

# **‘Reductionistic’ and ‘Holistic’ views to Resource-Based Theory (RBT):**

## **A review of the literature and suggestions for future studies**

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# **‘Reductionistic’ and ‘Holistic’ views to Resource-Based Theory (RBT): A review of the literature and suggestions for future studies<sup>2</sup>**

## **Main message:**

In contrast to reductionistic approach, a holistic approach to RBT has the ability to address the complex interrelationships among multiple organizational characteristics (e.g., resources and capabilities), competitive strategies and performance.

## **Key points:**

- The predominant reductionistic approach may not be appropriate to capture the reality of a firm’s performance regarding their resources, capabilities and strategies.
- Concurrence of RBT constructs along with competitive strategies is not universal, but a contingent one, which may vary in different contexts.
- Further research is required to understand the performance impact of the alignment of dynamic capabilities aligned with a firm’s resources and competitive strategies.

## **Abstract**

Resource-Based Theory (RBT) has become an acceptable theory to describe the importance of resources and capabilities in generating high performance. Our literature review shows that there are two approaches to RBT: reductionistic and holistic. Adopting a reductionistic approach has led to an inconsistency in the findings about the relationship between RBT constructs (i.e. resources and capabilities), and their impact on performance. This paper proposes that a holistic approach to RBT has a greater power to explain the complex interrelationships between dynamic capabilities, firm’s resources and competitive strategies.

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Through a critical review on both views, this study highlights areas in which future research is needed for greater understanding of the co-impact of a firm's internal factors and competitive strategies on performance.

**Key words:** Reductionistic approach, Holistic approach, Resource-Based Theory (RBT)

## **Introduction**

RBT builds its intellectual foundations on the theory of imperfect competition (Robinson, 1933), the theory of monopolistic competition (Chamberlin, 1933; Chamberlin, 1937), the theory of firm growth (Penrose, 1959) and the studies of Wernerfelt (1984). Since 1980s, RBT has been the dominant paradigm (Lockett et al., 2009), emphasizing the idea that organizations must be seen as a bundle of resources and capabilities to create value, and therefore gain competitive advantage (Barney 1991). RBT has also been extended by Grant (1991) to encompass competitive strategy. According to Grant, RBT links competitive strategies, resources and capabilities to organizational performance.

A review of the extant literature on RBT highlights two main approaches to its theorizing and application. The first which is the traditional one is called reductionistic approach (Meyer et al., 1993), in which a linear, often bivariate association between resources and/or capabilities and performance has been suggested. Meyer et al. (p. 1177) view 'reductionistic' as 'an approach whereby researchers seek to understand the behaviour of a social entity by separately analysing its constituent parts'. In fact, much of the research on RBT has adopted a reductionistic approach to the study of organizational resources, capabilities and their implications for the organizational performance (Fink, 2011). For instance, several studies have empirically explored the positive contribution of resources (e.g. Galbreath, 2005; Ndofor

et al., 2011) and capabilities (e.g. Parmigiani and Holloway, 2011, Mithas et al., 2011) on performance.

However, adopting the reductionistic approach has led to an inconsistency in the findings. One of the main critiques of a traditional view to RBT relates to its tautological nature (Lockett et al., 2009). This critique implies that a traditional or reductionistic approach lacks normative implications for practicing managers with regard to making informed decisions about the likelihood of a firm's resources and capabilities as a basis for strategy formulation and gaining competitive advantage. Although there is little research on examining the role of competitive strategies based on a firm's capabilities and their impact on organizational performance (e.g. Parnell, 2011), the existing account has failed to examine the configuration among these constellations for the goal of obtaining superior performance. As a result of reductionism, the 'co-vary' among the organizational resources, capabilities and performance which captures their interactions in a comprehensive view (Yarbrough et al., 2011) has been ignored in the past research.

