



# Analysis on the Changes in the Operation of Law Firms

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**Abstract.** Considering the current development of China's law firm industry, some enterprises are not satisfied with the original traditional operation mode and intend to improve profits through changes and innovation. This paper analyzes the difference between the two management modes (Lock Step and Eat What You Kill) and identifies their benefits and drawbacks to the average earnings and career prospects of lawyers and law offices. Based on the experimentation done by the senior partner Chu Wang from ZhenHan law office which belongs to the first group of law firms that try to run the "complete company model", the author compares the annual income and the overall operational efficiency of the two most typical law firms which run exactly different inoperative systems. Also, the rising rate before and after a law firm changes its business strategies will be another important piece of evidence to prove the theory. The data used in this paper is mainly collected from ZhenHan law office and JunHe law office. Through data analysis, it is found that the "Lock Step" management mode is more beneficial to holistic and long-term development, while the traditional "Eat What You Kill" management mode is easier and clearer for lawyers to see their personal income, and is more beneficial to experienced lawyers who own a huge amount of cases.

**Keywords:** Renovation of company system · Law office · Partnership-based company

## 1 Introduction

According to the management system of most law firms in the past, it is more convenient for the shareholders to manage their own records and financial receipts because of their special partnership and unique business distribution in the law office. So, a revolutionary change will bring a huge influence on the whole law firm industry, and the ripple effect could even spread to other industries. The basic theory of the "Lock Step" management mode is that all shareholders and office workers are combined as a group and less attention is paid to individual income metrics [1, 2]. This will speed up the development of the total business in one firm. Furthermore, the special characteristic that lawyers have no retirement age has been canceled, and they face the same risk of retirement as civil servants and private employees. However, this "lock up" system also brings huge benefits, especially for younger lawyers. Compared to the "Eat What You Kill" system, it shows more humanity and fairness, moreover, it can ensure lawyers a stable income.

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S. Kadry et al. (Eds.): BDEIM 2022, AEBMR 233, pp. 239–244, 2023.

[https://doi.org/10.2991/978-94-6463-124-1\\_29](https://doi.org/10.2991/978-94-6463-124-1_29)

From this information, the pros and cons of changing the inherent business model are almost equal, so there is a need to figure out why the wave of changing the business model of the law office exists. It is also important to collect and analyze short-term and long-term data, previous and present data, and traditional and innovative data. Moreover, the future development trend of this business model, whether it will boom or quickly disappear in the market should also be speculated on and analyzed [3].

This paper explores when the manager of a law office faces a new model that may change the future and income completely, what value will the manager judge and what kind of team a law firm needs to adapt to the change from a partnership-based model to a complete company model. This paper also aims to find out if the brand new system will bring practical benefits and decide the amount of the value. It helps lawyers identify which model they are more suitable for, as well as giving some advice to investors on whether to change the current business model [4].

## 2 Changes in the Operation of the Law Firm

The law firm industry has been created for thousands of years. The model is stable and fixed under the maturity and perfection of the legal system, and law offices all around the world almost use the same operating system. However, it is not difficult to figure out that a big problem of law offices is that they can not scale up the business like other industries, and only a few of them are chain businesses. At the end of 2000, the meeting between foreign lawyers and local Chinese lawyers gave the pacesetter Xiaobin Yuan some enlightenment. The system of the fully integrated partnership [2] proposed by foreign lawyers can well manage and operate the law office in the aspects of specialization, integration, and scale. It is the only way to keep the company thriving. As the number of competitors gradually increases, there is a shortage in supply of the social resource. So, only a few people who own the rights and resources take the most part of the cake in the market. In fact, 80% of the new attempting lawyers will fall into an “unemployment” situation. Moreover, inside the law office, leading partners may have disagreements that lead to internal management fragmentation. So, there is a need to introduce a new system and let those people who are “isolated” get the work to do [5]. Since this policy perfectly prevents the unbalanced distribution of income of lawyers, it quickly becomes famous in China’s law industry. However, innovation in the market policy is difficult and will take a long period to achieve. Some of the conservative law firms retain only a few corporate institutional characteristics and apply the modified mode of the Lock Step (Fig. 1).

Furthermore, in terms of the law firm’s overall revenue, the Lock Step management mode can create more benefits. Despite being one of the most capable and talented lawyers, the skills he/she commands are still limited. When a law office applies the management mode of “Eat What You Kill”, for a lawyer and his/her team, all the other lawyers will be competitors. Nowadays, customers prefer to consult a lawyer personally for help, and most of them have certain cognitive biases in the subdivision of the lawyer’s business. They believe that everything connected to the law can be solved by one lawyer, but that is totally wrong. Most lawyers only focus on a certain area. Therefore, when a client, unfortunately, consults an area that a lawyer is not good at, the lawyer is likely to

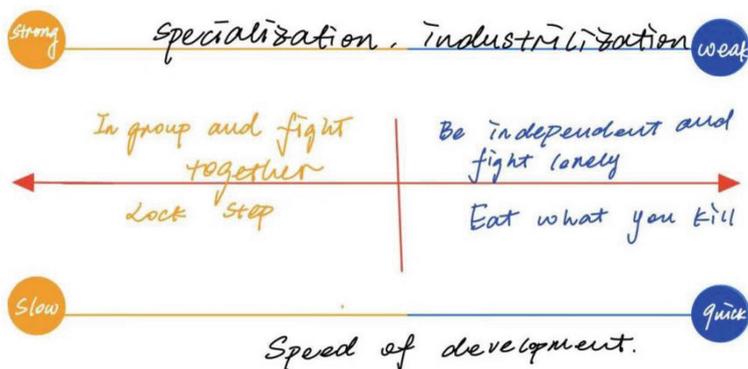


Fig. 1. The benefits and drawbacks of the two management modes [3].

reject the client's request directly instead of transferring the case to a colleague who is capable of dealing with the case. This will result in a loss of revenue for the law firm. But the "Lock Step" management mode can perfectly prevent this issue [4]. The labor resource can be reasonably distributed to improve the efficiency and quality of the firm. This will help the law firm build a good reputation faster, and the whole income of the lawyer will significantly increase.

