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EFFECTS OF EMPLOYEE TRAINING AND DEVELOPMENT ON FIRM PERFORMANCE: EVIDENCE FROM SUCCESSFUL COMPANIES IN THE REPUBLIC OF NORTH MACEDONIA

Abstract

Employee training is an indispensable strategic tool for enhancing business performance and creation of a sustainable competitive advantage. The main purpose of the training is to develop employee's knowledge, skills and abilities, which eventually results in improved organizational and financial performance. The present study examines the association between employee training and firm performance in the best performing companies in the Republic of North Macedonia. We specifically suggest that investments in employee training, by adopting various sets of training practices, may have a positive effect on firm profitability.
The research hypothesis was empirically tested on a sample of 59 private sector companies in diverse industries. The sample was drawn from the target population of the 200 most successful companies in the Republic of North Macedonia. Data collected from the respondents was analysed by applying statistical methods. The results indicated weak but a statistically significant positive correlation between the two researched variables. Moreover, the research results show some evidence that employee training is confirmed as a predictor of profitability. Also, findings revealed that the various aspects (practices) of

the overall employee training and development construct have a significant strong positive correlation with each other, suggesting that the effects of training practices are stronger when used simultaneously, in combination with each other. The research highlights the need for businesses to be focused on and invest more in building **employee** competences in order to attain better bottom-line results.

Keywords: Employee training and development, profitability, Republic of North Macedonia.

INTRODUCTION

The business world today is characterized by market globalization, technological changes and increased number of competitors. Such external factors affect the business success of firms. Since they are not able to control those factors, companies turn to that which can be controlled – their internal resources. In their efforts to achieve sustainable competitive advantage, they are forced to continually rethink the organization of their work and intervene through continuous development of the internal organizational capabilities. Strategic management theory proposes that companies will be able to respond to this challenge if they succeed in their efforts to acquire and use valuable, rare and inimitable resources (Barney, Wright, and Ketchen, 2001). Bearing in mind that human resources may be important organization assets, it is imperative for companies to build competitive advantage through these organizational resources. Consequently, the effective management of human resources is imposed as the main task (Guest et al., 2003).

Among other HR practices used for HR development, training is considered as one of the most important activities. Strategic human resource management theory has already confirmed that successful firms are distinguished by, among other things, the strong dedication to training and development of their employees (e.g. Huselid 1995; Wood and de Menezes 2008). The experiences of firms in developed economies demonstrate their increasing acknowledgment of the need for training and development of knowledge, skills and capacities of their employees.

In the Republic of North Macedonia, however, the situation is far from satisfactory. In general, Macedonian firms face two main challenges they need to address in order to be competitive at regional markets: unfavourable external economic and social conditions, and, not infrequently, weak internal capabilities. Although there is an increased understanding that employee training is an important element for the implementation of business strategies, this activity is still considered as an expenditure rather than an investment with long-term benefits. In the Republic of North Macedonia as a developing country, work force competitiveness is one of the important factors affecting economic growth. The current conditions of the labour supply and demand, which directly affect firms, imply that: 1) the number of job positions requiring less knowledge and skills is declining while the number of job positions requiring more knowledge and skills is on the rise, and 2) the external labour market has a scarce offer of educated workers that possess the specific skills required by the firm. These facts point out that the investment in training should become a priority for those with a strategic intention to be competitive.

In the context of Macedonian economy, which is small and limited by many external and internal factors, the speed and manner of developing the work force are becoming a strategic issue. Companies, in their efforts to increase their performance results and business success, should accept the inevitability of larger investments in training and development due to the fact that the existing labour market has a shortage of skilful and knowledgeable workers demanded by companies. Experiences of successful Macedonian firms show that management engages in and aware that employee training and development is of strategic importance and should be placed higher on the business agenda.

Following the pragmatism of the firms, we refer to the statement made by Baron and Kreps (1999:372), according to whom the theory of human capital explains the need for employee training in a simple manner: "*Firms train workers (and pay for the training) if doing so enhances the firm's profits.*" The main reason why firms are problematizing the investment in employee training and development is the lack of an appropriate system that would measure the return on training in terms of changes in financial results as the direct consequence of the training activities.

