Executive Summary

This paper focuses on the financial considerations of implementing a training and development program at a mid-sized law firm in Portland, Maine. To narrow the scope of such an attempt, this paper details the financial concerns if the firm were to train support staff on how to complete a specific task currently done by attorneys. The task referenced is the completion of comparison spreadsheets, where labor and employment information of school district professionals is collected and compared during labor union contract negotiations.

To obtain support from the managing partner and board of directors, certain financial components will be addressed. The two financial principles at play are #2, money has a time value, and #3, risk requires reward. The firm will have decreased revenue at the start of this training program due to attorney time spend as the trainers and overall decreased revenue. While this is a billable task, the paralegal billable rate is less than the billable rate for attorneys. Overall it will be beneficial for all parties, as attorneys will be able to focus on new billable work, the firm will be able to charge some support staff time to clients, and the clients will see a decrease in legal fees by paying a lesser hourly rate for this specific work. Additionally, most contracts are negotiated for a three-year term; it may therefore be a full three-year cycle until the firm is able to realize the true value of income generation they have gained by transitioning this to support staff and freeing up attorney time to focus on additional billable work.

In addition to the financial component of this initiative, the paper also addresses the value added of the firm’s investment of its own human capital. On top of increasing revenue generation, this training program would also increase employee engagement and further develop the firm’s workforce. To ensure a successful training program, the firm will need to utilize Kirkpatrick’s four
levels of training (reaction, learning, behavior, results) to evaluate the cost benefit of this and any other training initiatives made by the firm.
Financial Considerations
When Implementing
New Training Initiatives

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Introduction

The administration of a mid-sized law firm in Portland, Maine aims to implement a training and development program, as the main problem it is currently facing is a decrease in performance by support staff. Before implementation, administration will need to gain the support of the firm’s managing partner and board of directors. To gain this support, this paper will address the question of how a training and development program can maximize outcome while minimizing the firm’s investment of time and money. By means of example, this paper will focus on the benefits of transitioning one key aspect from a single practice area from the attorneys to their support staff, and how it would correlate to certain principles of finance, the cost and value of human capital, and the utilization of Kirkpatrick’s four levels of training to evaluate the cost benefit of this training endeavor.

Assignment Transitioning to Staff

The firm is split into four different practice areas: business services, litigation, labor and employment, and school and local government. While training opportunities exist throughout the entire firm, it will be helpful to evaluate the needs of separate practice areas to focus efforts in a way to help build efficiency (Anonymous, 2011). Nestled at the fork of the labor and employment and school and local government groups is a small sub-group of approximately five attorneys that practice in union negotiations. The firm represents approximately 90% of the public school districts in the state of Maine, and, on average, most districts complete a new contract with their labor union every three years. To determine how competitive the school district is, the attorney representing the district completes a cost comparison spreadsheet analysis, comparing the school to ten other schools in their area. This analysis contains data including how many school days are in the year, salary bands and steps for different positions, and the cost of different benefits.
The interpretation and explanation of this analysis to the client should be done by the attorney, but its actual creation can be done by a trained member of the staff. While there are six assistants that could potentially be trained on this task, only one has been trained on how to complete this process. The ability to complete a cost comparison analysis requires an aptitude for mathematics, an ability to write formulas in Excel, and proficiency in reading and interpreting labor union contracts.

Training the remaining assistants would first require the completion of an assessment on mathematical ability. This would be required because the portion of the comparison analysis that reviews the cost of benefits may involve the calculation of numbers to deliver the same information. For example, school districts frequently report the cost of health insurance using different metrics, such as monthly or annually, or as a percentage of the premium due. If an assistant does not have a basic aptitude for math, it would not be recommended to include that assistant in the training program. Those selected to participate in the training would then attend two separate programs. The first would be an in-house training by attorneys and the assistant currently completing the comparison spreadsheets, focusing on how to read and interpret the union contracts. The second training would be off-site or an interactive training on Excel. The remainder of this paper will focus on how this specific training program would benefit the firm based on two of the finance principles, how the firm can better utilize its human capital, and how Kirkpatrick’s four levels of training can be used to evaluate the cost benefit of this training endeavor.

