

An Innovative Law Firm

By David Maister

At the time of writing (April 2006), Christopher Marston is 29 years old, and is the CEO of Exemplar Law Partners, L.L.C., the three-month-old, 9-person law firm he founded straight out of law school.

Marston is an entrepreneur, and always has been. He had his first song published at the age of 12, started a music services company (performing and DJ-ing) at the age of 14, and became an options trader at the age of 18. After prep school, he obtained his Bachelor's degree from Northeastern University in Finance and Entrepreneurship.

He was a CFO for a technology company, and competed nationally in ballroom-dancing competitions. He attended Suffolk Law and Business School in Boston, graduating in 2004 with a law degree and a Master's degree in Finance.

Straight out of law school, he spent six months developing a business plan for a new kind of law firm. As he tells it: "What began as intellectual curiosity became in-depth research, which turned into a business plan."

Like most of his classmates, Marston was not encouraged by what he had heard about the life of a typical lawyer in a typical law firm, and even though he had won many awards at law school, he wasn't tempted to join a traditional firm.

"Lawyers are slaves to the billable hour," he notes. "By measuring and rewarding billable hours, internally and externally, lawyers are actually punished

for innovation – greater efficiency just reduces the bill to the client."

Accordingly, using every penny of savings he had accumulated from his previous activities, Marston launched Exemplar Law Partners, opening the doors to clients in January 2006.

Among the innovative practices (at least for law firms) he has adopted are:

- Billing only on the basis of fixed prices. Fees are determined for each project by a pricing committee.
- Exemplar offers its clients a satisfaction guarantee.
- Exemplar will only hire lawyers with business degrees or with extensive industry experience.
- Exemplar has been ultra-selective in its hiring, interviewing over 300 people to get the nine people it has. Among the criteria new hires must have are social graces, an interest and confidence that they can develop business, a team-orientation, and the willingness to risk their own compensation from day one by accepting no guarantee of starting salary in exchange for profit sharing participation.
- An 'over-investment' in an experienced management team from non-lawyer backgrounds – the COO has 34 years' experience in banking, and the Chief Marketing Officer has 15 years' experience in various

industries, most recently direct sales. (“I sought out varied backgrounds for a new, fresh approach,” Marston says.)

- A ‘No Grinch’ teamwork approach. Marston says on his blog: “You cannot buy a position at our firm with your book of business. In fact, we have turned several of them away. We want everyone to work together to achieve success.”

A few of these policies deserve further comment.

When it comes time to work with a client, Exemplar has a five-person value pricing committee (Marston, the COO, the CMO, and two other attorneys) who discuss the parameters and scope of the client problem, resulting in a fixed fee proposal to the client. No client or job is pursued or accepted unless it uses this approach.

Initially, the firm practices in the areas of Transactional Corporate work, Intellectual property, Real Estate and Entertainment Law. Exemplar plans to work with outside lawyers in other practice areas until attorneys are hired.

All attorneys, senior and junior, are required to practice law, be involved in business development, and assist with the internal activities of the firm. Each piece of client work is given to one person who manages the costing, delegation of tasks, meeting of deadlines, and quality of the legal work and service.

On guarantees, this is what the firm’s website has to say: “We are so confident we will deliver unmatched value in the services we provide that we encourage you to determine what the value of the service was worth to you based on your

experience. If it was less than the price you paid, call us, articulate the shortcomings, and we will negotiate a fair price with you. What we ask in return is for you to define the unmet expectation, or explain how we could have better served you. In essence, you will be helping us make adjustments and improve our service.”

The firm has been active in marketing itself from its inception, with strategic media and speaking opportunities discussing the viability of the fixed price business model. The firm has actively worked at leveraging buzz in the “blawgosphere” (i.e., the community of legal blogs), working with attorneys and bloggers who are following the company’s progress.

The firm’s Chief Marketing Officer says that “Our personality and approach is more like that of an ad agency than a law firm. It’s progressive, fresh, and not afraid to tell it like it is.”

The firm is targeting small to mid-size clients: young, growing companies, entrepreneurs, start ups, and fast-track companies. It also aims at women-owned businesses, and real estate/mortgage brokers.

On the non-negotiable requirement for lawyers that they must have prior business experience or training, Marston points out, “It shouldn’t matter whether the solution to a client’s problem is 70% legal and 30% business, or the other way around. The key is to be in the business of solving clients’ business problems.”

On his selectivity in hiring, he points out that “I really screen for entrepreneurial attitudes. I asked people during the recruiting interviews if they were prepared to work for six months without pay in exchange for a piece of the action.

I wanted to see the look in their eyes when I posed that question.”

On his blog, Marston writes: “Over the past year and a half we have received more than 600 applicants. About half of them were just looking for jobs. We ended up speaking with about 300 of them, half of which were risk tolerant enough to meet for in-person interviews. Only half of those had social skills and only half of those had ambition. About half of that group had business sense and of the rest only half were humble enough to roll up their sleeves and build a firm.”