Taking into consideration the above-mentioned situations, the objective of the paper is to analyse the impact employee training and development have on performance results. Additionally, drawing on the strategic human resource management (SHRM) theory, and considering the training as a high-performance practice, the paper attempts to highlight the causal relationship between employee training and development and firm profitability in the Macedonian context.

REVIEW OF LITERATURE AND FORMULATION OF HYPOTHESIS

Strategic Human Resource Management (SHRM) and Organizational Performance

In practice, companies are dominated by the approach that human resources (HR), as a work force and a business function, is treated as the biggest operative expenditure requiring control (to be minimized), and, at the same time, as a potential source of bigger efficiency. In order to cut the labour costs, there is a constant reduction in job positions and expenditures on the work force. Contrary to this, there are rare cases where HR is considered as a potential strategic source of value creation.

In the last few decades, alongside this situation in practice, researchers have developed a new interest in HR as a strategic impetus in the process of value creation with potential significant economic effects on bottom line results. The focus of SHRM is the form and structure of HR policies and practices leading to skilled, motivated and flexible workers able to deliver added value to the firm. The strategic approach to HR, as a factor of success to the organization, is becoming an increasingly popular research approach founded on the belief that the function of HRM must demonstrate strategic responsibility, i.e. demonstrate the manner in which it contributes to the implementation of the organization's mission and goals.

The extensive research generates empirical support to the assumption that HR, provided there is investment in its development, can be the source of competitive advantage. Much of this research has demonstrated statistically significant relationships between measures of HR practices and firm profitability (Huselid, 1995; Delery & Doty, 1996; Huselid, Jackson, and Schuler, 1997; Huselid and Becker, 1997; Boselie *et al*., 2001; Wright *et al*., 2002; Guest et al., 2003.). According to the meta-analysis by Combs and his colleagues, 92 studies made by the year 2006 showed relevant statistics on the association between high-performance work practices (HPWPs) and organisational performance. The results demonstrate that: HPWPs enhance organizational performance and that, contrary to assumptions in SMHR theory, measurement of operational performance does not show stronger effects than measurement of financial performance. Organizations can increase performance by 0.20 standardized units for each increased unit of HPWPs (Combs et al., 2006). A few significant studies are presented below. Among the first and most influential studies is the one made by Huselid (1995), which estimates in detail the connection between the system of HPWPs and the performance of the organization. The results based on a national sample of approximately 1000 organizations in the USA show that these practices have economically and statistically significant effects on the immediate employee results (employee fluctuation and productivity) as well as on the corporate financial performance. According to the findings, HR practices that enhance skills, such as selection and training, are related to employee fluctuation and performance (Huselid, 1995). Another study, exploring the influence of HR practices and organizational commitment on business unit operating performance and profitability, discovered that HR practices were strongly and significantly related to operational measures of performance as well as to operating expenses and pre-tax profits (Wright *et al*., 2002).

Empirical studies conducted in Europe show similar results. In the framework of the research on the use of HPWPs in the Netherlands, Boselie concluded that a large number of Dutch firms had already adapted most of the high-performance work practices, previously selected by Pfeffer, who argued that their adaption would result in higher productivity and profit for all types of organizations (Pfeffer, 2005). This is due to pressures imposed by legislation and institutional factors, while at the same time, compared to firms from other countries in the European Union, Dutch companies show higher level of performance than the European average (Boselie *et al*., 2001). On the other hand, according to research done in the UK, there is no significant correlation between HR practices and labour productivity, however there is a significant correlation between HR practices and profitability (profit per employee), even though, with regard to employees, this is a more distant measure than the measure of productivity. At the same time, it is shown that this correlation is stronger in the manufacturing sector than in the service sector (Guest et al., 2003).