**Principles of Finance**

There are five principles of finance that exist that promote the true value of any firm, which is to create economic value for the company’s owners and maximize shareholder wealth (Keown, A.J., Martin, J.D., & Petty, J.W., 2017). While collectively all five should be taken into
consideration for overall firm management, only two will be discussed to support the purpose of initiating this endeavor. These two principles are #2, money has a time value, and #3, risk requires a reward.

**Principle #2 – Money Has a Time Value**

This principle relates to opportunity cost, and the potential value gained by choices made that affect the firm. Actions behind this principle require upfront costs yet lead to future benefits for the firm. To determine how beneficial a choice may be, the firm would have to calculate initial upfront costs and its projected cash inflow down the road.

**Upfront costs.** Three initial costs are expected: the time demands of attorneys and staff, the cost of off-site training on Excel, and the decreased revenue of attorneys completing the comparison spreadsheets. Time demand refers to the time commitment required for the attorneys and staff participating in this training (Ostrowski Martin, B., Kolomitro, K., & Lam, T., 2014). When participating in training, attorneys will not be working on billable work. Additionally, the assistants participating will not be present and able to provide clerical support to other attorneys. The off-site training on Excel will also have an upfront cost. A local vocational school has one day seminars priced at $295 per participant. Finally, the firm will also see decreased revenue once the task has transitioned to support staff. The billable rate for paralegals ranges from $95 to $125 per hour, whereas attorney time for schools is discounted at $200 to $250 per hour.

**Projected cash inflow.** The assistants in the school and local government and labor and employment practice groups rarely have the opportunity to work on billable work, therefore, the addition of this task will allow the firm to offset some of its cost on to the client. Additionally, the client will see a reduction in legal fees for the preparation of their union negotiation period. While the firm will be losing the $105 to $155 per hour difference between attorney and staff billable
rates, taking this task away from attorneys will free the attorneys up to work on other billable work, thereby making the staff’s efforts excess revenue entirely.

**Principle #3 – Risk Requires a Reward**

This principle is tied to the theory of delayed gratification. With any investment choice that is made, to fit this principle the investor desires a return that meets two requirements: a return for delaying consumption, and an additional return for taking on the initial risk (Keown, A.J. et. al., 2017). With this training proposal, the firm would not see a reward until training is complete, staff are comfortable with the assignment, and attorneys have supplemented their caseload with new projects to replace the outstanding space. It could potentially take up to three years to realize the true gain, due to the three-year term of most labor union contracts.

**Human Capital**

Investments made in equipment and real estate by companies are categorized as assets on the firm’s balance sheet. On the other hand, investments made in training efforts for employees are labeled as an expense and aren’t referenced on the balance sheet at all. With investments in human capital being perceived as an expense and not an asset, it’s imperative to change this attitude in order to gain support by the board of directors and managing partner. For the purpose of this section, “human capital” will be the collection of attributes and capabilities employees contribute to the firm.

The firm is a service-based industry, meaning that the product the firm is selling to its clients is that of knowledge. Historically, the firm has prioritized ongoing education for its attorneys, as it’s crucial for the success of the firm to remain current on all matters pertaining to the law. Unfortunately, the firm has not followed the same habit for its support staff. The reasoning behind this can be explained due to the differences between the role of attorney and staff member.
Attorneys join the firm as associates, and, after a period of seven years, are eligible for shareholder consideration. As a shareholder, attorneys are owners of the firm. Staff, on the other hand, are not. It may be assumed that, by circumstance, staff members may not have the same level of loyalty to the firm as attorneys.

