

Resource-Based Theory (RBT): A Human Resource Perspective on Firm Performance

Agnes Wayua Kyalo¹, Charles Katua Kithandi^{1*}

¹ School of Business and Economics, Daystar University, Nairobi, Kenya

*Corresponding author

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Abstract

Resource-Based Theory (RBT) holds that firms achieve and sustain competitive advantage not primarily through their position in product markets but through the possession and deployment of internal resources that are valuable, rare, imperfectly imitable, and non-substitutable (VRIN). Although RBT originated in the strategic management literature, its most enduring and generative application has been to the firm's human resources. This article examines RBT as a theoretical foundation for understanding how human resource management (HRM) contributes to sustainable firm performance. It traces the theory's intellectual origins from Penrose's theory of the growth of the firm, through Wernerfelt's resource-based view, to Barney's VRIN framework, before turning to the strategic human resource management (SHRM) literature that appropriated and extended RBT notably Wright and McMahan's theoretical perspectives on SHRM, Lado and Wilson's competency-based view, and the human-capital and social-capital extensions that followed. Building on this foundation, the article develops an integrative conceptual model that links HR systems, VRIN human-resource capital, and collective employee behaviour to firm performance through the mediating logic captured in the Ability-Motivation-Opportunity (AMO) framework, and it advances five research propositions. The article also engages critically with the tautology, causal-ambiguity, and context-dependence critiques levelled at RBT, and considers complementary institutional and dynamic-capability perspectives that address RBT's static bias. It concludes with implications for strategic HRM practice and directions for future empirical research, arguing that human resources, properly configured, remain among the most defensible sources of sustained competitive advantage available to the modern firm.

1. INTRODUCTION

1.1. Background and Rationale

The question of why some firms consistently outperforms others operating in the same industry, facing the same customers, and often drawing on the same pools of capital and technology, has occupied strategic management scholarship for more than four decades. Two broad paradigms have dominated the search for an answer. The first, associated with Porter's (1980) structural approach, locates the sources of superior performance outside the firm, in the attractiveness of the industry and the firm's position relative to the five competitive forces. The second, associated with Resource-Based Theory (RBT), locates those sources inside the firm, in the bundle of resources and capabilities the firm has accumulated and the extent to which that bundle is heterogeneous across firms and immobile across firm boundaries (Barney, 1991; Wernerfelt, 1984).

RBT's central proposition is deceptively simple: firms differ, they differ persistently, and those differences not merely their choice of industry explain sustained differences in performance. Yet the theory's simplicity conceals a demanding empirical question: which resources, precisely, are capable of generating an advantage that competitors cannot quickly erode? Physical capital, financial capital, and even most codified technology are, in a globalised economy, increasingly mobile, purchasable, and imitable. What remains stubbornly firm-specific, slow to build, and difficult to copy is, overwhelmingly, the human side of the enterprise the skills, knowledge, relationships, and coordinated behaviour of the people who work within it (Wright, McMahan, & McWilliams, 1994).

This article takes as its starting point the observation that RBT and strategic human resource management (SHRM) developed in close and mutually reinforcing proximity. Almost as soon as Barney (1991) formalised the conditions under which a resource confers sustained competitive advantage, HRM scholars recognised that human resources were unusually well suited to satisfying those conditions, and began building a body of theory and evidence around that insight (Wright & McMahan, 1992; Lado & Wilson, 1994). The purpose of this article is to consolidate that body of work: to trace the theoretical evolution of RBT, to show systematically how its VRIN logic applies to human resources, to integrate the SHRM literature that links HR practices to firm performance through RBT's causal logic, to propose an integrative conceptual model with testable propositions, and to examine the theory's limitations and boundary conditions honestly rather than treating it as beyond critique.

1.2. The Strategic Importance of Human Resources

The treatment of the HR function has shifted markedly over the past half-century, from an administrative, transaction-processing activity concerned with payroll, compliance, and discipline, to a strategic function understood as a potential source of competitive advantage (Guest, 1997; Boxall, 1996). This shift did not occur because the underlying tasks of HR changed dramatically; it occurred because scholars and practitioners increasingly recognised that the aggregate stock of employee skill, motivation, and coordinated effort determines what a firm can do that its rivals cannot.