The Concept of Employee Training and Development and Firm Profitability

Employee training is a significant component of a high-performance work system and should be considered as an important dimension in terms of the company's strategic goals (Dessler, 2005). Fast changes in external conditions force firms to place more focus on enhancing knowledge, continuous innovation and learning. Knowledge is becoming the capital and lever of economic development. Hence, training and development is an important determinant of organizational performance. Employee education and knowledge improvement is done through HR practices that pertain to training and development. Even though these terms overlap in practice, in theory they have different meanings. Training means acquiring knowledge, skills and abilities with the purpose of increasing worker's current individual performance, while employee development refers to investing in knowledge for the future needs of the individuals and the organization. Noe defines training as a "*planned effort by a company to facilitate learning of job-related competencies, knowledge, skills, and behaviors by employees"* (Noe, 2017:8). Employee development has an individual dimension, such as achieving individual goals and career development, but it also has an organizational dimension which is related to fulfilment of strategic goals.

In empirical research it is often impossible to test one without the other due to their close interconnectedness and dependence. Employee training and development is important for building a skilful and flexible workforce, which is the main factor for achieving high performance. Comprehensive training and activities for employee development improve performances in many ways. Through the enhancement of employee's skills, knowledge and abilities, the following can be achieved: 1) better performance of work tasks; 2) enhanced sense of bigger responsibility and creativity, as well as motivation for performing work tasks, and 3) increased satisfaction from the work and work environment. The formal system of training and development contains programs based on systematic review of competences. These programs include a certain number of courses that the employees need to attend in order to gain technical knowledge, problem solving and interpersonal skills (Delery and Doty, 1996). Successfully trained workers possess skills to personally control their work, which decreases the need and costs for supervision. Multi-skilled workers, due to the broad knowledge based on skills in many areas, adjust easily to new work tasks and allow bigger functional flexibility of the firm and bigger adaptability in newly developed situations. According to Noe (2017), cross-training, as an HR practice, aims at creating multi-skilled workers, and involves training employees in a wide range of skills in order for them to be able to fulfill any of the team roles and tasks. The same author describes the concept of cross-training as "*a training method in which team members understand and practice each other's skills so that members are prepared to step in and take another member's place should someone temporarily or permanently leave the team; also, more simply, training employees to learn the skills of one or several additional jobs."* (Noe, 2017:516). Cross-utilization practices and cross-training lead to acquiring a broader range of skills and enable employees to perform different work tasks (Pfeffer, 2005).

More specifically, empirical research on the relationship between employee training and development and profitability is rarer than research regarding the overall relationship between HPWPs and organizational performance. One of the reasons for this is that the return on the investment in training is harder to quantify due to the problem of quantifying the intangible (Aragón-Sánchez *et al.,* 2003). However, there is still evidence of this relationship.

In order to have a clear idea about the relationship of training and organizational performance, this paper introduces the empirical results of studies examining the causal link and effects of training on performance results. Using a sample of 457 European SMEs, Aragón-Sánchez and colleagues (2003) argue that companies investing more in employee training, i.e. including a larger number of employees in training activities, have better results in profitability than those investing less. Another study, based on British 2004 Workplace Employee Relations Survey (WERS), affirmed that the relation between training and financial performance is positive but complex at the same time, and it depends on the measures applied for training and the performance variables (Jones *et al*., 2009). Building upon the theory of human capital, empirical research conducted by García (2005) confirmed the effects of training on business performance. Namely, the analysis showed that the implementation of training policies aiming at human capital development positively affected the index of owner/shareholder satisfaction (where increased profitability is one of the index variables). The Bassi and associates study (2002) confirms the importance of human capital, or more specifically, it suggests that investing in training is a factor in the organizational financial performance, while Glaveli and Karassavidou (2011) claim that training affects profitability (value for shareholders) through a certain value chain based on the concept of a balanced scorecard and service profit chain.

Consequently, this research intends to answer two basic questions:

1. To what extent is training and skills development present in successful firms? and
2. Whether organizational financial performance is related to training and, if so, what is the strength of the relationship between them?