In response to the inherent limitations of a reductionistic approach, the holistic approach has a greater power to explain the complex interrelationship between organizational resources, capabilities and competitive strategies on the one hand and organizational performance on the other (Fink, 2011; Venkatraman and Prescott, 1990). This approach has been developed based on Configuration Theory (Miles and Snow, 1978). Configuration refers to common alignments among elements (Miller, 1996). From a holistic perspective, RBT argues that superior performance may stem from strategic fit, when it presents a complex selection and configuration of resources and capabilities (Brik et al., 2011) that are heterogeneous across firms and imperfectly imitable (Barney, 1991). Thus, organizations may generate value and therefore, enhance their performance if there is a match between their resources and

capabilities and their competitive strategies. Our literature review shows that only a few studies have adopted a holistic approach to the study of RBT.

An understanding of the current research pertinent to theorizing and application of RBT is therefore of paramount importance to provide a venue for future research as well as a direction for practicing managers. In fact, previous studies of RBT failed to utilise a systematic review to shed light on the relationship between different RBT constructs (i.e., resources, capabilities and competitive strategies) and a firm performance based on each of the two major approaches of reductionistic and holistic. Hence, this study makes an attempt to attend to these limitations in the current research by presenting a critical review of both the reductionistic and holistic views towards RBT.

### **Approach to the review**

To undertake this review, we adopted Tranfield et al. (2003)'s systematic review methodology in management field. This approach has three stages, i.e., planning the review (objective and protocol), conducting a review (identification of research, selection of studies, assessment of article quality, data extraction and data synthesis) and reporting and dissemination (descriptive analysis and systematic analysis).

In planning the review, the objective of this review article is set to examine the relationship between RBT constructs (i.e. resources and capabilities) and their impact on firm performance. This covers the research conducted during the last decade (2003-end of 2012). Therefore, studies such as (Fink, 2011) and (Aragon-Correa and Sharma, 2003) in which the impact of RBT constructs on 'competitive advantage' has been investigated are excluded from this review.

In terms of review scopes and protocols, we had undertaken an interdisciplinary review to cover work from the marketing, human resource, management, Information Technology (IT) and e-business literatures. The reason to opt a broad review perspective was to highlight the application of two main streams of RBT in the vast areas of management and IT studies. In order to review RBT from a holistic view (based on the notion of strategic alignment), we also evaluated the extant research on strategic alignment to find studies, which might be relevant to RBT constructs, even if they did not refer to RBT explicitly. As a result of this review, all published theoretical and empirical studies during 2003 until the end of 2012 were classified into two groups of reductionistic and holistic approaches. The key focus on investigating these studies was their view towards the interconnections among the RBT variables. By adopting this perspective, the current paper makes an attempt to complement Lockett et al.'s (2009) study of RBT.

Due to the important role of strategy in RBT (Grant, 1991), we included those studies which addressed the impact of a firm's competitive strategies as well as a firm's resources and capabilities on performance. Therefore, studies, such as (Berchicci et al., 2012) have been intentionally overlooked, as they investigate different types of strategies, such as acquisition corporate strategy. This is also because our review paper aims to answer the question of 'how does a firm's resources, capabilities and adopted competitive strategies contribute to its performance?'.

In conducting the review, we used 'Google scholar search engine', which seems to be the broadest knowledge based system for scholarly literature. It is connected to the biggest information and knowledge networks across the Internet, such as Elsevier, Emerald, Web of Knowledge, Springer, IEEE, ProQuest. To do this research, we specifically consider the first three databases. Given the large volume of research on RBT found in these databases and to identify premier studies, only those relevant papers published in Association of Business

Schools (ABS) journals of two stars and above were investigated, not least because these published articles are perceived to be of international importance and impact. Here, several possible search terms, i.e., Resource-based view/Theory, resources, capabilities, dynamic capabilities, value, performance and return were listed. Resources are defined as ‘any tangible or intangible entity available to the firm that enables the firm to produce efficiently and/or effectively in a market offering that has value for some market segment(s)’ (Hunt and Morgan, 1995: 6); capabilities are described as the firm’s routines, which involve integration and reconfiguration of high-level organizational resources and skills (Wang and Ahmed, 2007). Competencies and their derivatives, such as core competencies, or critical competencies, have not been considered as RBT constructs in this research, as we defined them differently from capabilities.

