

## **Great Will of China: Chinese Law Firms and the Financial Crisis**

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It's no secret that law firms have been hit hard by the financial crisis and the scores of layoffs are indicative of the cost cutting measures firms are taking to ensure their continued survival. Firms in Hong Kong and China however don't seem to have been hit as hard as those in the West buoyed by the power of the Chinese economy.

### **Chinese Law Firms**

Though China has over 12,000 law firms the legal industry is still in its infancy. However, some Chinese law firms have expanded overseas. Jun He and King & Wood, two of China's largest law firms by headcount have ventured to the US with offices in New York. King & Wood recently merged with Hong Kong law firm Arculli Fong & Ng whilst Jun He can practice in Hong Kong through its association with X J Wang & Co. China's largest law firm DaCheng, has moved into the US by creating an alliance with Matthews Wilson and Hunter.

In fact, two Chinese law firms (Commerce and Finance Law Offices and DeHeng) topped the recent Asia Pacific tables for M&A activity (ex Japan) according to the MergerMarket data.

The economy has hit some firms in China however, including foreign firms such as Finland's Hannes Snellman which closed its offices in Shanghai and Beijing. Local smaller firms have also struggled and the Chinese government has urged them to consolidate to enhance their competitiveness.

### **Hong Kong**

It is less well known that the many small and mid sized firms, which in markets such as Hong Kong account for over 80% of establishments, have also been going through tough times. A number of these firms have been letting go more associates than they normally would and cutting back on their support staff. The Hong Kong Law Society president recently commented that Hong Kong law firms should look at international markets, such as Russia. This was on the same day that Ikea pulled out of Russia due to corruption! Perhaps he was suggesting the set up of anti corruption practices?

Well known local practices like Deacons continue to do well and don't seem to have been adversely affected by the Norton Rose merger with Deacons in Australia now that the aforementioned firm has cut ties with its Hong Kong sister. Smaller firms like Angela Ho & Associates have benefited from alliances with foreign firms, having linked up with Lang Michener LLP from Canada. Some smaller practices have been able to take business away from larger firms through service innovation and speed of movement.

### **Doing Things Better**

Waiting for the economy to turn around is never a good idea. If firms want to thrive under the current conditions they must be pro active, here are some suggestions:

1. Layoffs – research shows these don't work but if you are going to let people go be open, honest, and plan ahead. Do it strategically so you keep the best talent and re focus your business.
2. Put strategy first – look at your firm practice capabilities, market trends, and ability to generate revenue from existing and new clients. Focus your resources like a laser.
3. Alliances – expand capabilities and geographic reach through alliances.
4. Pricing – kill billable hours. Move to value pricing and steal business from larger firms who take an age to respond.
5. Remember your people – engage your people and remember they can be a great source of ideas and innovation.

Most firms struggle under economic adversity but the key to coming out on top is the willingness to innovate and listen to your clients.

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