With regard to all of the aforementioned, the general hypothesis is proposed: *Training and skills development practices have a direct positive impact on firm profitability in the best performing Macedonian companies.*

RESEARCH METHOD

Sample and Data Collection

The research sample is convenient and was drawn from the target population of the 200 most successful public and private sector companies in the Republic of North Macedonia (RNM), in accordance with the criterion of pre-tax profit (data published in the edition "200 largest and most successful companies in Macedonia, 2010" by Euro Business Center - Skopje)[1]. The edition contains the 200 largest (ranked by total revenue) and most successful (ranked by profit before income tax) companies (public and private), according to the financial indicators derived from authorized financial institutions of RNM. The sample size is 58 companies. The 17 companies from the public sector did not participate in the sample due to their monopolistic position. Out of the rest of the companies included in the research, more than 80 were contacted (companies that accepted the communication) and 59 agreed to participate in the survey. They belong to different industries in the manufacturing and service sectors. Multi-sector analysis was opted because the activity sector can largely influence HRM practices, and, of course, training practices. The unit of analysis is the company as a whole.

A quantitative method was applied in the survey. For the independent variable, as well as for the control variables, the data, such as demographic characteristics of the respondents, company's features, and frequency of using diverse training practices in the company, were collected using structured interviews (standardized interviews) (Bryman, 2011). The research instrument (a questionnaire) integrated two sections. The first section includes questions that refer to the respondent (job position, number of years in that position, total number of years at the firm) and to the characteristics of the firm as a whole (controls: sector, ownership structure, number of years of existence, number of employees, degree

1 http://www.eurobc.com.mk/en/utd_200.html

of competition). The second section comprises of statements regarding employee training and skills development practices (employee training scale). The respondent was the HR manager or some other person in charge of HR (since some companies do not have human resource managers or at least human resource specialists) who is also qualified to provide general information about the firm, as well as accurate information on the employee training and skills development practices. The job position of the respondents is presented in Table 1.

Table 1. *Job position of the respondent in the company*

Respondents' job position	Frequency	Percent	Cumulative Percent
CEO (General Manager)	8	13.6	13.6
Head of Finance	5	8.5	22.0
Head of Sales	6	10.2	32.2
Head of Production (manufacturing)	7	11.9	44.1
Head of Legal Affairs	10	16.9	61.0
Human Resource Manager	23	39.0	100.0
Total	59	100.0	

The interviews were conducted face-to-face. The decision to personally handle the interviews was made because personal contact helps ensure a higher response rate to the questionnaire.

Regarding the dependent variable, firm profitability, secondary analysis of data was applied. Data on the pre-tax profit as a financial indicator, derived from authorized financial institutions and collected by Euro Business Center - Skopje[2], was used with regard to the firm profitability.

MEASUREMENTS

Employee Training and Development

The key questions were how to determine practices referring to training and how to best identify and measure them. For that purpose relevant literature was consulted, the key empirical research related to HPWPs, more specifically we analysed practices on training and skills development (Huselid and Becker, 1997; Delery and Doty, 1996; Guest *et al,* 2003; Pfeffer, 2005; Combs, 2006; Wood and Menezes, 2008; Guthrie *et al*., 2009). Items were selected from the research instruments used in previous empirical studies and were then translated and adapted.

The predictor variable, employee training and development, is operationalized by using

2 http://www.eurobc.com.mk/en/utd_200.html

a five point Likert scale (1 = never to 5 = always) measuring the frequency with which the firm organized and performed diverse training activities for its employees in the last three years. The employee training scale (Table 2) measures different aspects of training practices, such as: planning and implementing training in current and future needs of the firm; career advancement and promotion opportunities; job induction and on-the-job-training during the first year of employment. Also, other practices were included, such as training on: firm-specific skills; variety of jobs or skills (cross-training) and routinely performing more than one job (cross-utilization); quality management in product/service; team work; and general skills such as leadership, communication and conflict resolution skills. All these training practices were measured with eight items. The higher score for each item indicates more frequent use of a given practice.