Three broad developments account for this recognition. First, the shift of advanced economies toward knowledge- and service-intensive production increased the proportion of firm value attributable to intangible, people-embodied assets rather than physical plant and equipment. Second, the deregulation of capital and product markets reduced the extent to which access to finance or protected market position alone could explain persistent performance differences, since capital itself became more mobile and less scarce. Third, empirical research beginning with Huselid (1995) and extending through subsequent meta-analyses (Combs, Liu, Hall, & Ketchen, 2006; Crook, Todd, Combs, Woehr, & Ketchen, 2011) demonstrated a measurable, non-trivial statistical association between how firms manage people and how those firms perform financially and operationally. Taken together, these developments make a compelling case that human resources are not merely an operating cost to be minimised but a strategic asset to be invested in, configured, and protected — and RBT supplies the theoretical vocabulary for explaining why.

2. CONCEPTUAL AND THEORETICAL FOUNDATIONS OF RESOURCE-BASED THEORY

2.1. Origins and Evolution of RBT

Penrose and the Growth of the Firm

RBT's intellectual roots lie in Edith Penrose's (1959) *The Theory of the Growth of the Firm*, which conceived of the firm not as a production function converting homogeneous inputs into outputs, but as an administrative organisation and a bundle of productive resources, both physical and human, whose services are combined in particular, path-dependent ways. Penrose's crucial insight was that it is not resources themselves but the services those resources can be made to yield which depend on the accumulated knowledge and experience of the people directing them that determine what a firm can produce and how it can grow. This distinction between a resource and the service it renders anticipated, by more

than three decades, the later emphasis in RBT on capability and the managerial and organisational context within which resources are deployed.

Wernerfelt and the Resource-Based View

Birger Wernerfelt (1984) gave the perspective its modern name in “A Resource-Based View of the Firm,” proposing that strategic analysis could be conducted from the resource side rather than the product side of the firm. Wernerfelt introduced the notion of resource position barriers, analogous to Porter's entry barriers, by which a firm's prior accumulation of a resource makes it more difficult and costly for a later entrant to acquire an equivalent position. Resources, in Wernerfelt's formulation, include anything that can be thought of as a strength or weakness of the firm tangible and intangible assets tied semi-permanently to the firm, including brand names, in-house technical knowledge, skilled personnel, and trade contacts.

Barney's VRIN/VRIO Framework

It was Jay Barney's (1991) article, “Firm Resources and Sustained Competitive Advantage,” that formalised the resource-based perspective into a testable theory. Barney specified four conditions a resource must jointly satisfy to be a source of sustained competitive advantage: it must be valuable, in that it enables the firm to exploit opportunities or neutralise threats; rare, in that it is not simultaneously possessed by a large number of competing firms; imperfectly imitable, in that competitors face a significant cost disadvantage in obtaining or developing it; and non-substitutable, in that no strategically equivalent alternative resource exists. This VRIN framework was later reformulated as VRIO by adding the requirement that the firm be organised to exploit the resource's competitive potential through appropriate structures, systems, and processes (Barney, 1995).

Barney (1991) further distinguished resources from the more loosely bounded notion of capabilities, and Amit and Schoemaker (1993) refined this distinction by defining capabilities as the firm's capacity to deploy resources, usually in combination, using organisational processes to affect a desired end. This distinction matters considerably for HR: individual employee skills are resources in the strict sense, but the firm's capacity to combine, coordinate, and redeploy those skills through its HR architecture is properly understood as a capability a distinction the article returns to in Section 3.

2.2. Types and Classification of Firm Resources

Barney (1991) classified firm resources into three broad categories: physical capital resources (plant, equipment, geographic location, and access to raw materials), organisational capital resources (formal reporting structures, planning and control systems, and informal relations among groups), and human capital resources (the training, experience, judgement, intelligence, relationships, and insight of individual managers and workers). Grant (1991) offered a complementary classification distinguishing tangible resources, intangible resources (reputation, technology, culture), and organisational capabilities, arguing that the latter two categories are, in most industries, considerably more important sources of advantage than tangible assets because they are harder to trade and imitate.

- Physical capital resources – plant, equipment, location, and access to raw materials; typically the most mobile and imitable category.
- Organisational capital resources – formal and informal structures, systems, routines, and culture that coordinate the deployment of other resources.
- Human capital resources – the skills, experience, judgement, and relationships embodied in individual employees and, in aggregate, in the workforce.

