

# My Experience in Law Firm Management in Hong Kong

I started my career as a solicitor in 1988 and later became a partner of a law firm. Having worked in the profession for almost 20 years, I witnessed the boom of Hong Kong's legal business in the late 1980s and early 1990s, and also the economic recession after 1997. In the 1980s, the boom in the Hong Kong property market brought a golden age for the legal profession. As professionals, lawyers found ready recognition of their work and acceptance of their charge rates. The legal profession enjoyed good financial rewards. After 1997, however, Hong Kong experienced an economic downturn. As the property market declined, competition in the legal services market intensified. To meet clients' continued expectation for high standards of legal services, solicitors strived to work under immense pressure whilst their earnings kept decreasing. Some small and medium-sized law firms that could not survive the changes eventually closed their practices. Consequently, questions have been raised as to how one should adapt to the changes of our time, how to maintain high standards in legal services, how to win the trust of clients and how to keep law firms competitive. These are all complicated questions. I would like to share with our Mainland counterparts my personal experience in managing a law firm.

## Overview of Law Firms in Hong Kong

### An overview of law firms

There are 693 law firms in Hong Kong, of which 56% or 388 of them are partnerships, and the remaining 44% or 305 are sole practitioners. Among the partnerships, 323

firms have 2 to 5 partners, 39 firms have 6 to 10 partners, and 26 firms have more than 10 partners.

### About lawyers

There are currently 6,124 solicitors in Hong Kong, of which over 5,700 are practising solicitors. 1,935 of them are partners, 305 sole proprietors and 620 trainee solicitors.

### Incomes of lawyers

In Hong Kong, law firms derive their revenues mainly from (1) conveyancing; (2) commercial and financial law practices; (3) litigation; and (4) other practices, such as succession, notarial services and intellectual property. Before 1997, conveyancing work accounted for 70% of the total revenue of law firms in Hong Kong, while commercial practice accounted for 15% and litigation 10%. On average, each solicitor could generate annually fee revenue of approximately HK\$2.5 million. After 1997, the fee revenue from conveyancing fell to 50% of overall business turnover whilst the proportion of litigation work rose to 35%. The average annual output per solicitor dropped to around HK\$2 million.

## Changes Resulting from Economic Transformation

### Impact of economic transformation

With changes in the economy, property conveyancing and many other lucrative practices that used to bring handsome profits to solicitors have either disappeared or shrunk, resulting in competition within the legal



profession that is fiercer than ever. Faced with this overwhelming challenge, law firms are struggling to make ends meet. However, just like ships changing course, law firms need to reset their direction, navigate through the transitional periods and adapt finally to the new tide. Making changes will be the way for law firms to grow in this new age.

### Reactive responses to changes

Some law firms try to survive crisis through reactive means, such as (a) downsizing/salary reductions; (b) divesting; or (c) closing down. However, such reactive changes may lead to many negative impacts. Down-sizing and salary reductions may hurt the morale of staff immediately and then affect their efficiency and service quality. What follows is loss or degradation of the goodwill that has built up over the years, which in turn will cause business to shrink even further. Once the vicious circle is established, the performance of the firm concerned inevitably declines in a downward spiral and it is difficult for them to revive their business.

### Proactive responses to changes

In the face of challenges and difficulties, I personally advocate proactive changes that focus on 'business development'. The following are some examples of what must be done to develop one's business:

#### (a) Develop new practices

Developing new business areas is the preferred way to 'quench the thirst' because only by finding new 'business mainstays' will firms be able to recover lost or shrinking business and achieve an overall break-even.

#### (b) Optimize existing practices

When revenues derived from property conveyancing decline, for example, I would reallocate resources to the existing litigation business so as to strengthen it and bring in a new source of income.

#### (c) Provide value-added services

Value-added services can

become a selling point and thus create stable income for the firm.

#### (d) Train your staff

Broadening and deepening the practices of your law firm may require your staff to possess new skills. Law firms that provide comprehensive professional training programs for their employees are not only able to tap out their potential to the fullest extent, but also satisfy the expectation of the employees to continuously improve their own competitiveness. Professional training for employees can not only enhance the service quality and competitiveness of the firm, but also make employees feel they are being treated as important at their law firms, in turn forging within them an emotional bond and a sense of belonging.