In the final stage, the information of all chosen studies, their journals, years of publication and the approaches adopted were captured in a table to facilitate the process of analysing and reporting the findings. A summary of this information is demonstrated in Table 1. In total, 40 papers from 22 journals such as Strategic Management Journal, MIS quarterly, Journal of Management Information Systems and British Journal of Management (to name but a few) during the period of 2003 to 2012 were considered in this review. Of these papers, 15 were conducted in the area of IT/e-business and with the exception of one review article (Buller and McEvoy, 2012), the remaining studies were all empirical.

<Insert Table 1 about here>

## **Reductionistic approach to RBT**

In the selected papers from a traditional reductionistic approach to RBT, the relationship between RBT constructs and their influence on performance is considered through a set of

linear bivariate, with relatively few associations among the variables. In fact, the complex modelling and relationships of a system are simplified, and they are evaluated in isolation at an individual level of its component parts and their relations (Foss, 2011). In this regard, an investigation into the selected papers concerning the relationships of resources and capabilities reveals that these studies can be classified into three groups as follows.

The first group of studies suggests a positive direct association between resources and/or capabilities and performance. For example, Parmigiani and Holloway (2011) hypothesise that there is a positive link between parent firm implementation capabilities and business unit performance. Taking a similar approach, through an empirical study in manufacturing and services firms operating in Australia, Galbreath (2005) reports that the firms' resources, including organizational assets, such as culture, human resource management policies and corporate structure can significantly impact on a firm's success, and therefore its performance.

The second group of studies proposes that although the strategic value of resources and capabilities is undeniable, a firm's resources and capabilities may not directly contribute to enhancing performance, since some contextual factors mediate this relationship. For instance, Saeed et al. (2005) argue that customer value generated through web site functionality mediates the positive impact of e-business capabilities on performance.

The third and final group of studies puts forth the assumption that the relationship between a firm's resources and capabilities and its performance is significantly positive, and that this can be tested through sets of simple unidirectional relationships. In other words, the association between resources and capabilities and performance is either insignificant or negative. This group of studies which has failed to show the strategic value of a firm's internal possessions are very few. For instance, Hulland et al.'s (2007) empirical regression analysis on 550 retailers indicates that IS capabilities have a disruptive impact on online performance.

However, that the analysis shows that in the presence of commitment as a crucial mediator, this relationship can turn into an indirectly positive one.

**Error! Reference source not found.** presents a summary of the studies on the impact of RBT constructs (e.g. resources and capabilities such as IT capabilities, dynamic capabilities, human resources and technological resources). As Table 2 seeks to highlight, there is no consensus among scholars on the relationship between RBT constructs and performance. For instance, while some scholars (e.g. Soto-Acosta and Meroño-Cerdan, 2008; Schilke and Goerzen, 2010) have empirically found a direct relationship between capabilities and performance, others (e.g. Mithas et al., 2011; Drnevich and Kriauciunas, 2011; Kim et al., 2011) have presented evidence in support of an indirect association. Given the absence of a well-established research on the association between RBT constructs and performance, the next section presents the main critiques of a reductionistic approach to RBT.

<Insert table 2 about here>

Based on our review of the literature, we deduce two main critiques on those studies which adopted reductionistic approach to RBT.

The first limitation of the reductionistic approach to RBT relates to underestimating the role of competitive strategies. In fact, there has been little discussion about the importance of strategy in performance, and how strategy with a particular set of resources and capabilities can create superior performance. Grant (1991) was among the pioneers who proposed his seminal framework on the crucial role of competitive strategies in RBT. He believes that organizations can enhance their performance if they develop and implement their competitive strategies based upon their resources and capabilities. Based on Grant's seminal work, several follow up studies made concerted attempts to investigate the impact of competitive strategies on RBT constructs and/or performance.