Of these three categories, human capital resources are distinctive in that they are the only category the firm does not fully own — employees retain the option to withdraw their labour — and the only category capable of actively recombining and redeploying the other two. This dual property, ownership ambiguity combined with generative capacity, is central to

why human resources occupy such a privileged position within RBT-informed strategic thinking, and it is also the source of some of the theory's most persistent difficulties, discussed in Section 6.

2.3. From Resource-Based View to Dynamic Capabilities

A recurring criticism of the classical resource-based view is that it offers an essentially static account of advantage: it explains why a firm holding a VRIN resource at time t outperforms rivals at time t , but says comparatively little about how firms build, renew, or reconfigure their resource base as environments change (Priem & Butler, 2001; Eisenhardt & Martin, 2000). Teece, Pisano, and Shuen (1997) addressed this gap by introducing the dynamic capabilities perspective, defining dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Eisenhardt and Martin (2000) extended this by characterising dynamic capabilities as identifiable, learnable organisational and strategic routines through which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.

For the HR domain, the dynamic capabilities extension is consequential rather than merely academic. A workforce that is valuable, rare, and inimitable today can become a liability if the firm lacks the capacity to retrain, redeploy, or, where necessary, replace elements of that workforce as technology and markets shift. This article therefore treats dynamic reconfiguration of the human-resource base — not as a departure from RBT but as a necessary extension of it and incorporates it explicitly into the conceptual model developed in Section 5.

3. HUMAN RESOURCES AS A STRATEGIC RESOURCE UNDER RBT

3.1 Human Capital Theory and the RBT Lens

Human capital theory, developed principally within labour economics by Becker (1964), treats skills and knowledge acquired through education, training, and experience as a form of capital in which individuals and firms invest, expecting a future return in the form of higher productivity and, correspondingly, higher wages or profits. Becker's key distinction between general human capital skills of equal value to many employers, such as basic literacy or generic managerial technique and firm-specific human capital skills whose productive value is largely confined to the firm in which they were developed maps closely onto RBT's rarity and inimitability criteria. General human capital, being portable and available on the open labour market, rarely satisfies the rarity condition at the firm level; firm-specific human capital, precisely because it is idiosyncratic to a particular organisational context, is structurally better positioned to do so.

The integration of human capital theory with RBT therefore does more than relabel an existing economic concept in strategic-management language. It supplies RBT with a micro-foundation — an account of why and how firm-specific skill accumulates while RBT supplies human capital theory with a strategic logic explaining why firms should be willing to invest in skill development that, precisely because it is not portable, cannot be fully captured by employees bargaining for higher wages elsewhere (Wright et al., 1994).

3.2 Applying VRIN Criteria to Human Resources

Value

Human resources are valuable to the extent that employee skill, effort, and judgement allow the firm to reduce costs, differentiate its offering, or exploit market opportunities more effectively than would otherwise be possible. Value is not an inherent property of a skill in the abstract; it is defined relative to the firm's strategy and the environment in which the firm competes. A given competency fluency in a particular software platform, say, or deep contextual knowledge of a regulatory regime is valuable in one strategic context and largely irrelevant in another. This context-dependence means that the value of human resources cannot be assessed independently of the firm's chosen strategy, a point developed further in the discussion of vertical fit in Section 4.1.

Rarity

Rarity requires that the relevant skill or competency not be widely available among competing firms' current or potential workforces. Individually, most employee skills fail this test: most skills that any single employee possesses are, in isolation, held by a great many people in the labour market. Rarity in human resources is therefore more plausibly located not in individual skill possession but in the configuration of skills, relationships, and tacit knowledge that a specific workforce, operating within a specific organisational history, has developed collectively a pattern that is inherently harder for a competitor to replicate wholesale, even by hiring away individual star performers (Lado & Wilson, 1994; Coff, 1997).

Inimitability

Imperfect inimitability is, for human resources, frequently the criterion doing the most theoretical work. Barney (1991) identified three mechanisms by which resources become difficult to imitate: unique historical conditions, causal ambiguity, and social complexity. All three apply with particular force to human resources. Workforces develop along firm-specific historical trajectories that cannot be replayed by a competitor starting from a different point (unique historical conditions). The precise causal link between a particular configuration of HR practices, the human and social capital it generates, and the resulting performance outcome is frequently unclear even to insiders, let alone to outside observers attempting to copy it (causal ambiguity; Reed & DeFillippi, 1990). And much of what makes a workforce effective trust, informal norms, tacit coordination routines, organisational culture is socially complex, emerging from repeated interaction among many individuals over time rather than being reducible to any single, transferable component (social complexity).

