

Perspectives from Chinese Law Firm Leaders

By [LawVision](#) on October 3, 2017

Part I: I. Chinese Law Firms – Still Eyeing the US!

Last week, while in China on business, I had the opportunity to speak with two groups of leaders from some of China's most prominent law firms. Having been an insider to the Chinese legal industry for many years and studying it astutely since leaving it, I thought I had a good handle on the industry and went into the conversations with some basic expectations. Namely, I thought the conversations would be focused on conservative, short-term, incremental solutions to drive small improvements. However, the conversations I had with the fifty or so Chinese law firm leaders featured little of that. Rather, it was innovative, insightful, thoughtful, targeted, strategic, and exciting. I was more energized after my conversations with those law firm leaders than I have been in many years in this industry. While not everything they are thinking about is realistic today, to see how far into the future they are thinking and what they are trying to do to prepare today was fascinating.

Because there is so much to digest from my conversations, I will divide my takeaways into a three-part blog series:

1. Chinese Law Firms – Still Eyeing the US!
2. China Law Firm Management – Taking the Ordinary and Thinking in Extraordinary Ways
3. The Future of the Chinese Legal Industry – Taking the Bull by Its Horns

The US Remains the Target

With the world being so open and the global legal market so large, the US still reigns supreme as the land of opportunity for Chinese law firms. It should be no surprise given that, according to the World Bank, Chinese exports to the US accounts for 18% of China's total exports – the largest single export country for China. In addition, the Legal Executive Institute estimates the market size of the US legal industry to be \$437 billion, likely the world's largest. However, economics aside, there are other reasons Chinese firms continue to eye the US market:

- Segmenting the market is easier in the US because the market is relatively transparent and data is easy to access;
- The practice of law here is considered straightforward (for example: no difference between barristers and solicitors like in the UK);
- Corruption does not exist which would, otherwise, create a difficult arena to navigate; and
- The idea of the "American dream" continues to thrive.

Chinese Firms are Growing Rapidly and Revolutionizing Their Thinking

Think of these 2011-2016 lawyer growth statistics compiled by Legal Week for a moment:

- The Asian Top 50 firms grew by 65%
- The Global 100 grew by 14%

- The AmLaw100 grew by 8%

The Chinese law firms represent a major subsegment of the Top Asian 50. In total, 24 were based in China. Of the 11 new firms on the 2016 list, nine were Chinese. The total number of lawyers in the Chinese firms on the list grew by 147% from 11,187 lawyers to 27,687 which means that, on average, each of the 24 Chinese firms on the Top 50 Asian list had more than 1,000 lawyers in 2016. This is phenomenal, particularly when you compare this to the typical sentiment I have heard about Chinese firms from Western firm leaders.

For many years, the Chinese law firms have been discounted for being lower in quality, not-sufficiently Westernized in practices, hasty, etc. Because of this, many US (and other Western firms) have discounted Chinese firms' ability to make real inroads into the US (or other) legal market. This may have been a fair assessment in the past. However, this attitude is only serving to fuel the fire of Chinese law firm leaders, as the most recent statistics speak to. They are fighting back with size first but they are also revolutionizing their thinking.

My conversations with Chinese law firm leaders this past week served as a clear sign that Chinese firms are changing. They have not been shy to take the feedback and evolve. In fact, they exhibited none of the adjectives many judged them as being in the past (and may still judge them as today). With a renewed focus and more strategic thinking, they are eagerly eyeing the US market. But they recognize the continued need to adapt and become more "American" in the leadership and management approach. The general idea the Chinese firm leaders set out is a two-phased approach: 1) continue to adopt US management practices to further update their image as true peers and 2) use "Chinese thinking, innovation, and courage" to really gain a piece of the pie on this side of the Ocean – what this really means is yet to be seen but many ideas were put forth.

We all know Chinese firms have already begun to make small inroads here. They are already competing in the US – albeit mostly in small ways so far. They have bid for work that you have bid for – likely undercutting your price significantly. They have opened satellite offices, mostly in California and New York, not only to support Chinese clients making investments into China but also to try to get a piece of the US to China investment flow. They have joined forces with major firms with significant presence in the US – well, at least one ([DaCheng Dentons](#)). These types of activities will likely continue for the foreseeable future. These are all modes of market entrance that we have come to expect.

However, Chinese firms are not just thinking about these same modes of growth. They are not afraid to think outside the box and can do so because they don't always have revenue as their top growth goal and they are not hindered by long-lasting traditions in the market. They have become long-term, innovative thinkers. They are looking beyond simply competing for work to being players in ways I don't think most of us have considered. They don't just want a piece of the pie. They want to develop a new recipe for the pie. My conversations last week demonstrated their ability to think beyond the ordinary. I was surprised by the responses to two relatively mundane questions I asked:

- What keeps you up at night?
- What will have the greatest impact on the future of the Chinese legal industry?

It is not the answer to these questions that was so interesting but, rather, the "what you are you doing about it" follow on. In Parts II and III, I will share some examples and more of their insights.

Until then, keep in mind that the Chinese legal industry has only existed for 25 years as a private industry.