As suggested throughout the literature, competitive strategies, resources and capabilities should all be connected, since strategy decisions influence resources and capabilities and vice versa. Henderson and Venkatraman (1993) posit that capabilities can positively contribute to the development of new strategies or support current strategies. In this vein, Mathews (2003) argues that a firm's internal possessions, including resources and capabilities must be taken into consideration in any strategic examination.

Nevertheless, different empirical studies postulate various relationships among these constructs by applying a reductionistic approach. For instance, Kim et al. (2004) examine the direct relationships between competitive strategy and performance in e-business. They reveal that strategies explain performance across different firms. However, they have failed to consider the fact that strategies aligned to its internal and external contexts have a greater capacity to enhance performance (Peteraf and Reed, 2007). Song et al.'s (2008) study of 709 firms in the USA, China and Japan confirms a positive direct relationship between competitive strategies and capabilities. They find that each strategy needs different capabilities. However, they have not explained whether and how the identified sets of competitive strategies and capabilities may contribute to performance. Parnell (2011) has recently examined the association of strategies with performance through the direct impact of capabilities on strategies in retail industry of three countries: Argentina, Peru and the USA. The findings highlight the significance of creating strategy-specific capabilities to obtain superior performance.

Overall, this strand of studies reveals that the positive contribution of competitive strategies to superior performance and their association with a firm's internal resources and capabilities are undeniable. We deduce that overlooking this fact could be one of the critiques of the reductionistic approach. This is because they mainly tend to ignore the role of strategies and examines performance outcomes of resources and capabilities independently. While there are

some studies in which the impact of strategy on resources, capabilities and/or performance has been postulated, there is insufficient systematic research on the application of the reductionistic approach to the study of strategies and which resources and capabilities can significantly contribute to make a firm a top performer. This reveals that this area of research is still under-developed, as it mainly focuses on simple associations among a few important variables, while disregarding them in a holistic manner. So question remains as ‘how these variables work together to deliver superior performance’. This leads us to the second main critique on reductionistic approach, which is concerned with inconsistency in its findings.

As can be seen from Table 2, the findings of the relevant studies which have applied the reductionistic approach to the study of RBT constructs are not consistent. The root of this inconsistency can be investigated based on the nature of this approach, which may not give us a complete picture of the complexity of the associations among the constructs. This has been admitted in the recent study by Ndofor et al. (2011), who argue that oversimplification of the relationships, and examining the constructs in isolation and as independent variables, may not provide us with an appropriate understanding of the drivers of superior performance. In fact, much of the research on the association of these constructs is ‘analysis’ rather than ‘synthesis’ (Pollalis, 2003). This reveals that the reductionistic approach to RBT may underestimate the synthesized relationships among a population of variables, including competitive strategies to postulate how a configuration of these variables may enable a firm to enhance its performance. Thus, it can be argued that the predominant reductionistic approach may not be appropriate to capture the reality of a firm’s performance regarding their resources, capabilities and strategies. In the next section, the holistic approach to RBT is discussed.

## **Holistic approach to RBT**

Rooted in Configuration theory, the holistic approach is able to examine which congruence of RBT constructs may enhance performance. This approach has the ability to consider multiple organizational characteristics (Doty et al., 1993) and develop an alignment among them, (Miller, 1996) usually to assess its impact on performance (e.g. Marlin et al., 1993).

Drawing on the extant literature, only a few studies have examined the relationship between RBT constructs and performance, which can be categorized into two main groups as follows.