Table 2. *Employee training scale*

In the past three years, how often has your organization planned, organized and implemented trainings that relate to:	Never (1)	Rarely (2)	Some-times (3)	Often (4)	Always (5)
1. Training for current and future needs of the company?					
2. Training on career advancement and promotion opportunities?					
3. Job induction and on-the-job-training during the first year of employment?					
4. Training on tasks specific to the sector/department?					
5. Training in variety of jobs or skills (cross-training) and routinely performing more than one job (cross-utilization)?					
6. Training on managing product/service quality?					
7. Team work training?					
8. Training in leadership, communication skills and conflict resolution skills?					

The employee training scale was found to be highly reliable. Cronbach's alpha for the scale (8 items) is 0.85.

Profitability

Consistent to relevant past studies, this research introduced the dependent variable - profitability as an objective measure of performance (Guest et al., 2003; Guthrie et al., 2009; Huselid, 1995; Huselid and Becker, 1997). Profitability refers to the generated accounting/financial bottom line results. In the research of the relationship between HRM and organizational performance, the performance concept is treated in different ways. Certain indicators of financial performance, such as return on investment (ROI) are considered as key measures. Huselid tries to surpass the problem of potential inconsistency in accountancy data by using market indicators such as Tobin's Q (Huselid, 1995). These measures cannot be applied in this research because a significant number of the firms are not quoted, so it is difficult to determine their market value. Therefore, the variable firm profitability was measured by the profit per employee indicator. This indicator is considered to be in a way closely related to the employees because it is of essential importance as to whether a specific profit is attained with a smaller or larger number of employees. The variable, firm profitability, is operationalized as the ratio between the pre-tax profit and the number of employees in the firm. The resulted value is transformed into a natural logarithm (Ln), (Guest *et al,* 2003).

Control Variables

Having in mind that a variety of external and internal (organisational) factors can cause variations and may affect the HR system as well as the firm profitability, several control variables have been included (Guest *et al,* 2003; Guthrie *et al.* 2009). They are the following: sector of economic activity (production/services), ownership structure (domestic/foreign ownership), company age (operationalized by using the Ln of years of existence on the market), company size (operationalized by using the Ln of number of employees) and market competition (from 1 = no competition to 5 = very big competition).

SPSS (Statistical Package for Social Sciences) and appropriate statistical operations were applied to analyze the survey data.

RESULTS AND DISCUSSION

Descriptive Analysis of the Research Sample

Concerning the sector of economic activity, descriptive statistics of the research sample shows that a total of 59 companies, 34 (57.6%) belong to the production sector and 25 (42.4%) are service companies.

The frequency of the companies in terms of industry sectors shows that the sample is dominated by companies from the manufacturing industry – 29 companies or 49.1% (see Table 3).

Table 3. *Structure of the sample according to the industry sector*

Industry sectors	Frequency	Percent	Cumulative Percent
Manufacturing	29	49.1	49.1
Wholesale and Retail Trade	19	32.2	81.3
Information and Communication	3	5.1	86.4
Agriculture	2	3.4	89.8
Mining and Quarrying	2	3.4	93.2
Transportation and Storage	2	3.4	96.6
Construction	1	1.7	98.3
Professional, Scientific and Technical Activities	1	1.7	100.0
Total	59	100.0	

Ownership of the companies, in terms of whether the company is dominantly domestic or foreign investment, was also taken into consideration in order to determine the possible impact of the ownership type on the level of adopted training practices. The companies' frequency, according to the ownership type, reveals that both types are almost equally represented in the sample: companies with domestic capital (100%) participated with 55.9% (33), while companies with predominantly foreign capital (more than 51%) represent 44.1% (26).

The following table (Table 4.) shows the age structure of the companies in the sample. It is noticeable that more than a third of the surveyed companies have over 25 years of market experience.

Table 4. *Structure of the sample according to the company's years of existence on the market*

Years of existence (grouped into age categories)	Frequency	Percent	Cumulative Percent
6-15 years	21	35.6	35.6
16-25 years	15	25.4	61.0
More than 25 years	23	39.0	100.0
Total	59	100.0	

The size of the companies is measured by the number of employees. Namely, the smallest company has 14 employees while the largest one 1,265 employees. The total number of employees in the companies covered in the sample is 15,594. The structure of the sample by company size, grouped into categories, is presented in Table 5.

