

Theoretical and Conceptual Frameworks: A Vital Part of Business and Finance Research

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Abstract

This study employed a comprehensive literature review to identify existing articles that address theoretical and conceptual frameworks. Articles were sourced from reputable academic databases such as Google Scholar, Academia.edu, ResearchGate, among others. This approach involves summarizing and synthesizing existing literature in a narrative format. The study provides a descriptive overview of key concepts, findings, and debates within theoretical and conceptual frameworks as a vital part of business and finance research. The research paper provides a broad overview of a topic or to explore emerging trends and debates. The research was guided by keywords related to theoretical and conceptual frameworks. This study extensively discusses the significance of incorporating theoretical and conceptual frameworks in research, providing thorough justifications for their indispensable role in enhancing research quality. Furthermore, it elaborates on the meanings of these frameworks, their distinct roles in the research process, differences between them and methods of construction. It is imperative for researchers and students to strategically integrate theoretical and/or conceptual frameworks into their research inquiries to enhance robustness across all aspects.

Keywords: *Conceptual framework, business and finance, literature review, research process, theoretical framework.*

Jel Classification: *B4, D0, D83, C1*

1.0 Introduction

Research that lacks a strong theoretical foundation may have limited generalizability beyond the specific context in which it was conducted (Adom *et al.*, 2018). Without theoretical grounding, researchers may struggle to identify the underlying mechanisms or principles that govern the phenomena under study, making it difficult to generalize findings to other contexts or populations (Anfara & Mertz, 2015). This can undermine the relevance and applicability of research findings in addressing real-world challenges or informing evidence-based decision-making. Conceptual and theoretical reviews often serve as catalysts for innovation and creativity by highlighting gaps or inconsistencies in existing knowledge and providing inspiration for new lines of inquiry. Without these reviews, researchers may miss opportunities to challenge existing assumptions, explore new theoretical perspectives, or develop novel conceptual frameworks (Boote & Beile, 2005). This can stifle innovation and impede the advancement of knowledge within business and finance.

Research that lacks conceptual and theoretical grounding may struggle to gain traction within academic and professional communities. Without a strong theoretical foundation, research findings may be perceived as lacking rigor or credibility, reducing their impact and relevance within the field. This can hinder researchers' ability to disseminate their findings, attract funding, or influence policy and practice (Caliendo & Kyle, 1996).

Theoretical and conceptual frameworks serve as guiding principles for research endeavors, laying the groundwork for establishing their credibility (Crawford, 2020). Despite their apparent similarity, these terms diverge in concept and function within the research inquiry. Nevertheless, many students encounter challenges in discerning the distinctions between these closely related frameworks and defining their respective roles in their research pursuits. Nonetheless, the inclusion of a theoretical and/or conceptual framework is a mandatory component of a thesis or dissertation, illustrating the student's roadmap for their research (Luse *et al.*, 2012). A comprehensive understanding of both frameworks contributes to a robust investigation. This article elucidates the meanings of these terms, their significance in the research process, their differences, and similarities, while offering insightful suggestions on their construction and utilization for specific research endeavors.

While theoretical and conceptual frameworks remain foundational to academic research writing, many scholars struggle with their application in practice. Researchers are urged to continue advocating for the use of theoretical and conceptual frameworks in academic research, including dissertations, theses, and other scholarly papers. Adom *et al.* (2018) assert that theoretical and conceptual frameworks form the bedrock of the research process. Conversely, Green (2014) posits that these frameworks lack mutual explanation, definition, or application in research. Crawford (2020) suggests that authors often find it challenging to differentiate between theoretical and conceptual frameworks.

In many research works, there is a common misuse of conceptual frameworks and theoretical frameworks, often treating them interchangeably. Some researchers fail to recognize that these two variables can complement each other, guiding logical progressions and informed judgments in a

study. Many student researchers and academic scholars hold the misconception that both theoretical and conceptual frameworks are mandatory in every study, which is incorrect. Additionally, some social researchers believe that a theoretical framework is only necessary when literature is scarce in a particular study, but is this truly the case? There is a pressing need for a clear distinction between theoretical and conceptual frameworks and their appropriate utilization in research to facilitate informed conclusions and judgments (Torraco, 2005). When implemented correctly, this clarification will elucidate the distinct roles of both frameworks in research. It is both speculated and widely acknowledged that many graduate students in the 21st century struggle with the utilization of theoretical and conceptual frameworks in their studies, whether as a holistic approach or as individual components (Chukwuere, 2021).