The first class of studies assesses the configuration of resources and capabilities to understand how it affects the ability of a firm to create superior performance. For instance, Gruber et al., (2010) investigate which selection of resources and capabilities results in a high level of sales and distribution performance. Fink (2011) postulates that IT human capabilities need to be considered in a holistic approach to create an IT-based competitive advantage. In a more recent study, Roberts and Grover (2012) highlight the contribution of alignment between sensing and responding capabilities (as two aspects of firm agility) to a firm performance. However, as can be seen in this group of studies, the crucial role of external marketing positioning in view of competitive strategies has been overlooked.

The second group of research defines the fit or match of resources and capabilities, along with competitive strategies and its influence on a firm's performance. For instance, Aral and Weill (2007) suggest that IT financial resources aligned with a firm's competitive strategies are likely to derive superior performance. Raymond and Bergeron's (2008) study of Canadian manufacturing firms demonstrate a positive relationship between competitive strategies and e-business capabilities fit and firm performance. Gonzalez-Benito and ISuarez-Gonzalez's (2010) research reports that capabilities play a crucial role in the link between competitive strategies and financial performance.

Furthermore, by proposing a multilevel strategic fit model, McLaren et al. (2011) put emphasis on the significance of a fine-grained assessment of the fit between competitive strategies and Information Systems (IS) capabilities through some case studies. Buller and McEvoy's (2012) conceptual paper highlights the importance of human resources in dynamic alignment between a firm's strategies and organizational capabilities to derive superior performance. In a most recent study, Wiengarten et al. (2013) propose a conceptual framework to explicate how the alignment between IT resources and organizational factors, i.e., organizational strategy enable firms to derive significant long-term performance.

By adopting a holistic view, competitive strategies are consistent to both external and internal dominies (Peteraf and Reed, 2007). External fit comes from the notion of Porter's market positioning view (Porter, 1980). Internal domain is based on RBT to consider resource and capabilities and to make a greater fit between external and internal dynamic domains. Adopting multi-relations between the constructs, these studies provide us with a greater level of understanding on the complex interactions between RBT constructs from a holistic approach (Pollalis, 2003), which investigates the constructs in an open system. However, there are some critiques on the existing research that has adopted this approach.

There exists little research which postulates the effect of configurations of RBT constructs and competitive strategies on deriving superior performance. The relevant studies mostly have a limited scope and almost none of them proposes a comprehensive image on configurations of a firm's internal resources and capabilities, along with its competitive strategies, and explains how these configurations may affect performance measures of the firm. While much of the existing research has been devoted to examining the impact of various configurations on financial aspects of performance, value – defined as non-financial aspects of performance from stakeholders view (Amit and Zott, 2001) – has been proposed as a better predictor to examine the impact of alignment as well as capabilities on firm's outcomes, particularly in IT

and e-business contexts (Soto-Acosta et al., 2011). Moreover, much of the existing account fails to examine how the holistic approach of RBT may vary in different contexts. More specifically, the current research seems to overlooks the moderating effect of environmental, technological and organizational contextual factors on the ability of the firms to derive high performance (Homburg et al., 1999). Furthermore, we could not find sufficient research evidence in that a dynamic type of capabilities has been considered from a holistic view to RBT. Dynamic capabilities are the most considerable capabilities of organizations in the current fast-moving economy (Ambrosini and Bowman, 2009; Arend and Bromiley, 2009), as they are at the centre of success/failure of any firm (Teece, 2007). In the light of the above critiques and identified gaps in the literature, we propose a research agenda in the next section.

## **Suggestions for future research**

### Value creation (non-financial aspects of performance)

With the exception of very few studies (e.g. Soto-Acosta and Meroño-Cerdan, 2008; Boonstra et al., 2011; Rashidirad et al., 2013), others have evaluated the impact of resources and capabilities on financial aspects of performance, such as profitability, cost reduction, and inventory efficiency (e.g. Zhu and Kraemer, 2002). This reveals a considerably poor existing knowledge of the association of a firm's possessions with value. Accordingly, Soto-Acosta et al. (2011) believe that although examining financial measures of performance seems predominant in the studies, it may not be the most appropriate construct to study the impact of a firm's resources and capabilities on its overall outcomes. They argue that the performance outcomes, particularly in the field of IT and e-business, might not be achieved in a short period, but perhaps they might be seen through the value created for a firm's stakeholders in a