Non-substitutability

Finally, non-substitutability requires that no strategically equivalent resource whether another type of human capital, a technological system, or an alternative organisational arrangement can be substituted to achieve the same competitive effect. Automation and artificial intelligence have, in some domains, eroded the non-substitutability of routine human skill, and this trend is discussed further in Section 8. However, for roles requiring judgement under ambiguity, relational trust, creative problem-solving, or the tacit coordination of complex tasks, human capital resources have so far proven resistant to full substitution, which helps explain why firms continue to compete vigorously for talent in precisely these domains.

3.3 The HR Architecture: Human Capital, HR Practices, and HR Function

Wright and McMahan (1992) offered an influential clarification of what, precisely, "human resources" refers to within SHRM research, distinguishing among the human resource pool (the stock of employee skills and abilities), employee behaviours (what employees actually do, as distinct from what they are capable of doing), and HR practices (the policies and systems through which the firm acquires, develops, motivates, and retains its workforce). This distinction is essential because it clarifies that HR practices themselves are rarely, in isolation, strategically rare or inimitable most practices can be observed and copied whereas the human capital pool and behavioural patterns those practices generate, particularly when generated through a firm-specific historical process, are considerably more defensible (Wright & McMahan, 1992; Wright, Dunford, & Snell, 2001).

Lepak and Snell (1999) extended this reasoning by proposing a differentiated HR architecture, arguing that firms should and do apply different HR configurations to different employee groups depending on the strategic value and uniqueness of each group's contribution. Employees whose skills are both highly valuable and firm-specific (idiosyncratic) warrant investment in internal development and long-term employment relationships, since they are the segment of the workforce most capable of satisfying RBT's VRIN criteria; employees whose skills are valuable but generic, by contrast, are more efficiently obtained through the external labour market. This architectural perspective usefully explains observed heterogeneity in firms' HR investment patterns across different segments of their own workforce, rather than assuming a single "best" HR system applies uniformly to every employee.

3.4 Social Capital and Organizational Capital as Complementary Resources

Human capital resources rarely generate performance effects in isolation from the relational and structural context in which they are embedded. Nahapiet and Ghoshal (1998) introduced the concept of social capital — the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or organisation — and argued that social capital facilitates the creation of new intellectual capital by enabling the combination and exchange of knowledge among employees. A firm may possess highly skilled individual employees yet fail to translate that human capital into performance if those employees lack the trust, shared language, and network ties needed to combine their knowledge productively.

Organisational capital, in Barney's (1991) original typology, refers to formal reporting structures, planning systems, and the informal relations among groups that coordinate resource deployment across the firm. Organisational capital functions as the institutional memory that allows firm-specific human and social capital to persist even as individual employees come and go — embedded, for example, in documented routines, organisational culture, and codified best practice. Together, human, social, and organisational capital form an interlocking system in which the strategic value of any one component depends substantially on the presence and quality of the other two, a point that becomes central to the integrative model developed in Section 5.

4. LINKING HUMAN RESOURCES TO FIRM PERFORMANCE: THE RBT-SHRM INTERFACE

4.1. Universalistic, Contingency, and Configurational Perspectives

Delery and Doty (1996) provided an influential typology of theorising in SHRM research, distinguishing three modes by which scholars have linked HR practices to performance. The universalistic perspective holds that certain HR practices often termed “best practices” or high-performance work practices improve performance in essentially all firms, regardless of strategy or context (Pfeffer, 1994, 1998). The contingency perspective holds instead that the effectiveness of any given HR practice depends on its fit, or alignment, with the firm's competitive strategy the notion of vertical fit. The configurational perspective, finally, argues that HR practices operate not as isolated, independent levers but as internally consistent bundles or configurations, whose effect on performance depends on the coherence, or horizontal fit, among the practices themselves, as well as their vertical fit with strategy.