According to legislation in Hong Kong, every solicitor and trainee solicitor must receive at least 15 hours of continuous professional training every year. Apart from the statutory training, many law firms also offer in-house training programs. Forms of training include explaining and learning particular regulations. Job rotations are also in place whereby ►

## Forensic Handwriting & Document Examination Services Ltd.



### CHENG Yau-Sang, Patrick

BSc, MSc, Chartered Chemist,  
Member of the Royal Society of Chemistry  
Member of the Forensic Medicine Association of China  
Corresponding Member of the American Society of Questioned Document Examiners  
Former Section Head & Senior Chemist of the Questioned Documents Section,  
Government Laboratory, HKSAR

Forensic Handwriting & Document Examiner

### Services provided:

- Determination of authenticity of signatures
- Questioned handwriting comparisons
- Questioned document examination
- Comments on expert reports
- Giving advice to counsel on examination
- Presentation of expert evidence in court

tel (852) 9187 9837

email yspcheng@yahoo.com.hk  
yspcheng@fhdes.com

fax (852) 2450 8127

web www.fhdes.com

address 2C, Tuen Mun Court, No.2, Tsing Yung St. Tuen Mun, N.T., Hong Kong



staff are assigned to different practices so they become familiar with laws and operating procedures in other fields.

## Optimizing Practices & Tools

### Optimizing practices

- (a) The key to optimizing practices lies in quick processing, fast billing and improved efficiency.
- (b) Many clients are uncomfortable with rush billing and are often late to settle payments. To solve this problem law firms need to handle it from several directions. Firstly, they need to communicate with their clients more often and update them on the progress of relevant cases. Second, they need to provide value-added services for their clients, which may involve suggesting solutions to them, assessing costs and benefits under different scenarios, and providing advice on how to avoid crises. Only satisfied clients will be happy to make payments promptly.
- (c) Enhancing efficiency is essentially a management issue. The critical challenge lies with establishing a good system that manages all aspects of a law firm's business. This high-performing management system is exactly the kind of tool we need.

### Optimizing tools

As the old Chinese saying goes, 'a handy tool makes a handy man'. Similarly, successful management relies on a good management system as a tool.

- (a) Develop a complete code of conduct for employees  
Law firms should lay down a complete and strict code of conduct and practices for their employees, so they can apply their skills by following clear guidelines and provide clients with professional services of a given standard.
- (b) Be encouraging  
Compared to criticisms, encouragement is a better way to enhance the productivity of people. It pays if you hold regular meetings to encourage your staff and raise their morale while giving out assignments.
- (c) Develop software  
How to get to know and quantify the workload and service quality of each employee? How to reduce the amount of work involved in processing, storing, transferring and sharing documents? While traditional management approaches are largely

incapable of solving these problems, new computer programs developed in today's IT-driven world can help managers run their law firms very effectively. My own firm has also developed an e-Law computer program based on the experiences of our solicitors over the years and the opinions of our clients. Today, the program is widely used by colleagues in my firm and has been upgraded several times to meet the needs of our day-to-day operations and documentation management throughout the firm.

## Code of Practice

The Code of Practice includes two major parts: the Work Discipline and the Guidelines for Documentation Management. The latter in particular emphasizes the rigorous working procedures of law firms. The Guidelines for Documentation Management can guide employees through the entire documentation process, including initial entry of information, processing and delivering/receiving of subsequent documents, and calculation of billable hours and actual billing. As long as employees follow the guidelines reliable services can be guaranteed and omissions or errors in the process minimized (see Attachment I for a sample of my firm's Guidelines for Documentation Management forming part of the Code of Practice).

To ensure that every case is handled in conformity with the rules, law firms in Hong Kong have developed an array of standard forms and statements which can assist employees in their work and keep management informed of the progress of each case. In my firm, all such forms and statements are filled out through eLaw so that all information is clearly displaced on the computer. (See Attachment II for a sample of our Document Files Checklist, and Attachment III for a sample of our Time Sheet/Work Progress Report.)