Literature review

Literature review methodologies encompass various approaches and techniques for systematically identifying, analyzing, and synthesizing existing research literature on a particular topic or research question (Marshall & Rossman, 2016). Critical reviews involve a comprehensive and evaluative analysis of existing literature, focusing on the strengths, weaknesses, and limitations of individual studies, theoretical frameworks, or research methodologies. Researchers critically assess the quality of evidence, validity of research designs, relevance of findings, and implications for theory, practice, or policy. Critical reviews aim to identify gaps, inconsistencies, or biases within the literature and provide insights for future research directions.

A theoretical framework is a conceptual structure or framework that provides a systematic and organized way to understand, interpret, and analyze a particular phenomenon or set of phenomena (Torraco, 2005). It consists of a set of interconnected concepts, principles, assumptions, and propositions that guide research or analysis within a specific discipline or field. Theoretical frameworks help researchers to organize their thinking, identify key variables, and develop hypotheses or models to explain and predict phenomena of interest. A theoretical framework serves as a scaffold of abstract ideas, principles, and assumptions that provide a roadmap for understanding and investigating phenomena within a particular domain. It offers a structured lens through which researchers can interpret, analyze, and explain empirical observations or data, guiding their inquiry and framing their research questions. A theoretical framework acts as a conceptual skeleton, comprising interconnected concepts, theories, and assumptions that underpin research endeavors within a specific field. It serves as a lens through which researchers can interpret and make sense of phenomena, guiding the formulation of research questions, hypotheses, and methodologies. Additionally, it helps to situate research findings within existing knowledge and facilitates the generation of new insights and theories.

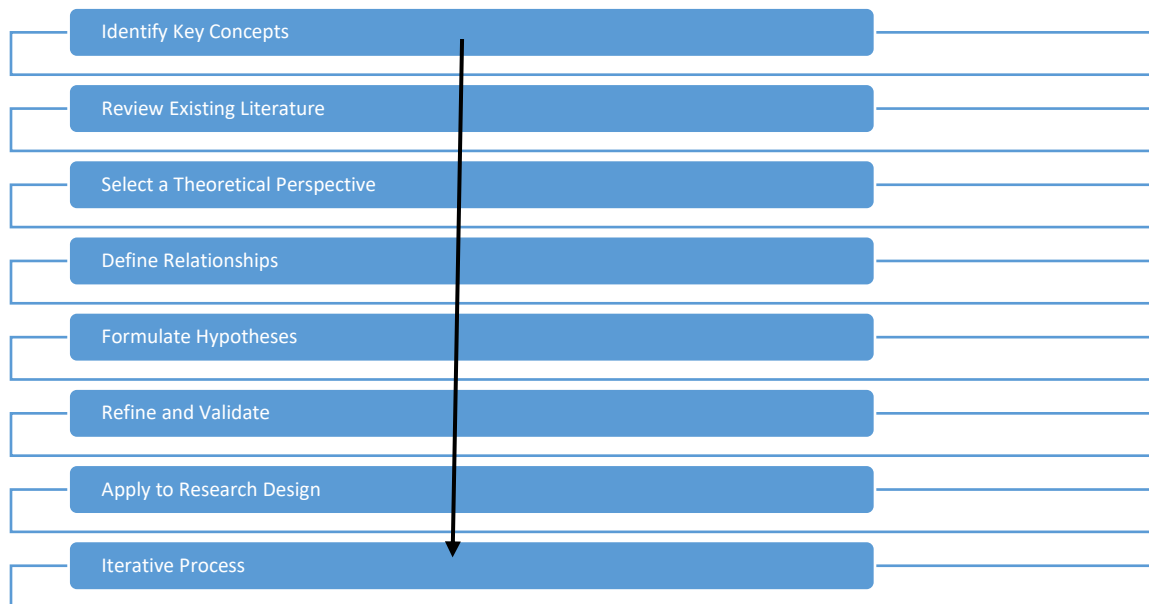


Figure 1: Eight (8) steps in construction of a theoretical framework

Source: Authors' view, 2024

Figure 1 highlighted construction of a theoretical framework involves eight steps as follows: Identify Key Concepts: Determine the central concepts, variables, or constructs relevant to the research topic; Review Existing Literature: Conduct a thorough review of relevant literature to understand existing theories, models, and perspectives related to the topic; Select a Theoretical Perspective: Choose a theoretical perspective or framework that best fits the research question and objectives. This could involve theories from sociology, psychology, economics, etc., depending on the field of study; Define Relationships: Specify how the key concepts or variables are related to each other within the chosen theoretical framework. This may involve identifying causal relationships, mediating factors, or moderating variables; Formulate Hypotheses: Based on the theoretical framework, develop testable hypotheses or propositions that predict the expected outcomes or relationships between variables; Refine and Validate: Continuously refine the theoretical framework based on feedback from peers, empirical findings, or further theoretical developments in the field; Apply to Research Design: Use the theoretical framework to guide the design of research methodologies, data collection, and analysis strategies and Iterative Process: Constructing a theoretical framework is often an iterative process, where refinement and adjustments may be made as new insights emerge or as research progresses.