RBT is compatible with all three perspectives but arguably lends itself most naturally to the configurational view, since VRIN's inimitability criterion is most plausibly satisfied by a complex, internally coherent system of interlocking practices rather than by any single practice examined in isolation a system is, definitionally, harder to reverse-engineer and copy wholesale than any one of its parts (Lado & Wilson, 1994; Becker & Huselid, 2006).

4.2. High-Performance Work Systems and the AMO Framework

High-performance work systems (HPWS) bundles of practices typically including rigorous selection, extensive training, performance-contingent compensation, employee involvement, and information sharing have become the dominant empirical operationalisation of RBT-consistent HR architecture (Appelbaum, Bailey, Berg, & Kalleberg, 2000). The theoretical logic connecting HPWS to performance is most commonly expressed through the Ability-Motivation-Opportunity (AMO) framework, which holds that discretionary employee effort, and therefore performance, is a function of employees' ability to perform (recruitment, selection, and training practices), their motivation to perform (compensation, recognition, and career-development practices), and the opportunity they are given to contribute that effort (job design, employee involvement, and information-sharing practices) (Boxall & Purcell, 2003; Appelbaum et al., 2000).

The AMO framework performs important theoretical work for RBT because it specifies the causal mechanism by which HR practices, which are individually observable and imitable, generate human and social capital outcomes that are

collectively far harder to replicate. A competitor can observe and copy a rival's compensation structure or training curriculum; it cannot as easily replicate the accumulated fit between ability, motivation, and opportunity that has developed, over years, within a specific workforce operating under a specific set of managers.

4.3. The "Black Box": Mediating Mechanisms between HR Practices and Performance

A persistent methodological and theoretical challenge in SHRM research is what has come to be known as the "black box" problem: statistical associations between HR practices and firm-level financial performance are relatively well established, yet the intervening causal mechanisms—the sequence of events by which an HR practice adopted at the organisational level translates into individual employee attitudes and behaviour, and thence into unit- and firm-level outcomes have proven considerably harder to specify and measure (Guest, 2011; Purcell & Hutchinson, 2007).

Wright and Nishii (2013) proposed a multi-level process model that distinguishes intended HR practices (what senior management designs), actual HR practices (what is genuinely implemented, often filtered and reinterpreted by line managers), and perceived HR practices (how individual employees experience and interpret those practices), arguing that it is perceived, not intended, practices that shape employee attitudes and behaviour. This distinction helps explain why the same formally designed HR system can produce markedly different performance outcomes across business units or subsidiaries of the same firm, depending on how consistently and credibly line managers implement it a finding with direct implications for the moderating role of organisational context incorporated into the conceptual model in Section 5.

Within an RBT framing, the black box is best understood not as a flaw to be engineered away but as the very mechanism that confers inimitability: if the causal path from HR practice to performance were fully transparent and mechanically reproducible, it would, by definition, also be easy for competitors to copy. Causal ambiguity, in other words, is simultaneously a measurement problem for researchers and a source of competitive protection for the firm (Godfrey & Hill, 1995).

4.4. Empirical Evidence on HR Practices and Firm Performance

Empirical support for a positive HR practices–performance relationship has accumulated steadily since Huselid's (1995) landmark study, which found that firms with more extensive use of high-performance work practices experienced lower employee turnover, higher productivity, and superior corporate financial performance. Subsequent meta-analyses have generally corroborated this relationship while tempering its magnitude: Combs et al. (2006), synthesising 92 studies, reported a corrected meta-analytic correlation between HPWS and organisational performance in the region of $r \approx .20$, a modest but managerially meaningful effect given the scale at which it operates across an entire workforce. Crook et al. (2011), focused specifically on human capital rather than HR practices, similarly found a significant positive relationship between firm-level human capital and performance, an effect that was notably stronger for human capital operationalised at higher levels of firm-specificity a finding directly consistent with RBT's emphasis on firm-specific, rather than generic, human capital as the more defensible source of advantage.

Taken together, this body of evidence supports three qualified conclusions: HR practices are, on average, positively associated with firm performance; the magnitude of that association is real but moderate rather than overwhelming, implying that HR practices alone rarely determine firm success; and the strength of the relationship depends systematically on the degree of firm-specificity and internal coherence of the practices examined, exactly as RBT's VRIN logic would predict.