There are usually several solicitors in each law firm and each of them specializes in particular fields. To make full use of the expertise of each lawyer, firms often use a Professional Work Allocation Sheet to assist managers in the assignment of cases and in human resources management. In addition, by assigning lawyers possessing different expertise to different professional practices, we can help to enhance their professional standard and thus improve the firm's service quality. In management practice, law firms in Hong Kong not only consider the particular expertise of each lawyer, but also take into account the lawyer's personal interests



and professional aspirations (see Attachment IV for a sample Work Allocation Sheet used in my firm).

eLaw

The IT revolution has reshaped the operating models and management approaches of law firms. In addition to storing documents, eLaw has a data-analyzing function that helps administrative staff capture and analyze the output data, such as statistics in respect of various operations or employee performance as well as financial data. Moreover, eLaw is a perfect data-storing system that can facilitate the sharing of data. For example, an internal communication function has been built into the system to make it more convenient for employees to communicate with each other in work processing and significantly improve their productivity.

Appraisal & Monitoring

Introduction

Due to the inherent shortcomings of human nature, it is much more difficult for people to actually comply with a system than merely to know it. Therefore, law firms should put in place an appraisal and monitoring system to assess the performance of their people on an objective basis. The current appraisal system at my firm is composed of the following elements:

Appraised items	%
1. Working knowledge	10%
2. Working attitude	10%
3. Output/productivity	20%
4. Client base development	20%
5. Communication	20%
6. Attendance	20%
Total: 100%	

In addition to the above-listed items, I have made a point of including the use of eLaw in the appraisal system as an item under working knowledge, working attitude, and communication (see Attachment V for a sample Employee Appraisal Form used in my firm.)

Making appraisals with eLaw

The greatest challenge for law firms in appraising the job performance of their employees lies in their inability to provide quantifiable criteria. As a result, many assessments have had to be made on the basis of personal

judgment. The application of eLaw, however, has solved this problem effectively.

At my firm, employees are required to complete all paperwork on eLaw which, with its logging and document-storing functions, is able to save all their work on the computer. In addition, eLaw's case bill tracking function can link the employees' work to the amounts of money actually collected. Therefore, with eLaw in place, a law firm can quantify their employees' work and output. Management can then reward or discipline them accordingly on a merit basis. For example, if eLaw indicates that a solicitor worked 150 hours in a certain month but the number of billable hours is only 10, management will then know that the solicitor either has low productivity or has forgotten to bill his clients. So they can remind the solicitor immediately that he should improve his productivity or re-bill his clients. If, however, the number of billable hours of the said solicitor is 150 hours, the managers will immediately know that he has done exceptionally well and should be recognized accordingly. For each particular case, eLaw can also calculate the total amount of labour hours spent and the total revenue generated. With these statistics, management will also get to know the profitability of the case concerned. Similarly, effective calculations and analyses can be made for any particular department or practice by the same means. In conclusion, on the basis of time and revenue data produced in eLaw, management will have a good understanding of the costs and profitability of every employee, case, department, and practice. In short, managing is no longer an arbitrary act.

The value of communication

Whereas output is the final outcome of efforts put into work, communication is the lubricant in the process of work. In managing a law firm, great importance should be attached to communication between managers and subordinates, among staff and between staff and clients. In this respect, too, eLaw can help the staff. For example, workflows between colleagues can be transmitted as e-memos. Since all documents are soft copies, people only need to send important documents to target recipients as attachments. Besides, the same document can be sent very conveniently to more than one target recipients. This operating mode suits people working as teams particularly well and can greatly improve the productivity of the whole team.



### A monitoring system

In addition to managerial tasks, executives at law firms may also need to handle a large number of cases themselves. Therefore, it is imperative to introduce a self-managed reminding and monitoring system. In practice, partners usually have their own share of management responsibilities so the work is shared and pressure alleviated. On the other hand, with the use of eLaw, the performance of each employee will be recorded in the computer. As a result, a form of self-managed monitoring and reminding will come into being among the employees, making life easier for the management team.

### Other Additional Processes

#### Employee networking

Group activities can also provide employees with more opportunities to understand and communicate with one another. These go a long way toward developing and enhancing positive feelings among employees. Law firms in Hong Kong usually organize Christmas parties or spring banquets to boost their staff's morale.

#### Salary & bonus adjustments

Under a fair rewarding and disciplinary system, salary raises and bonus pay-outs are the best way to encourage and reward good performance.