Conceptual frameworks, on the other hand, are visual or written representations of the key concepts, variables, and relationships within a theoretical framework. They provide a structured way to organize and understand the underlying principles and assumptions that guide research or analysis within a specific discipline or field. Conceptual frameworks help researchers to conceptualize their study, identify relevant variables, and develop hypotheses or models to explain and predict phenomena of interest.

3.0 Theoretical Framework vs. Conceptual Framework

Nature:

A theoretical framework is a structured foundation of interconnected concepts, principles, and propositions that guide research within a specific discipline or field (Torraco, 2005). A conceptual framework is a visual or written representation of the key concepts, variables, and relationships within a theoretical framework.

Purpose:

Theoretical frameworks provide a systematic way to understand, interpret, and analyze phenomena, guiding research questions, hypotheses, and methodologies. Conceptual frameworks help researchers to organize and conceptualize their study, identifying relevant variables and relationships, but may not necessarily guide empirical testing.

Scope:

Theoretical frameworks are broader in scope, encompassing entire theories or models within a discipline. Conceptual frameworks may focus on specific aspects or components of a theoretical framework, providing a more detailed illustration of concepts and relationships.

In summary, theoretical research involves the development and testing of theories, while conceptual research focuses on exploring abstract ideas and concepts. Theoretical frameworks provide a structured foundation for research within a field, while conceptual frameworks visually represent key concepts and relationships within theoretical frameworks.

3.1 Components of Conceptual Frameworks

Key Concepts: Conceptual frameworks typically consist of a set of key concepts or variables relevant to the research topic. These concepts represent the abstract ideas under investigation and form the building blocks of the framework (Mensah, 2019).

Interrelationships: Conceptual frameworks illustrate the relationships between the key concepts or variables. These relationships may include causal connections, dependencies, or correlations, depending on the nature of the research question and theoretical perspective (Torraco, 2005).

Assumptions: Conceptual frameworks often include underlying assumptions or propositions about the nature of the concepts and their relationships. These assumptions provide a theoretical basis for the framework and guide the interpretation of research findings (Merriam & Tisdell, 2016).

Visual Representation: Conceptual frameworks are often represented visually through diagrams, flowcharts, or models. These visual representations help to communicate the structure and logic of the framework in a clear and concise manner, making it easier for researchers and readers to understand.

Flexibility: Conceptual frameworks are not rigid structures; they are flexible and can be adapted or modified based on new insights, empirical findings, or theoretical developments. This flexibility allows researchers to refine and iterate on the framework as needed throughout the research process.