Table 5. Structure of the sample according to the size of the companies

Number of employees (grouped into size categories)	Frequency	Percent	Cumulative Percent
Under 50	7	11.9	11.9
50-99	12	20.3	32.2
100-199	14	23.7	55.9
200-499	16	27.1	83.1
500 and more	10	16.9	100.0
Total	59	100.0	

Table 6 provides the results on the degree of market competition regarding the companies studied. The results indicate that most of the companies in the sample reported big (47.5%) or very big competition (30.5%), with a much smaller number of those who have little (6.8%) or average competition.

Table 6. *Companies' frequency in the sample according to the degree of market competition*

Degree of competition	Frequency	Percent	Cumulative| Percent
Little competition	4	6.8	6.8
Average competition	9	15.3	22.0
Big competition	28	47.5	69.5
Very big competition	18	30.5	100.0
Total	59	100.0	

DESCRIPTIVE STATISTICS ON THE EMPLOYEE TRAINING AND DEVELOPMENT VARIABLE AND HYPOTHESIS TESTING

The descriptive analysis shows that employee training and development practices are partly adapted in successful Macedonian firms. The scale mean value for employee training and skills development is M = 3.4. Firms often employ the following practices: job induction and on-the-job-training during the first year of employment (M = 4.66), as well as training for current and future needs of the firm (M = 4.19). Rarely employed practices are: leadership training, communication skills and conflict resolution (M = 2.46); team work training (M = 2.69); as well as training in a variety of jobs or skills (cross-training) and routinely performing more than one job (cross-utilization) (M = 2.78). The other three practices are "occasionally" applied: training on managing the product/service quality (M = 3.25); training on tasks specific to the sector/department (M = 3.66); training on career advancement and promotion opportunities (M = 3.73).

The average of each item on the employee training scale is presented in Figure 1.

Figure 1. *The mean value of each item on the employee training scale*

The results of the Pearson's correlation between items on the scale for employee training and skills development revealed important specifics in the relationship between the different practices. The findings confirm a statistically significant positive correlation, which points to their interdependence. This confirms the assumption that the training and skills development practices are significantly connected, which suggests that their effect may be larger if employed jointly, as a system.

Item-total correlation, which is the Pearson product moment coefficient between the responses for the reported item and the participants' total scores, shows moderate to strong positive correlation at the 0.01 level. Higher positive values for the item-total correlation indicate that the item is discriminating well (see Table 7).

Table 7. *Pearson's r values for the item-total correlation*

Employee training scale								
Items	1	2	3	4	5	6	7	8
Pearson's *r*	.687**	,599**	,385**	,790**	,759**	,765**	,777**	,801**

*** Correlation is significant at the 0.01 level (2-tailed)*

In order to explore the relationship between the research variables, a bivariate correlation was first conducted (Pearson's r). The results show that employee training and development is in a statistically positive correlation with profitability ($r = 0.26$; $p < 0.05$).

Additionally, the results from the test of the association between the predictor variable, training and skills development practices and controls variables do not confirm a significant correlation with any of the control variables included in the research.

Regarding the association of control variables with profitability (criterion variable), only the variable the degree of competition shows a significant moderate correlation with profitability and it correlates in a negative direction (r = - 0.362; $p < 0.01$). It is important to underline that, according to the correlation coefficient, the degree of competition (control variable) is more strongly connected to profitability than the employee training and development practices (predictor variable). These findings can be interpreted in two ways, from the aspect of the firm and from the aspect of the organizational and broader landscape of the firm. Namely, the firm's insufficient efforts in enhancing internal capacities, such as human resources and suitable practices of employee training and development, render its competitiveness problematic. On the other hand, the degree of competition the firm faces on the market is a factor connected to its bottom line results (profitability, among others), but also, as an external factor it is objectively conditioned and the firm has quite small or insignificant control over it.

