

Perspectives from Chinese Law Firm Leaders Part II: Thinking about Traditional Concerns in Non-Traditional Ways

By [LawVision](#) on November 20, 2017

While co-hosting two Chinese law firm leader roundtables recently in Beijing and Shanghai, I asked the admittedly passé question, “What keeps you up at night?” I don’t typically ask these kinds of questions, but I was genuinely interested given that the Chinese legal industry is only 25 years old as a private (i.e. non-government run) industry. Would their comments prove what some people believe – that being young they are still relatively unsophisticated and facing elementary issues? Their comments did, in fact, prove their youthfulness but not that they are unsophisticated nor elementary. Rather their comments suggested an advantage to youth – that they are not hindered by traditional approaches and the “way things have always been done.”

Their responses to my question, “what keeps you up at night?” can generally be bucketed as follows:

- How do we motivate young lawyers?
- How do we sustain profitable growth in an increasingly competitive market?

These sound like relatively ordinary responses. However, as the leaders started sharing ideas of how to address these concerns, the conversation became rather interesting. While there was a wide range of comments, two general themes really piqued my interest:

- Embracing technology and
- Redefining the market

At first glance, many of you are probably saying to yourselves, “We have embraced technology” and “we are constantly keeping an eye out on the market and redefining our approach.” However, this is not what the Chinese law firm leaders meant. Rather, they were talking about embracing the **operating models** from the tech industry and implementing elements of such models into law firms. The Chinese law firm leaders believe the tech industry has figured “it” out and law firms need to change the model of delivering legal services to remain relevant to both younger lawyers and clients to realize continued profitable growth.

Inspiration is a funny thing and is typically framed by our experience and surroundings. In the legal industry, most of us reasonably look within the industry for inspiration – the star firms, the brand name firms, or the firms who have recently been in the news for something interesting. So why are the Chinese turning towards the tech industry? My hunch is twofold. First, the Chinese legal industry has so many models that it’s hard to identify a relevant model by looking only inward. The average Chinese firm (there are estimated to be upwards of 200,000 firms in China) is not going to model itself after [Dacheng](#) or [AllBright](#). Secondly, everybody wishes and hopes they can grow like the Chinese tech industry, particularly when you consider these figures:

- [Alibaba](#) was founded in 1999 and, at the end of FY16, posted \$15.7 billion in revenues;
- [Xiaomi](#), currently the world’s 5th largest smartphone maker, was founded in 2010 and had a valuation of \$45 billion

in 2016; and

- [Baidu](#), founded in 2000 and one of the world's largest internet companies, posted \$10.6 billion in revenues in 2016.

Chinese firm leaders understand they are not going to have this kind of growth, but they are certainly trying to get their version. Therefore, they are looking for pieces of the tech model that might help address their key concerns. Following are two ideas we discussed:

- **24-hour operations** – One firm was talking about piloting a 24-hour model where they would run three shifts of lawyers and staff. This concept addressed the need to motivate young lawyers. What the firm realized in talking to lawyers is that motivating young lawyers is as much about providing a model that worked for them as it is about incentivizing them. The idea for the three-shift structure stems from the fact that many young lawyers are only children because of China's one-child policy. The thought is that giving them flexibility to integrate other life needs in their daily routine may allow them to fully focus on both personal and professional needs. From a practical perspective, imagine the cost savings that could come from a successful implementation of such a model – shared workspaces reduce the occupancy and technology costs...by up to two-thirds!
- **Lean** – While none of the firm leaders I was speaking with indicated that they were actually implementing lean principles into their operations per se, we had a great conversation on whether one could apply Lean Six Sigma to the practice of law. The answer, of course, is yes. Some firms have already started using Lean principles in their practice – particularly in litigation. However, these Chinese firm leaders were talking about taking it a little bit more to the extreme and specifically pointed to FoxConn (maker of the iPhone). They talked about using the [DMAIC](#) (Define, Measure, Analyze, Improve, Control) principles to analyze commodity work (ex: patent prosecution) to build an assembly line of sorts where each lawyer would be responsible for the same part of a matter type every time that work came in the door. While I can see all sorts of holes in such a model, the idea was interesting and sparked interesting debate and conversation around how to improve efficiency dramatically.

How realistic are such models? I'm not sure. But there certainly are variations of these that could be realistic. The important take away is that looking beyond the legal industry for operational, managerial, and leadership ideas can help us think outside the box more. We ended the conversation with a promise to check in in a year to see where firms have progressed in implementing new operating models.

In my next blog, I'll expand on what some of the Chinese law firm leaders were thinking about when they mentioned the need to redefine the market. I think this may be where the real impact to the US legal market occurs. Despite my warnings in my most recent *blog* [Chinese Law Firms – Still Eyeing the US!](#), I predict it will take many years for Chinese firms to have any significant impact on the US legal industry. For now, maybe they can inspire us to think more outside the box.