

Cash is King: Financial Management in Covid Times

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It is probably fair to say that the expression “Cash is king” has never resonated more. Business stakeholders are more demanding on the cash flow position, and in particular look for more predictability around receipts from clients.

Law firms have used different strategies to manage their finances through these uncertain times, including controlling costs through use of the Government Furlough Scheme, reducing the working week, and reducing non-essential expenditure including major project activities.

These strategies all help to manage costs, but as many projects are capitalised, the real prize is managing cash flow. With this goal in mind, it is interesting that there are no out-of-the-box cash flow forecasting tools available to law firms.

The ability to manage cash flow and to forecast accurately relies on up to date and reliable information, and this can be supported through improved process automation and integration.

Typically, credit control teams manage collection activities, and produce forecasts that can be integrated into firm-wide cash flow projections. In order to get clients to prioritise outstanding law firm invoices, firms are looking to adopt different strategies in the collection of outstanding receivables, and technology suppliers are looking at ways to apply their products to assist in this initiative.

We’ve been working with small groups of firms to develop processes to support remote working. These have been rapid to build: working with three US firms, we have developed a finance form and workflow to help improve cash flows – in this process lawyers are given authority to offer incentives to clients to pay the outstanding bills, either through AFAs or a reduction in outstanding fees. The approval process for any write down is managed in the forms and in email and provides decision makers with client specific financial information including revenue, realisation and profitability information to help support the decision making process.

McKinsey in their recent report “A road map for post-COVID-19 growth” advocates that firms need to adopt a mental model “SHAPE” for the “New Normal”; where the S stands for Start-up mindset acting fast, delivering; A stands for Accelerate digital, tech, and analytics - getting insights, knowing how things are changing, seeing the recovery; and the E is for Ecosystems to drive adaptability. Our work with the three firms is a simple example but they will now have clearer, faster decision-making – and adoption of a fair element of the SHAPE mindset.

With talk of a “New Normal”, it seems that remote working is here to stay. Firms have generally been able to make staff productive whilst working remotely, but there are still too many processes that rely on email or on people being in the same building. It is not unreasonable to expect the next wave of activity that supports remote working will be to build in efficiency through process

automation, which at the same time will enforce internal controls as well as ensure consistency and auditability of each process.

For example, cash management solutions are an imminent challenge, filling a gap in the finance department armoury and giving the CFO and Treasury team many capabilities including:

- Automated cash flow forecasting
- Simplification of integration between the finance system and the banks allowing a simple file format to automatically transform into almost any format required to support domestic and international payments.
- Ensuring compliance with and managing changes to mandates
- Improved Risk Management capabilities through detection of potentially fraudulent payments

Much has changed over these past few months but cash was, is and always will be king – we are working on finding new ways of dealing with an old reality.

**Ensure the success of your cash management solutions.
Get in touch with us today.**

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