longer term. In this regard, it has been suggested that new businesses may create value in terms of novelty (innovative offerings), lock-in (retaining customers and partners), complementarities (providing bundles of offerings) and efficiency (mainly through cost reduction) (Amit and Zott, 2001). From an RBT perspective, value is created by virtue of how sources and capabilities are employed to support competitive strategies and how competitive strategies evolve to take into account existing resources and capabilities. However, some related research questions are still unanswered which can be investigated in the future studies. These questions include ‘how a firm can derive superior value from a configuration of its resources, capabilities and competitive strategies’, and ‘how the ability of a firm to create value may affect its resources and capabilities to be renewed and developed over time’.

#### Dynamic capabilities

Our findings reveal that although configuration or fit has been one of the central themes in the strategic management literature for several years, it has been never used for dynamic capabilities in a holistic view based on a firm’s resources and competitive strategies of RBT. According to Sher and Lee (2004), sustained investment in developing dynamic capabilities is crucial, as they are one of the three critical success factors of strategic competition in the current dynamic environment. Similarly, Zhu (2004) posits that dynamic capabilities are the mirror of competitive strategies. This is because dynamic capabilities (as opposed to inward-looking operational capabilities), have a reciprocal relationship with environment (Teece and Pisano, 1994; Giudici and Reinmoeller, 2012), they are therefore able to scan and assimilate the environment, respond to, and even change the environment (Teece, 2011). This is mainly conducted through two ways: configuring a firm’s resources and operational capabilities (Wheeler, 2002), and contributing to development and implementation of competitive strategy

(Wang and Ahmed, 2007). Hence, they are more enduring and reliable bases to develop strategies (Sirmon and Hitt, 2003), if there are to affect a firm's performance.

In line with above discussion, future research is needed to investigate how dynamic capabilities must be fitted to a firm's resources and dynamic capabilities, as well as competitive strategies, and address how this configuration may affect the firm's ability to create value and therefore enhance its performance. This would help managers with achieving the highest benefits from their dynamic capabilities. Thus, scholars must endeavour to improve managers and strategists' understanding of their 'strategic decisions'; which must not be solely based on their resources and dynamic capabilities, but also based upon their expected value creation.

#### Contextual factors

A review of the literature highlights the contingency (as opposed to the universal view) nature of RBT constructs along with competitive strategies. This implies that RBT constructs and the nature of their relationships may vary in different contexts. Thus, the ability of a firm to yield value depends on the characteristics of their internal and external contexts. These contexts are largely controllable by managers and therefore, can be altered by them to derive the superior value for their stakeholders. However, most of the studies have failed to explicate how the relationship between RBT constructs may moderate in different contexts. While there are a few studies (e.g. Drnevich and Kriauciunas, 2011; Pavlou and El Sawy, 2011) which address the impact of environmental and market dynamics from a reductionistic approach, we could hardly find studies (e.g., Rashidirad, et al., 2014) from a holistic perspective to evaluate the moderating impact of contextual factors on the relationship between RBT constructs and performance or value.

We therefore suggest a need for further empirical research to assist managers and strategists to identify the characteristics of best practices in their market under the existing environmental and technological contexts and therefore, make their strategic decisions accordingly. In so doing, scholars can apply Technology–Organization–Environment (TOE) framework, which acts as an important theoretical base for studying contextual factors (Tornatzky and Fleischer, 1990) in this context.

From a technological perspective, it is important to investigate the extent to which the frequency of changes and innovations in technology (Pavlou and El Sawy, 2011) may affect the ability of a firm to derive value from its resources and capabilities. Our review shows inconsistent findings on the moderating impact of technological contextual factors on value. While some (e.g. Jaworski and Kohli, 1993) believe that this link is insignificant, others (e.g. Pavlou and El Sawy, 2011) report it as a positive moderating association. Thus, future research must fill in this research gap and elaborate this impact from a holistic point of view.