5. AN INTEGRATIVE CONCEPTUAL MODEL AND RESEARCH PROPOSITIONS

Drawing together the theoretical strands reviewed in Sections 2 through 4, Figure 1 presents an integrative conceptual model of how human resources generate firm performance through an RBT-consistent causal chain. The model depicts HR systems (bundles of practices exhibiting internal, horizontal fit and external, vertical fit with strategy) as the organisational antecedent; VRIN human-resource capital (human, social, and organisational capital, jointly) as the

intervening strategic resource; collective employee behaviour and organisational capability as the enacted, performance-relevant expression of that resource; and firm performance (operational, financial, and competitive-advantage outcomes) as the ultimate dependent construct. The relationship between HR systems and VRIN capital is shown as shaped by the AMO mechanism; the relationship between collective capability and firm performance is shown as moderated by organisational and institutional context; and a feedback loop, consistent with the dynamic capabilities perspective, depicts firm performance outcomes informing the ongoing reconfiguration and renewal of the HR system itself.

Figure 1: An Integrative Resource-Based Model of Human Resources and Firm Performance

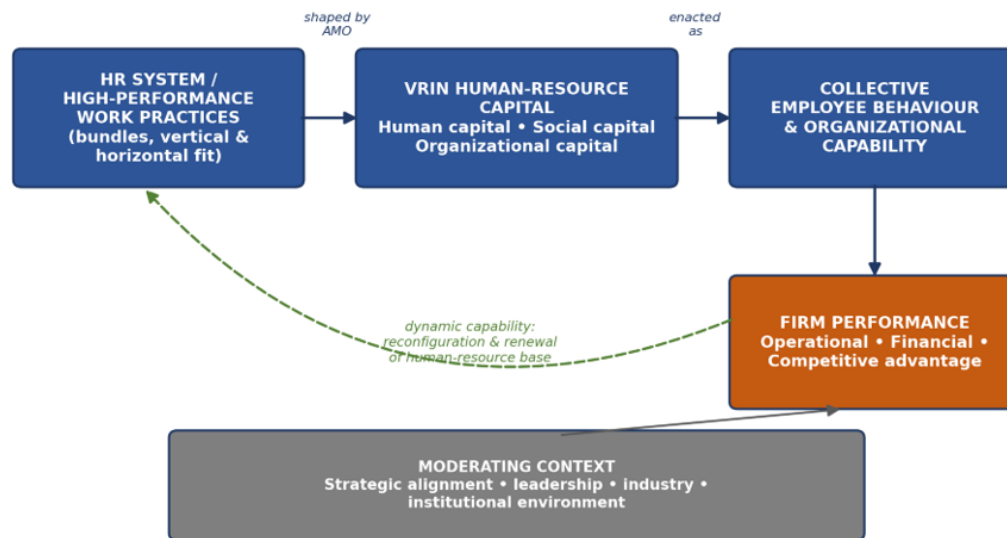


Figure 1: An Integrative Resource-Based Model of Human Resources and Firm Performance

From this model, five research propositions can be derived to guide future empirical investigation:

Proposition 1 (P1). HR systems that exhibit both internal (horizontal) alignment among practices and external (vertical) alignment with firm strategy will generate human-resource capital that more closely satisfies VRIN criteria than fragmented or strategically misaligned HR practices.

Proposition 2 (P2). The relationship between HR practices and firm performance is substantially mediated by collective human capital, social capital, and organisational climate; direct, unmediated effects of HR practices on firm performance will be weak or inconsistent across studies that fail to model these mediators.

Proposition 3 (P3). The rarity and inimitability of HR-generated resources increase with the degree of firm-specificity, social complexity, and causal ambiguity embedded in the HR system that produced them, such that generic, easily benchmarked HR practices confer little sustainable advantage even when they improve average performance.

Proposition 4 (P4). The sustainability of HR-based competitive advantage over time depends on the firm's dynamic capability to reconfigure its human-resource base in response to environmental and technological change; firms lacking this reconfiguration capability will see initially advantageous HR-based resources erode or become liabilities as conditions shift.

Proposition 5 (P5). The strength of the observed relationship between HR practices and firm performance is moderated by organisational and institutional context — including leadership quality, organisational culture, industry structure, and the regulatory environment — such that identical HR systems will be associated with different performance outcomes in different contexts.