In order to explore the differences among the groups in the degree of the competition variable, referring to the profitability of the firm, the statistical operation Analysis of Variance (ANOVA) was employed (see Table 8).

Table 8. *Differences in groups in degree of competition referring to profitability (ANOVA)*

	Profitability (Ln)				
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	22.530	3	7.510	3.168	.031
Within Groups	130.404	55	2.371		
Total	152.935	58			

Since the results of the analysis of variance show a significant F ratio, a posteriori (post-hoc) comparison of the arithmetic means was made using the Duncan test, suitable for smaller samples. The effect of the degree of competition firms face on the market over profitability is statistically significant ($F = 3.168$, $p < .05$), whereas their relationship is negative, which points to the fact that when a company is faced with increasing competition, that may affect the financial outcomes such as profitability.

Duncan's test (post-hoc) shows that profitability is statistically significantly larger in organizations that have average (13.4986) and small competition (13.5593) than those with very big competition (11.8332).

The bivariate regression analysis was carried out for testing the hypothesis. The results confirm that the training and skills development variable is a predictor of the firm's profitability. The increase in the volume of planned and realised training programs positively affects the increase in profitability ($\beta = .264$; $F = 4.277$; $p < 0.05$; $R^2 = .070$). These findings enable us to confirm the suggested hypothesis.

In addition, a hierarchical regression for testing the influence of the training and skills development and competition predictors on profitability was also carried out (Table 9).

Table 9. *Hierarchical regression of profitability according to the control variable degree of competition and training and skills development (method Enter)*

Variables	Profitability (Ln)	
	Model 1	Model 2
	β	β
Degree of competition	- .362**	- .389**
Training and skills development	/	.299*
R^2 (ΔR^2)	.131** (.116)	.220* (.192)
R^2 Change	/	.089*
F	8.612**	7.905***
F Change	/	6.385*

* $p < .05$
** $p < .01$
*** $p < .001$

Training and skills development participates with additional 9% in predicting the variance in profitability, after controlling the degree of competition. Together both predictors explain 19% of the variance in profitability, where the combining of the two predictors is on a level of statistical significance (F = 7.905; p < .001).

The presented research findings are in line with previous empirical studies. Aragón-Sánchez and his colleagues (2003) argue that training as an HRM practice positively affects profitability. They emphasise, however, that this influence is realised only when the training is performed inside the firm (on-the-job training with an external or internal trainer) and not outside it, which, according to them, has negative influence due to the need for flexible working hours or the need for replacements while the trainee is outside the firm. They also maintain that the newly acquired competences will not have an effect if they're not directly implemented on the job or if they're not compatible with the needs of the firm. There is also a range of objective factors that affect the value of the training. According to Baron and Kreps (1999), those factors are: a) length of the period in which the employee is expected to stay with the firm; b) skills of the employee prior to training and c) the degree in which those skills are complementary to the skills provided by the training.

Employee training and development has also effects on the change in the behaviour and attitudes of the employees. Even though these effects are less visible, they create value in the social and intellectual capital of the firm and transfer the training to other employees.

CONCLUSION

This paper aims to contribute to the exploration of employee training and development practices from the SHRM perspective. Traditionally, employee training and development activities in many companies are still considered as an expenditure rather than a strategic investment that would generate financial results, although this point of view, however, is beginning to change. The reasons can be located in the difficulties in proving causality between training and development practices with bottom line results, mostly because profitability is at the end of the causal chain and it is simultaneously influenced by many other intervening factors. At the same time, we must bear in mind the fact that the benefit and cost effectiveness of the executed training practices are not visible in the short term.

Although the research results are limited by the size of the sample (59 companies of the total target population of the 200 most successful in RNM), this study confirms that training should be considered as a factor in organizational performance. The study also contributes to the scarce empirical literature that deals with training as a strategic HR practice and its impact on the profitability of Macedonian companies. Despite all theoretical and methodological challenges in studying the relationship between training practices and profitability, it is still important to encourage and support further empirical research in exploring and identifying those employee training practices that contribute, directly or indirectly, to higher performance.

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