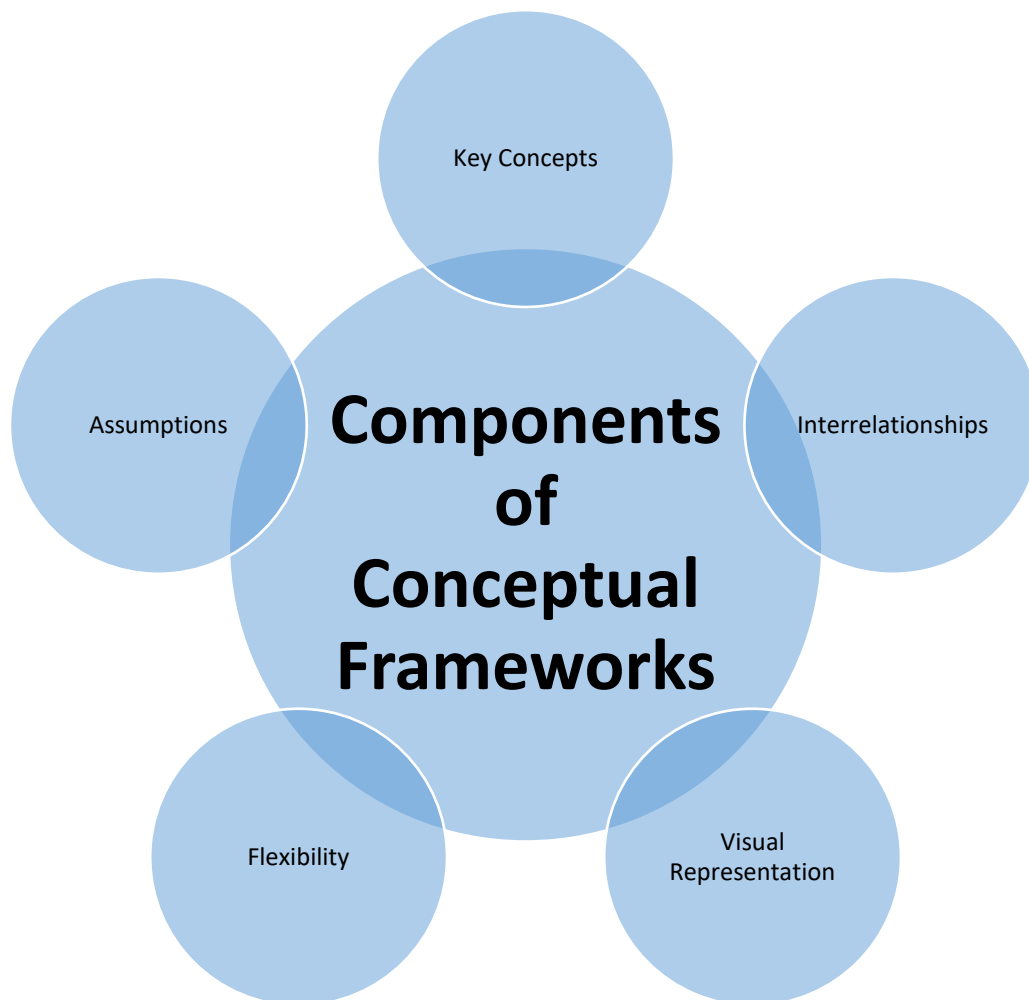


Figure 2: Components of Conceptual Frameworks

Source: Authors' View, 2024

By considering these components, as showed in fig. 2, conceptual research and conceptual frameworks provide a structured approach to exploring and understanding abstract ideas within a particular field of study.

4.0 Business and Finance

Theoretical research in business and finance develops theories and models that explain economic behavior, market dynamics, financial decision-making, and firm performance. These theories provide insights into market trends, investment strategies, risk management, and corporate governance. Conceptual research in business and finance focuses on clarifying abstract concepts, defining key constructs, and developing conceptual frameworks that guide empirical studies in these fields (Maxwell, 2013). It helps to establish a theoretical basis for understanding and addressing business and financial challenges.

Theoretical frameworks in business and finance offer structured approaches to analyzing and interpreting economic and financial phenomena. They provide frameworks for assessing market efficiency, pricing assets, managing portfolios, and evaluating investment strategies. Conceptual frameworks in business and finance visually represent key concepts, variables, and relationships within theoretical frameworks. They help researchers to model market dynamics, assess risk factors, and develop financial instruments and strategies (Mensah *et al.*, 2020).

Theoretical frameworks, and conceptual frameworks play essential roles in advancing knowledge and understanding within social sciences, management sciences, business, and finance. They provide the theoretical foundations, conceptual clarity, analytical tools, and frameworks for empirical investigation in these disciplines, ultimately contributing to evidence-based decision-making and policy formulation.

4.1 Strengths and weaknesses of using theoretical and conceptual frameworks in business and finance research.

Strengths:

Theoretical frameworks provide a structured approach to research, guiding researchers in organizing their thoughts, hypotheses, and empirical investigations. Well-developed theoretical frameworks often have predictive power, enabling researchers to anticipate outcomes and relationships based on established theories and models. Theoretical frameworks serve as educational tools, helping students and novice researchers understand foundational concepts and theories in business and finance, fostering critical thinking and scholarly inquiry. Theoretical frameworks can facilitate interdisciplinary integration by providing a common language and conceptual basis for researchers from different disciplines to collaborate and exchange ideas.

Theoretical frameworks help researchers clarify the scope of their study and focus on relevant variables and relationships, thus reducing ambiguity and enhancing the study's coherence. Theoretical frameworks offer a foundation for hypothesis development by outlining existing theories and concepts, allowing researchers to build upon established knowledge. While existing theories provide a foundation, they also stimulate innovation by inspiring researchers to challenge assumptions, develop new concepts, and propose alternative frameworks to explain phenomena.

They enhance the rigor and validity of research by grounding it in established theories and concepts, providing a basis for analysis and interpretation of findings. Clear theoretical frameworks enhance the replicability of research by providing explicit guidelines and parameters for subsequent studies to follow, thereby promoting cumulative knowledge development. Theoretical frameworks facilitate comparative analysis by allowing researchers to compare their findings with existing literature and theories, thus contributing to the advancement of knowledge.