These propositions are deliberately framed at a level of generality that permits testing across industries and institutional settings, consistent with the general, cross-industry orientation of this article; researchers applying the model to a specific sector or region would be expected to specify context-appropriate measures of each construct.

6. CRITIQUES AND BOUNDARY CONDITIONS OF RBT IN THE HR DOMAIN

6.1 The Tautology Critique

The most frequently cited criticism of RBT, advanced forcefully by Priem and Butler (2001), is that the theory risks circularity: if a valuable resource is defined, in effect, as one that improves firm performance, and firm performance is then explained by reference to the firm's valuable resources, the argument becomes tautological true by definition rather than by empirical demonstration. Applied to HR, this critique bites when researchers infer the existence of a “valuable” HR practice or human-capital configuration solely from observed superior performance, without independent measurement of the resource itself.

Kraaijenbrink, Spender, and Groen (2010), in a comprehensive review of RBT's critiques, argue that the tautology problem is a genuine risk of careless operationalisation rather than an inescapable feature of the theory itself, and that it can be avoided by measuring resource value independently of performance outcomes for instance, through employee skill assessments, retention rates, or expert ratings of HR system quality collected prior to, and separately from, the performance data the resource is hypothesised to explain. This article's insistence, in Section 3, on specifying value, rarity, inimitability, and non-substitutability as conceptually distinct, independently assessable criteria is intended, in part, as a response to this critique.

6.2 Causal Ambiguity and Measurement Challenges

A second, related difficulty concerns the practical measurement of human-resource capital at the firm level. Godfrey and Hill (1995) observed that many of the resources RBT identifies as strategically most important are, precisely because of their causal ambiguity and social complexity, also the resources that are hardest for researchers to observe, quantify, and verify independently what they termed the problem of unobservables in strategic management research. Ployhart and Moliterno (2011) extended this concern specifically to human capital, arguing that human capital resources are inherently multi-level phenomena that emerge from the combination of individual-level knowledge, skills, and abilities through team- and unit-level social and cognitive processes, and that much SHRM research has, by measuring human capital only at the individual or only at the firm level, mis-specified the very construct it claims to test.

These measurement challenges do not invalidate RBT as applied to HR, but they do counsel caution in interpreting cross-sectional, single-level empirical studies, and they motivate the call, developed in Section 8, for more sophisticated multi-level and longitudinal research designs.

6.3 Context-Dependence and Complementary Theoretical Lenses

A third critique holds that RBT, developed within an economically rationalist strategic-management tradition, underplays the extent to which firms' HR choices are shaped not purely by strategic calculation but by institutional pressures labour law, professional norms, trade union influence, and the isomorphic pull toward practices seen as legitimate within an industry or society (Paauwe, 2009). An institutional perspective does not so much refute RBT as complement it: it explains why firms operating under similar institutional constraints often display more similarity in their HR practices than a purely resource-based account, emphasising firm-specific differentiation, would predict on its own.

Colbert (2004) proposed a “complex resource-based view” for SHRM that explicitly incorporates insights from complex adaptive systems theory, arguing that human-resource systems are better understood as emergent, self-organising, and only partially controllable by managerial design than as engineered systems that managers straightforwardly construct and deploy. This view sits comfortably alongside the dynamic capabilities extension discussed in Section 2.3 and

reinforces the argument, developed throughout this article, that human-resource-based advantage is neither automatic nor permanent but must be actively cultivated, monitored, and renewed.

7. MANAGERIAL AND POLICY IMPLICATIONS

7.1 Implications for Strategic HRM Practice

For practising managers, the RBT perspective on human resources carries several concrete implications. First, HR investment decisions should be evaluated not merely on cost-efficiency grounds but on their contribution to building firm-specific, difficult-to-imitate capability; outsourcing or standardising every HR process in the name of efficiency risks eroding precisely the idiosyncrasy on which sustained advantage depends, particularly for the segments of the workforce identified by Lepak and Snell's (1999) architecture as most strategically valuable and unique. Second, internal coherence among HR practices horizontal fit matters at least as much as the sophistication of any individual practice; a well-designed selection system undermined by an incoherent compensation structure will generate little sustainable advantage.