At the time of writing, after only three months in business, Marston is the sole shareholder in Exemplar, but he says that will change shortly. There is, in his words, “no class system” at Exemplar. Everyone, from someone straight out of law school to the most experienced person, is a part of the same reward scheme: a salary with profit sharing and/or equity participation.

He said, “Unlike a typical partnership, we have severed the relationship between ownership, power, and profits in our firm. In a typical firm, those with an equity stake have authority and a proportional share of the profits. In order to have a more corporate-like model, shareholders will not have decision-making authority by virtue of ownership, and profit distribution will bear no relationship to equity ownership.”

“We have two major components to profit sharing: First is the performance-based sharing. Our new (non-lawyer) Human Capital Leader will be creating the formula for that distribution. The second component of reward will be risk-based compensation based on when you joined, function and experience.

Loren Demino, who joined the firm upon graduation from Boston University law school said, “I joined because there was clearly an opportunity for leadership, a chance to reshape the practice of law. My family are entrepreneurs, so I found it very appealing. I’m treated like a full member of the team. I sit in on the firm’s planning meetings and I am expected to do my share of networking in the community.

“Yes, I’m taking a big risk and couldn’t do it without support from my parents. No-one here has yet taken home a dime – we’re all betting that, together, we can make this work and benefit from the profit sharing scheme.”

On his blog, Marston wrote: “Most attorneys I know are not happy. The opportunity to build a firm that can be a win for the attorneys by creating a great work environment and at the same time be a win for clients who are endlessly disappointed with law firm service and billable hours is what drives me to get up every day and do what I do. People who think Exemplar is about a pricing model have missed the point. Exemplar is about changing lives. . . one by one. . . until we’re all done!” He plans to have 24 people in the firm by year’s end.

Marston believes that he is creating a new kind of law firm that will have great appeal to clients, “because a revolution inside the organization creates the revolution from the customer’s side. Look at Southwest Airlines. Herb Kelleher states that he hires for character and that organization actively seeks out “happy” people. There is a high correlation between happy people and happy customers and miserable people cannot provide excellence in customer service (professional satisfaction in law is at an all-time low). Therefore, the key

to great client service is to get great people and treat them well.”

One client, who found Exemplar through the Boston legal referral service, put it this way: “They were wonderful to work with and really helped me set up and incorporate my jewelry business. They understood that I’m an artist and didn’t really understand all the business issues.

“They also showed concern for me as an individual, frequently asking me whether I was sure I understood and was ready to do what it takes to launch my own business. Even though the work I hired them for is over, they still call me up to touch base and find out how things are going.”

The president of a jazz record label associated with a music school commented: “On a pro-bono basis they helped us with everything we needed to know to get our label going. They were invaluable and incredibly smart, anticipating lots of issues I needed to think about.”

So, that’s a brief introduction to Exemplar.

It’s way too soon to tell if the firm is a success. Marston freely admits that he hasn’t yet made a penny from this venture, and, in typical entrepreneurial fashion, has invested his life savings in it. “We don’t want to make money fast,” he says, “We want to make money right.”

It’s important to note that virtually nothing Marston is doing is unknown in other professions and industries. Other professions routinely price on fixed-price estimates, and many entrepreneurial start-up companies have

made successful use of profit-sharing and stock-participation schemes even for their most junior people. Many businesses bring in veterans from other industries to run their marketing and financial operations.

What’s remarkable about Marston’s initiative (and it *is* remarkable) is not his creativity, but his courage. He has taken numerous topics that have been extensively discussed for decades in his profession (the weaknesses of billing by the hour, for example) and he’s doing more than dabbling – he has committed himself and his firm to living the new vision. He’s betting not only his life savings, but his career on this vision, and seems to have persuaded an increasing number of people to do the same.

In *Built to Last* James Collins and Jerry Porras pointed out that “Walt Disney’s greatest creation wasn’t Mickey Mouse, but the Walt Disney Company.” In other words, the greatest accomplishment in innovation may not be any one thing that a company tries, but the fact that it can create a culture that is capable of innovating, again and again.

If Marston succeeds his start-up phase, he may be well on the way to doing just that.

As one observer commented: “Marston is not making the usual (repetitive) law firm claims that he has the best lawyers around, or that his clients will always win. He’s saying ‘What makes us different, even unique, is that you, the client, are our entire focus, and everything we do is tailored for your service, satisfaction and convenience.’ He’s gambling that there are paying clients with interesting work for whom service is without doubt the primary consideration. And he’s gambling that

there are good lawyers who want to join a firm to do just that.”

So, here are the questions for all of us to contemplate:

- If you were a client, would you hire this firm?
- If you were a young law school graduate, would you join this firm?
- If you were an experienced partner, would you join this firm?
- If you could buy a piece of equity in this firm, would you do so?
- If you competed against this firm, what would you worry about?
- If you wanted Marston to succeed, what’s the one piece of advice you would give him?
- Exemplar is currently targeting small and midsize clients. Do you think that, if it gets established, it will be able to compete for work currently being done by the large corporate law firms? Should they be worrying now?
- Finally, where do you think this firm is going to be in 5 years time?

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