Rouse (2010) states that firms are usually in favor of training staff to develop only the skills needed that are specific to their own firm, as opposed to general skills training that employees may be able to take with them to another employer. With that assumption in mind, the firm would benefit from training staff on how to complete the labor union spreadsheets. While the use of Excel can transfer to any other employer, the firm’s purpose for its use is wholly unique to the work it does for its school clients. Additionally, by expanding duties and training staff in how they can be more effective at the firm, the shareholders would likely see an improvement in employee engagement and job fulfillment with their roles at the firm. By demonstrating to staff that the firm believes they can be more involved in higher level tasks, employees will witness firsthand that they have opportunities for growth and the potential for increased recognition, both in terms of accomplishments and financial rewards (Rouse, 2010).

**Kirkpatrick’s Four Levels of Training**

As the first training and development endeavor at the firm, it will be critical to assess its outcome. By evaluating the training, the firm will be able to identify what value this training added, and how future efforts may be improved for an even better result, so as to warrant the firm’s ongoing investment towards staff development. Kirkpatrick’s four levels of training evaluation model will be used to evaluate the cost benefit of this training program.
Level 1 – Reaction

The first level is used to measure the initial response participants felt to the training. The objective would be to ask the staff if they found the training favorable, how engaged they felt with the material, and how relevant they think what they learned will be to their roles in the firm. The proposed method to measure the participants’ reaction would be a short and simple survey, handed out at the end of the on-site training. A link to an online, second survey would also be sent after the off-site Excel training has been completed. Evaluating training at this stage is best measured with immediate feedback, from right after the training ends (Moldovan, 2016).

Level 2 – Learning

The second level of Kirkpatrick’s method is used to measure how well participants have acquired the “intended knowledge, skills, attitude, confidence and commitment based on their participation in the training” (Kirkpatrick Partners, n.d.). This measurement is taken by the trainers during the training program. This can be completed by having the participants complete a practice exercise, and the trainer evaluating how capable they were of completing it.

Level 3 – Behavior

The third level measures how much participants have applied what was learned during the training to their roles at the firm. Since this training would be reassigning a specific task to a group of employees, it would be best to measure this by tracking what clients have had a labor negotiation since the conclusion of the training. By using this approach, the firm would be able to list which staff members have worked on which comparison spreadsheets, to ensure that the task is being shared among the staff and not only by one or two individuals. It is best to measure behavior two to three months after the training, with information from both participants and attorneys.
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(Moldovan, 2016). The objective is to see how useful the training was for the purpose of completing union comparison spreadsheets.

Level 4 – Results

The final level requires that the firm evaluate the end results of the training program. While level three would be a surface level review of which staff members have followed through on the task, level four would allow the firm to evaluate how much time each employee takes to complete the comparison spreadsheets, as well as feedback from each supervising attorney to determine how accurate the results were. Additionally, it is at this stage where the firm would be able to measure how many billable hours staff have worked towards these assignments, and track attorneys’ billable progress, to ensure they have been able to supplement their workload. It is best to measure end results four to six months after the training, with feedback primarily from attorneys as to the end investment of the training program (Moldovan, 2016).

Conclusion

This paper sought out to answer the question of how to implement a training and development program to maximize outcome while minimizing time and money invested by the firm. With four practice areas requiring a wide variety of training topics, this paper focused on the sole task of transitioning the creation of cost comparison spreadsheets used in labor union negotiations from attorneys over to staff. As was described, the initial investment of the firm would be attorney time, leading to a reduction in billable hours. In addition to decreased revenue collection, the firm would also pay for an off-site seminar for a minimal group of staff. Ultimately it is expected this would be beneficial to the firm in the long-run, as their clients would see a decrease in legal preparation fees, the firm would have increased billable work by support staff, and attorneys would be able to focus on new billable objectives.
Financial improvements aside, this training program would be beneficial in terms of increasing employee engagement and fostering human capital development. By investing in the firm’s own staff, the firm will be rewarded with improved performance and a more effective workforce. To ensure the firm’s efforts remain successful, Kirkpatrick’s four levels of training should be utilized to evaluate the cost benefit of this, and any future, training initiatives made by the firm.
References