Weaknesses:

Relying solely on existing theoretical frameworks may limit the exploration of new phenomena or perspectives, potentially overlooking innovative insights. Established theoretical frameworks may resist paradigm shifts or revolutionary changes in thinking, leading to inertia in the field and impeding progress towards novel conceptualizations and insights. Some theoretical frameworks may lack applicability or generalizability across different contexts or industries, limiting their utility in diverse research settings. Theoretical frameworks may have a limited scope, focusing on specific aspects or dimensions of a phenomenon while neglecting other relevant factors, thereby constraining the comprehensiveness of research inquiries. Integrating multiple theoretical frameworks or reconciling conflicting theories can be challenging, especially when they offer divergent explanations or perspectives on the same phenomenon, requiring researchers to carefully navigate theoretical pluralism.

Theoretical frameworks can be complex and abstract, posing challenges for researchers in operationalizing concepts and applying them to real-world scenarios. Theoretical frameworks developed in one cultural or contextual setting may not fully capture the nuances and complexities of other contexts, leading to cultural biases and limitations in the applicability of research findings. Theoretical frameworks may reflect the biases and assumptions of their originators, potentially influencing the direction and interpretation of research outcomes. Excessive focus on theoretical frameworks may overshadow the importance of empirical evidence and data analysis in research, potentially leading to speculative or unsubstantiated conclusions. Established theoretical frameworks may resist adaptation or modification in response to evolving research trends or empirical evidence, hindering innovation in the field.

Theoretical frameworks are often developed to address specific research questions or phenomena within a particular context. However, this focused approach can result in overlooking other relevant factors that may influence the phenomenon under study. For example, a theoretical framework in organizational behavior may emphasize the role of leadership styles in employee motivation while neglecting the impact of organizational culture or external environmental factors. Established theoretical frameworks may become deeply entrenched within a discipline, leading to resistance against emerging paradigms or alternative perspectives. This resistance can hinder the adoption of new theories or methodologies that challenge existing beliefs or dominant paradigms. For instance, the introduction of behavioral economics challenged traditional economic theories based on rational decision-making, leading to initial skepticism and resistance among some economists.

Theoretical frameworks developed in one cultural or geographic context may not fully account for cultural differences or variations in different settings. For example, management theories originating from Western cultures may not adequately capture the dynamics of organizations in non-Western contexts, where cultural values, norms, and societal structures differ. This cultural bias can limit the applicability and generalizability of research findings across diverse cultural contexts. While theoretical frameworks provide a conceptual foundation for research, they should not overshadow the importance of empirical evidence and data analysis. Research that excessively relies on theoretical speculation without empirical validation may lack credibility and robustness. Therefore, researchers should strive to maintain a balance between theory and evidence, using theoretical frameworks as guiding principles for empirical investigation rather than as substitutes for empirical inquiry.

Integrating multiple theoretical frameworks or reconciling conflicting theories can be challenging, as different theories may offer divergent explanations or perspectives on the same phenomenon. Researchers must carefully navigate theoretical pluralism by critically evaluating the strengths and limitations of each theory and identifying commonalities or complementary aspects that can inform a more comprehensive understanding. This process requires scholarly rigor and intellectual flexibility to synthesize disparate theories into a cohesive analytical framework.

While theoretical and conceptual frameworks offer valuable guidance and structure in business and finance research, researchers should approach them critically, considering their strengths and weaknesses in the context of specific research objectives and methodological approaches. Theoretical and conceptual frameworks are essential tools in business and finance research, researchers must approach them with a critical mindset, balancing their strengths and weaknesses to ensure the validity, relevance, and innovation of their scholarly endeavors. By addressing these nuances and complexities, researchers can enhance the utility and robustness of theoretical frameworks in advancing knowledge and understanding in business and finance research.

5.0 Summary, conclusion and recommendation

In summary, theoretical frameworks, and conceptual frameworks play essential roles in advancing knowledge and understanding within social sciences, management sciences, business, and finance. They provide the theoretical foundations, conceptual clarity, analytical tools, and frameworks for empirical investigation in these disciplines, ultimately contributing to evidence-based decision-making and policy formulation.

In conclusion, the inclusion of theoretical and conceptual frameworks alongside empirical studies is essential for business and finance researchers to develop a robust theoretical foundation, enhance conceptual clarity, and foster interdisciplinary insights. By synthesizing existing theories, defining key concepts, and integrating diverse perspectives, researchers can develop comprehensive frameworks that guide empirical investigations and contribute to theoretical advancements within their disciplines. Therefore, it is recommended that researchers prioritize the incorporation of theoretical and conceptual reviews alongside empirical studies to ensure the validity, reliability, and relevance of their research findings, ultimately advancing knowledge and understanding within business and finance.

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