance as the COVID-19 crisis continues, bringing the importance of client relationships, smarter processes and tech tools to the fore.

Uncertainty is proving to be one of the greatest challenges posed by the COVID-19 pandemic, but a clear way to limit exposure to its commercial impact is by tapping into working capital – faster.

Optimising working capital was the theme of a recent Westpac webcast, which was hosted by the bank's National Head of Professional Services, Paul Goessler.

It included a panel of legal industry leaders – Sven Burchartz, Senior Partner at Kalus Kenny Intalex Lawyers; Michelle McLean, Director of Strategy at FAL Lawyers; and James Bible, Mid-Law Sales Manager at LexisNexis – who shared insights into how professional services firms can reduce debtor days and manage cash flow.

The webcast built on the key topic of a recent Westpac report, Professional Services: Beyond 2020.

Along with innovation, risk management and governance, cash flow and working capital management emerged as a theme that will determine which firms survive – and ultimately thrive – beyond the crisis.

Working capital is the lifeblood of business, and debtors represent the largest financial asset on a law firm's balance sheet.

When discussing the report, Goessler explained that organisations that have invested in technology to reduce debtor days stand a better chance of bouncing back from the crisis,

but that technology alone is not the panacea. “Basic processes provide the launching pad for exploring tech options,” he stated.

1 Tighten the lock-up

Lock-up, which refers to the time it takes to convert work in progress and debtors into cash, can constrain working capital.

“Let’s be blunt, working capital is cash. You’ve got to have very honest conversations with the client – and be very open about what the work is going to cost them”

Sven Burchartz, Senior Partner, Kalus Kenny Intalex Lawyers.

“Let’s be blunt, working capital is cash,” said Burchartz. “You’ve got to have very honest conversations with the client and be very open about what the work is going to cost them. That lays the groundwork.”

Burchartz noted that while payment arrangements can be made to support clients who may fall on hard times, a lengthy lock-up usually comes down to poor communication with clients. ▶

✓ Key take-outs:

- Realise cash quicker by developing a firm-wide understanding of the impact of your lock-up period.

“I think a grave mistake that a lot of professional services firms make is that they don’t carefully look at the recording of the work, or the recovering of it, and then the time of payment,” he said. “That is the death knell for cash flow.”

Burchartz said Kalus Kenny Intalex Lawyers aims for a lock-up of no more than 80 days.

“Sometimes it slips and sometimes it doesn’t, but it means that we’ve got available cash coming through.

“The lawyers should be involved in the conversations with clients,” he added. “It’s not enough to leave it for a partner or the accounts people to follow it up.

“There are a number of technology solutions that help with it, but that doesn’t abdicate your fundamental role in communicating with your client.”

2 Relationships matter

Michelle McLean agreed that transparency with clients is a vital means of unlocking working capital, but she stressed that it’s not the only relationship to be closely managed, especially during times of economic uncertainty.

“It’s about your client, your bank and your creditor – you need to have the whole equation come together and work with you to be able to get through the tough times”

Michelle McLean, Director of Strategy, FAL Lawyers.

“It is much easier to have a conversation with a client about paying if you have a good relationship with them, but you also need to have a good relationship with your banker and with your creditors,” she said.

“There may be times when you need to extend your credit terms so that you can optimise working capital because, from time to time, you will have clients who are tying up a fair bit of it.

“It’s about your client, your bank and your creditor – you need to have the whole equation come together and work with you to be able to get through the tough times.”

3 Provide more ways to pay

Professional services firms with sophisticated transaction banking systems, such as a payment gateway, have been more proactive in managing their cash flow and were ahead of the game before the crisis hit.

Smart solutions include FeeSynergy Collect, which provides accounting and legal firms with an end-to-end automated debtor management platform.

McLean has used FeeSynergy at a previous law firm and is in the process of implementing the system at FAL Lawyers.

“I’m an absolute advocate of the system,” she said. “Anything that makes money get into the account quicker has to be a benefit, as far as I’m concerned. It’s about creating ease of doing business.”

Bible said that many law firms have seen the crisis as an opportunity to improve on existing processes. “This includes how they can put systems in place to improve cash flow. Things are tight, so what can be done to bring money in the door a bit quicker?”

A payment gateway is one of the most efficient means. “People think that putting in a payment gateway is a really difficult process,” said Bible.

“Having worked with the FeeSynergy team, it literally requires dropping a line of code into your existing website and it’s done. Westpac has done all the hard work and built it out, so it takes about five minutes to implement.” ▶

Key take-outs:

- Foster strong relationships with clients, your banker and creditors.
- Zoom in on debtor management by deploying a payment gateway.

Westpac is the only major bank with a cash flow proposition like FeeSynergy Collect.

The product is also integrated with Westpac's direct debit services, which gives businesses more control over their cash flow management and provides their clients with flexible and secure payment options.

"We understand that about 62 per cent of payments go through after hours," says Goessler.

"I'd like to think that the Westpac tech stack for most legal and accounting will include a payment gateway in the near future.

"It's a truism that the more options you give people to pay, the more quickly you will get paid."

"It's a truism that the more options you give people to pay, the more quickly you will get paid"

Paul Goessler, National Head of Professional Services, Westpac.

We're here to help.

While uncertainty remains, customers should speak to their Westpac relationship manager to discuss liquidity and funding options. If you need more information or details on how to manage liquidity most effectively, contact your Westpac Relationship Manager today or visit www.westpac.com.au/professionalservices.

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