#### Developing & recruiting new partners

By recruiting new partners, law firms can grow from strength to strength, and stay vigorous and competitive.

### Collaboration among Partners – The Art of Pulling in the Same Direction

Like any other partnership business, it is most important for all principals of a partnership law firm to pull in the same direction. Only when they share a common goal and make necessary compromises among themselves can they work together and run their law firms successfully. Here are some tips that may help partners to work closer together.

- (a) Partner should hold meetings on a monthly or regular basis to discuss the firm's business. Only through frequent communication and coordination can partners really pull in the same direction.
- (b) Clearly define how earnings are to be distributed and resources shared among partners. Clearly-defined interests are very useful in maintaining good

relations among partners and are conducive to long-term cooperation among them.

- (c) Clearly divide and assign responsibilities among partners. Clearly-defined authorities and responsibilities can help reduce conflicts.
- (d) Put in place a mechanism for recruitment of new partners and replacement of departing partners. The firm should make these preparations well in advance.

### Conclusion

Running a law firm is indeed a very complicated and daunting task. The establishment of a good management system should help law firms improve their productivity and make them more profitable. It is my hope that the information contained herein can serve as a point of reference and help you build your own business.



Junius KY Ho

Vice President

Law Society of Hong Kong

Chairman

Mainland Legal Affairs Committee

*This article is based on the speech delivered by the author at the first China Advanced Seminar & Forum on Leadership for Law Firm Principals & Managing Partners.*



(The following material is an excerpt from the Code of Practice of K.C. Ho & Fong, Solicitors & Notaries)

## Part Two – Guidance for Documentation Management

### 4. Document Management

#### 4.1 Top page of Document File

– Filling in client's information, such as mobile phone number, fax number, correspondence address, etc.

(i) Filling in surname first, followed by first name and alias

(ii) No comma or connecting symbol should be inserted between surname and first name.

(iii) If client is a couple, then fill in name of husband first.

(iv) If clients are of the same sex, then their names should be input into the computer system according to the alphabetical order of their surnames with reference to Putonghua pronunciation.

(v) If clients are companies, then their full names should be recorded.

– To make sure the name of the group in connection with client be recorded in eLaw.

#### 4.2 Detailed Description

To convert the detailed information described in the part of Doc. ID into a brief description, such as a brief description of a letter or a document.

#### 4.3 Summary of File/Interview Record

(i) The summary of file is a brief and effective introduction of the background of the relevant file. The interview record is a record for each meeting or interview conducted over the phone.

(ii) Secretaries and colleagues should input all the information regarding the summary of file/interview record into eLaw with the time inputting such information.

#### 4.4 Controlling of Document File

(i) If there is more than one file opened or used, then a

document control list should be prepared and a description should be made on the top page of each document file for easy reference.

(ii) If there is any important document received from client, a relevant document list should be prepared.

(iii) Documents should be arranged in good order. Drafts and searches should be orderly kept or tied up with strings. When there is a job completed, the time used by fee earners in this respect should be recorded.

(iv) All letters should be orderly kept in the relevant files.

(v) Company searches should be kept in the company search box.

#### 4.5 Unifying document formats

(i) A unified format should be used in documents and letters of the Firm.

(ii) If you are not sure about the content of the draft, you should put marks on the printed version to draw the attention of your superior and should not guess on it. You should not sign any document unless with the approval of your superior.

#### 4.6 Timely Collection

After typing a letter for you superior, you should put a mark on the time sheet of your superior and should at the same time do a brief description about the nature of the job completed, such as attending drafting letter or document. Bills should also be sent to clients at the time those marks are put on the time sheet.

#### 4.7 Time Sheet

The time sheets or the used time of you or your superior for each day should be viewed or input into eLaw by 5pm on that day to facilitate the monthly printing and issuing of bills. The charging hours recorded should not be less than 4 hours each day.

#### 4.8 Bills

You should remind your superior to issue bills to clients regularly.