### 3 Impact of the Changing of Operation on the Law Firm

As mentioned in the introduction part of this paper, ZhenHan law firm is an innovative enterprise that runs a pure "Lock Step" management mode and it can be found from Table 1 and Table 2 that the average income per lawyer is much higher than JunHe law firm. Furthermore, ZhenHan law firm is one of the leading firms in China and even in the world with a very high average revenue level [6]. This proves that the change in the system can lead to an improvement in the annual income.

In general, the number of lawyers in the law firm applying the pure "Lock Step" management mode is much lower than that of the "Eat What You Kill" management mode. The most specific feature of the law firms applying the pure "Lock Step" management mode is that they use a small number of lawyers to own the highest revenue.

### 4 The Future of the Pure "Lock Step" System

According to the trend of the current market development, industrialization has become more stable and mature. It is inevitable that this change is in line with the current social needs. According to the above statistics, it is not difficult to find that the implementation of such a model has improved the overall income of the law firm and the average income of the contracted lawyers. Also, people have to admit that the old model can not fit society nowadays, and it can only be applied to lawyers who already have independent records and stable social relationships so that they do not need to rely on law firms for their incomes. However, this group of people only takes a little part in the whole industry, and

**Table 1.** Average income of different law firms [7].

2022 Rank	2021 Rank	Firm	Total income/year	# of lawyer	RPL
6	4	DaCheng law firm	\$2,940,600,000	12,064	\$244,000
37	45	JinDu law firm	\$1,430,000,000	2,599	\$550,000
46	57	YinKe law firm	\$1,258,914,000	13,299	\$95,000
68	84	JinTianCheng law firm	\$919,886,000	3,715	\$248,000
79	89	ZhongLun law firm	\$731,692,000	2,310	\$317,000
93	101	DeDan law firm	\$620,078,000	4,015	\$154,000
93	121	GuoHao law firm	\$620,078,000	4,134	\$150,000
145	163	JinShi law firm	\$383,468,000	5,187	\$74,000
152	169	JunHe law firm	\$362,602,000	648	\$560,000
168	170	FangDa law firm	\$325,541,000	825	\$395,000
192	/	TaiHeTai law firm	\$272,834,000	2,602	\$105,000

**Table 2.** The combination between US and China law firm [8].

	QE USD	WACHTELL USD	ZhenHan RMB
Annual income	1400 million	800 million	152 million
Average income for partnership	67 million	98.5 million	116.9 million
Average income for lawyer	15.5 million	31.7 million	36.2 million

when an individual has already run the business this far, the law firm is only a constraint to them.

If business managers want to run the firm well, the rule needs to be set clearly and strictly, since the relationship between the Pure Lock Step law firms and the income of the whole company are very close. Therefore, here are some conditions needed to achieve this goal. First, lawyers need to have certain professional abilities and professional qualities. They are supposed to drive the steady economic growth of the law firm rather than relying on the operation system of the law firm to share dividends. Second, a humble partner is needed. If the personality of the lawyer is too complacent, it may make cooperation become more difficult. It violates the original purpose of the model. Third, lawyers should own the ability of teaching. Firms can only thrive when they pass on their skills to the next generation to improve their expertise [1]. So, from another point of view, the selection of the labor force should be more strict compared to the system of “Eat What You Kill”.

But, there is a drawback of the pure “Lock Step” system. The speed of the development of the scale is too slow. Without a solid foundation when it is first established, the law firm may not be as competitive as expected, so some firms that want to go this route risk dying before they get a chance to grow. Therefore, the fundamental development is very important.

## 5 Conclusion

To sum up, this paper proves that it is necessary for the change of operation of law firms. From the individual side, the change of operation can help them work efficiently under a “boss” and earn more income. From the business manager’s side, the average income became higher and this can lead to a situation where the partner earns more [9]. Furthermore, from the customer side, finding a lawyer who is specialized in dealing with his/her own case by consulting the law firm can reduce the time wasted. Although most law firms are at a conservative stage where they choose to apply the modified Lock Step policy, as time goes by, this type of operation will become more famous in China’s hinterland and attract bold entrepreneurs to carry out reforms [10]. In fact, this is not the only direction of change that law firms are now affected by the diversified world, but from the perspective of management, this is the most typical trend with the most cases.

In terms of limitations of this paper, apart from the total annual income and the average income per person, more data need to be collected to prove a promising trend in the development of law firms [11]. Also, some information collected from the internet may be influenced by the subjective point of view. In future studies, more accurate and objective data can be adopted, a long-term assessment and comparison can be made according to the change in financial revenue of a law firm, and the advantages and disadvantages of the long-term and short-term trends can be investigated in detail.

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