TOE refers to organizational context as descriptive characteristics of a firm, such as firm size, type, scope, business model and human resources (Lin and Lin, 2008). What type of firms are the top performers in the market with regard to their strategies and dynamic capabilities (e.g. Gruber et al., 2010)? To what extent can the scope of operation affect performance improvement in firms (e.g. Zhu and Kraemer, 2005)? Are the large firms with high annual revenue and a considerable number of employees the main competitors in the current turbulent electronic marketplace (e.g. Hsu et al., 2006)? Such questions have the potential to create a platform for future research. Only very recently, by adopting a contingency approach to RBT, Wiengarten et al. (2013) have taken the first step to explicate the impact of these factors on IT value. Finally, issues, such as trading partners, competitors, government, frequency of changes in customers' preference (Slater and Narver, 1994) and industrial forces (e.g. Spanos and Lioukas, 2001) are considered in the environmental aspect of TOE

framework, which may raise our understanding of the impact of external factors on the two views of RBT.

In short, future research is needed to enable managers and strategists to answer some of the long-established questions in the literature as follows. To what extent is the configuration among competitive strategies, resource and capabilities important? How do these constructs interact to create superior performance? Which configurations of these constructs should be adopted by a firm to become a best practice in its market? How this configuration would help firms become top performers and to what extent the significance of this configuration vary in different contexts (more stable/highly changing dynamic markets)?

## **Conclusions**

This paper provides a systematic review on two main approaches to RBT namely, reductionistic and holistic. In so doing, we presented summaries of the critical findings of studies that led to identify the major gaps in the literature. We made some suggestions for future research, which could raise our understanding on the relationships between RBT constructs and competitive strategies and their cumulative contribution to a firm's financial and non-financial performance and under different technological, organizational and environmental contexts.

By presenting this review, this paper has a number of contributions. The holistic approach to RBT and the notion of configuration put forward a valid theoretical foundation on how to achieve value and therefore enhance performance. In this regard, we have identified three gaps in the relevant literature and suggested venues for future studies. Firstly, future research should not only focus on the financial contributions of a firm's resources and capabilities, but also the non-financial aspects from the stakeholders' view need to be investigated. Secondly,

scholars need to give further attention to understanding the significance of dynamic capabilities and their alignment with a firm's resources and competitive strategies to evaluate their impact on performance from a RBT perspective. Thirdly, the existing literature suffers from the scarcity of research into the effect of contextual factors from a holistic approach to RBT. We suggest that future research should attempt to tackle this missing link by examining the impacts of technological, organizational, and environmental variables on the impact of RBT constructs on performance. This posits that a holistic approach to RBT needs to be flexible and comprehensive enough to capture the impact of these contextual variables in order to maximize the value. However, managers should value the dynamic nature of a holistic approach to RBT and the notion of Configuration. More specifically, they need to revisit and reassess the fit between a firm's resources, capabilities and competitive strategies periodically, if a firm is to succeed and sustain in the fierce competitive market.

### Limitations

Additional research could extend this work and address some of its limitations. For example, we focused on those studies which particularly investigated a firm's capabilities. However, there are other studies in which some other terms, such as competencies and core competencies, are used as synonyms of capabilities. Moreover, we did not address the methodologies used in the two approaches adopted for the study of RBT. A further comparison can be made to provide more details on the methods employed in these two approaches in future research and their differences with regard to the findings. Additionally, to keep the generalizability of the findings, we did not restrict our research to a specific area, industry, context or particular types of resources or capabilities. This could be an interesting research area for scholars to investigate a particular area, such as IT with specific types of

RBT constructs; for example, human resources in a single industry and context, as no review has been conducted by adopting this narrow approach into the subject of this paper.

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