Document Files Management Check List

Major Duty		Responsible Person	Supervising Partner	Handler	Assistant	Clerk	Secretary	Accounting
1	To keep and continuously update the list of document files of the Firm			✓	✓	✓	✓	
2	To prepare the top page of document files		✓	✓				
3	To issue engagement letter to client to enable client to understanding the charging rates of the Firm		✓	✓				
4	To request settlement of accounts. Minimum level: \$5,000 for new clients; and to check whether it covers all costs			✓	✓			✓
5a	To issue interim bills (monthly or in case the costs exceed \$20,000)		✓	✓	✓			
5b	To prepare interview record and to write a memo if required			✓	✓	✓		
5c	Unless adequate money is received by the Firm, partners should not sign any cheque and instruct any counsel.		✓	✓				
6	To check the file summary and prepare the following documents			✓	✓	✓		
6a	To prepare document control list in order to monitor and understand the number of files already opened			✓	✓		✓	
6b	Time sheet/Work Progress Sheet			✓	✓			
6c	Summary of Consolidated Financial Report							
6d	To prepare Table of Major Events			✓	✓	✓		
6e	To prepare List of Litigation Instruments				✓	✓	✓	
6f	To prepare the list of the documents provided by clients so as to keep the documents in a proper way and to orderly arrange the letters in files				✓	✓	✓	
7	To return documents to clients			✓	✓		✓	
8	To close document files after inspection							
9	To prepare a check list for closing document files		✓	✓	✓	✓	✓	
10	To store document files					✓	✓	

Time Sheet/Work Progress

CH/29628/01

Date	Acc. No.	Activity	Time Used (Min)	Charge Rate	Amounts	Status
30/10/2002	74	Reading High Court Summons	15.00	\$4,000.00	\$1,000.00	in progress
30/10/2002	75	Reading letter from XXX Law Firm	15.00	\$4,000.00	\$1,000.00	in progress
08/11/2002	83	Reading letter from XXX	15.00	\$4,000.00	\$1,000.00	in progress
12/11/2002	96	Reading a letter from XXX dated 8.11.02	15.00	\$4,000.00	\$1,000.00	in progress
15/11/2002	104	Letter to XXX Law Firm	15.00	\$4,000.00	\$1,000.00	in progress
21/11/2002	115	Reading letters from XXX and XXX	15.00	\$4,000.00	\$1,000.00	in progress
22/11/2002	119	Reading letters from XXX and XXX (21.22.02)	15.00	\$4,000.00	\$1,000.00	in progress
25/11/2002	123	Reading a letter	15.00	\$4,000.00	\$1,000.00	in progress
27/11/2002	131	Reading letters to XXX and XXX	10.00	\$4,000.00	\$666.00	in progress
Total:			130.00		\$8,666.00	



## Professional Work Allocation Sheet of K.C. Ho &amp; Fong, Solicitors &amp; Notaries

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	No of Area of Practice Responsible
	Admin law	Arbitration/ Mediation	Bankruptcy	Building Mngt	PRC Notarial Service	Mainland Affairs	Civil Claims	Company/ Commercial Law	Company Secretarial Service	Construction Dispute	Consumer Protection	Conveyancing	Liquidation/ Receivership	Criminal	Collection of debts	Employment Law	Family Law	Guardian	Immigration	Insurance	IP	International Law	Landlord & Tenant	Notary Public	Personal Injury	Taxation	Wills & Estate	Misc	
Partners																													
1 CH Ho					1	1		1				1				1							1			1		1	8
2 YK Ho	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		1		1		1	1	1	1	1	1	23
3 WF Ho		1	1				1	1			1		1		1		1			1					1		1	1	13
4 CW Yiu	1	1	1	1		1	1	1		1			1	1	1	1		1		1	1	1	1	1	1	1	1	1	21
Consultants																													
5 AD Yap#					1	1						1								1			1						6
6 MS Lo								1	1			1					1					1			1		1		7
7 PY Liu							1	1				1									1								4
Solicitors																													
8 HC Chu			1			1	1	1						1				1		1			1						10
9 SL Yuen							1					1						1								1			4
10 CE Chow	1	1	1	1			1			1	1		1		1	1					1	1	1						13
11 KW Wong						1		1																					2
12 MP Chui	1							1	1			1						1				1				1	1	1	8
Foreign Lawyer																													
13 KH Man#								1	1						1														4
Trainees																													
14 WS Cheung						1	1	1				1	1														1		6
15 YK Yiu					1	1	1	1				1	1													1	1	1	9
16 MK Yeung			1			1	1	1				1	1	1				1							1		1	1	11
# Part-time	4	4	6	3	4	9	10	13	4	3	3	10	7	4	6	4	6		1	3	4	4	6	3	6	2	9	7	149