- Differentiate HR investment by workforce segment, concentrating the deepest investment in development and retention on roles whose skills are both strategically valuable and firm-specific, consistent with the HR architecture perspective (Lepak & Snell, 1999).
- Design HR practices as internally coherent bundles, rather than adopting isolated "best practices" piecemeal, since bundled coherence is a principal source of inimitability (Delery & Doty, 1996; Becker & Huselid, 2006).
- Invest deliberately in social and organisational capital, not only individual skill, since the translation of human capital into performance depends on trust, shared routines, and institutional memory (Nahapiet & Ghoshal, 1998).
- Equip line managers to implement HR practices consistently, since employees respond to perceived rather than intended practices, and inconsistent implementation is a major source of the "black box" gap between HR design and performance outcomes (Purcell & Hutchinson, 2007).
- Build deliberate capacity for workforce reconfiguration, treating the HR function itself as a dynamic capability rather than a fixed system, so that human-resource advantage can be renewed as strategy and environment change (Teece et al., 1997).

7.2 Implications for Organisations in Developing and Emerging Economies

While the theoretical logic developed in this article is intended to hold generally across industries and institutional settings, it carries particular salience for firms operating in developing and emerging economies, where capital markets, physical infrastructure, and codified technology are often less differentiating sources of advantage than they are in mature economies, simply because access to them is more constrained for all competing firms alike. In such contexts, the relative scarcity of specific skills, combined with generally higher rates of skilled-labour turnover and cross-firm poaching, makes the deliberate cultivation of firm-specific, socially embedded human-resource capital — rather than reliance on generic, easily poached credentials an especially important strategic priority, and one that RBT is well placed to inform.

8. DIRECTIONS FOR FUTURE RESEARCH

Several avenues merit further investigation. First, the measurement challenges discussed in Section 6.2 call for research designs that assess human-resource capital independently of, and prior to, the performance outcomes it is hypothesised to explain, using multi-level models that distinguish individual, unit, and firm-level human capital rather than collapsing these levels into a single index (Ployhart & Moliterno, 2011). Second, longitudinal designs are needed to test the dynamic-capabilities extension proposed in Proposition 4 specifically, whether firms that actively reconfigure their HR architecture in response to environmental change sustain performance advantages over longer periods than firms whose HR systems remain static, even when the latter were initially superior.

Third, cross-cultural and cross-institutional replication is needed to test the boundary conditions implied by Proposition 5 and by the institutional critique discussed in Section 6.3; most of the foundational empirical literature reviewed in this article was developed using data from large firms in mature, Anglo-American economies, and it remains an open question how fully its conclusions generalise to other institutional and cultural settings. Fourth, and increasingly urgently, research is needed on how automation and artificial intelligence are reshaping the non-substitutability criterion for human resources: as machine systems increasingly perform tasks once thought to require distinctly human judgement, the theoretical and practical boundary between which human capabilities remain strategically non-substitutable, and which have become substitutable, is shifting in ways current SHRM theory has only begun to address.

9. CONCLUSION

This article has argued that Resource-Based Theory provides a coherent and, on the weight of the evidence reviewed, empirically defensible account of why human resources constitute a strategically important, frequently VRIN-consistent source of sustained competitive advantage. Tracing the theory from Penrose's foundational treatment of the firm as a bundle of resources, through Wernerfelt's and Barney's formalisation of the resource-based view, to the SHRM literature that has applied and extended that logic specifically to human capital, social capital, and organisational capital, the article has shown that human resources are distinctive among the categories of firm resource in their capacity to satisfy the value, rarity, inimitability, and non-substitutability criteria simultaneously — particularly when developed through firm-specific, socially complex, and causally ambiguous processes that competitors cannot readily observe or replicate.

At the same time, the article has resisted treating RBT as beyond critique. The tautology problem, the measurement difficulties surrounding causal ambiguity, and the theory's historically static orientation are genuine limitations that responsible application of the theory must address, whether through careful independent measurement of resource value, multi-level and longitudinal research designs, or explicit integration with dynamic-capabilities and institutional perspectives. The integrative model and propositions advanced in Section 5 are offered as one attempt at such integration. For practising managers, the central implication is straightforward but demanding: human-resource-based advantage is neither automatic nor permanent. It must be deliberately built through coherent, strategically aligned HR systems, actively protected through the social and organisational complexity that makes it hard to copy, and continuously renewed as the competitive and technological environment changes — or else it will, like any other resource, eventually be matched, substituted, or rendered obsolete.

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