JH/MIS-513



K.C. HO & FONG, Solicitors & Notaries  
STAFF PERFORMANCE REVIEW & APPRAISAL

(Assessment Period from \_\_\_\_\_ to \_\_\_\_\_)

Name of Staff : \_\_\_\_\_ Position Held : \_\_\_\_\_  
Department : \_\_\_\_\_ Date Joined : \_\_\_\_\_  
Committee(s) participated : \_\_\_\_\_  
Scope of work : \_\_\_\_\_  
Purpose of Review: Job Confirmation ( ) Half-Yearly Review ( ) Others \_\_\_\_\_

**NOTE:—**

1. This performance appraisal is to be completed by you as the staff's immediate reporting solicitor or supervisor. In completing this form, you should wherever possible take an objective view of the staff's performance taking into consideration the firm's overall objectives, your observation of the performance of other staff and your own work requirements. Your comments about how to generally improve the staff's job satisfaction and performance are very valuable to the management of the firm and are always welcome.

2. Assessment of performance is based on the rating scale indicated below:—

5 = Outstanding	Performance far exceeds normal job requirements.
4 = Very Good	Performance consistently better than normal job requirements.
3 = Satisfactory	Performance meets normal job requirements.
2 = Average	Performance needs some improvement to meet job requirements
1 = Unsatisfactory	Performance fails to meet job requirements.

PART I (Each performance factor should be rated by giving a tick "✓")						
(1) KNOWLEDGE OF WORK	5	4	3	2	1	REMARKS
a. Job Knowledge and Competence						
b. Ability to work independently or with minimal instructions						
c. Accuracy and Presentation of work						
d. Organization skills						

Total score : \_\_\_\_\_ x 0.5 weighing = \_\_\_\_\_ (Max score: 10%)

(2) WORKING ATTITUDE	5	4	3	2	1	REMARKS
a. Initiative and interest to suggest and develop new ideas						
b. Reliability and dependability						
c. Co-operation and willingness to assist in emergency						
d. Willingness to learn and take on new jobs						

Total score : \_\_\_\_\_ x 0.5 weighing = \_\_\_\_\_ (Max score: 10%)



(3) PRODUCTIVITY	5	4	3	2	1	REMARKS
a. Efficiency – consider the volume of work turned out						
b. Adherence to deadline – consider the period of time taken to respond to and finish an assignment						

Total score : \_\_\_\_\_ x 2 weighing = \_\_\_\_\_

(Max score: 20%)

(4) CLIENTS REFERRALS	5	4	3	2	1	REMARKS
a. Ability to bring in clients						

Total score : \_\_\_\_\_ x 4 weighing = \_\_\_\_\_

(Max score: 20%)

(5) COMMUNICATION	5	4	3	2	1	REMARKS
a. Receiving Visitors – professional way in dealing with clients and in receiving visitors						
b. Interpersonal skills – ability to get along with supervisors, colleagues and clients						
c. Language Skills – English (written & spoken) Chinese (written & spoken) (including Putonghua)						

Total score : \_\_\_\_\_ x 1 weighing = \_\_\_\_\_

(Max score: 20%)

(6) ATTENDANCE AND PUNCTUALITY	5	4	3	2	1	REMARKS
a. Absenteeism – frequency of having sick leave						
b. Punctuality – frequency for timely arrival						

Total score : \_\_\_\_\_ x 2 weighing = \_\_\_\_\_

(Max score: 20%)

Overall scoring : \_\_\_\_\_ %

**PART II – Overall Performance Rating** (please choose one by a tick “✓”)

91-100 %	A = Outstanding	Performance far exceeds normal job requirements.	( )
76-90 %	B = Very Good	Performance consistently better than normal job requirements	( )
61-75 %	C = Satisfactory	Performance meets normal job requirements.	( )
41-60 %	D = Average	Performance needs some improvement to meet job requirements	( )
1- 40%	E = Unsatisfactory	Performance fails to meet job requirements.	( )