

Organizational Theory in the Context of Contemporary Practices: A Literature Review

Ermianti¹, Guruh Satriya², Purwadhi³, Yani Restiani Widjaja⁴

^{1,2,3,4}Department of Master Management, ARS University, Indonesia

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ABSTRACT

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This study aims to explore the contributions of organizational theories to the understanding of modern organizational behavior, with particular focus on organizational culture, leadership, employee engagement, knowledge management, and perceived organizational support (POS). Utilizing a systematic literature review approach, this article synthesizes findings from recent high-impact scholarly publications. The results indicate that organizational culture has a direct influence on employee engagement and fosters organizational identification. Leadership styles, particularly servant and adaptive leadership, are shown to be effective in managing cultural change and reducing resistance within organizations. Moreover, perceived organizational support plays a pivotal role in reducing workplace conflict, enhancing trust, and strengthening employees' emotional commitment. The study also highlights the strategic importance of structured knowledge management in driving innovation and organizational efficiency. Overall, this literature synthesis offers a multidimensional understanding of how organizational theories can inform effective and sustainable managerial strategies. The findings provide practical implications for organizational leaders to cultivate a supportive, adaptive, and knowledge-driven work environment.

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Corresponding Author:

Ermianti,
Department of Master Management,
ARS University, Indonesia
Email: ermiati@gmail.com

1. INTRODUCTION

Organizational theory serves as a crucial framework for understanding the structure, dynamics, and behavior of organizations. It encompasses various perspectives that help explain how organizations are designed, how decisions are made, how change is managed, and how individuals behave within institutional contexts. By offering lenses such as structuralism, institutionalism, and contingency theory, organizational theory assists both scholars and practitioners in interpreting complex organizational phenomena across diverse sectors.

In contemporary settings, these theories have been extensively employed to comprehend the multifaceted challenges faced by organizations, especially within critical domains like healthcare, education, and business. Rapid technological changes, globalization, and the evolving nature of work have required organizations to reevaluate their foundational structures and practices. Theories such as systems theory and open systems perspective highlight how organizations are increasingly interdependent with their environments, necessitating continuous adaptation and strategic agility.

A key theme explored within organizational theory is the role of organizational culture in shaping behavior and institutional performance. Culture encompasses shared beliefs, norms, and

values that influence how employees perceive their roles and interact with one another. According to Schein (2010), culture operates at multiple levels artifacts, espoused values, and underlying assumptions and understanding these layers is essential for effective leadership and change management.

In this context, organizational identification emerges as a pivotal construct that bridges individual and collective interests. Sya and Hidayat (2019) emphasize that organizational virtues such as fairness, empathy, and integrity contribute significantly to an employee's identification with the organization. This identification fosters emotional attachment and a sense of belonging, which in turn enhances ethical commitment, engagement, and collaborative work behavior. Such dynamics are particularly vital in knowledge-intensive organizations where intrinsic motivation and trust drive performance.

Moreover, organizational theory also provides tools to examine the influence of workforce diversity on internal cohesion and output. Novotná et al. (2012) argue that diversity, while potentially enriching innovation and creativity, can also disrupt organizational harmony if not managed effectively. Differences in language, values, and communication styles may pose challenges to team integration and compromise the strength of organizational culture, particularly in traditionally homogeneous environments. The structured analysis and interpretation of these themes yield practical implications for organizational leadership. Leaders must not only acknowledge the theoretical underpinnings of organizational behavior but also translate them into actionable strategies. For instance, cultivating inclusive cultures, promoting shared leadership, and investing in employee well-being are essential in fostering adaptive, high-performing institutions.

In addition, organizational theory has increasingly embraced interdisciplinary perspectives, including insights from psychology, sociology, and economics. This fusion has enabled a more comprehensive understanding of phenomena such as power dynamics, resistance to change, and institutional isomorphism. Recent developments in digitalization and remote work arrangements further expand the theoretical landscape, challenging traditional hierarchical models and emphasizing decentralization and resilience. Overall, organizational theory remains indispensable in guiding academic inquiry and managerial practice. As organizations face ongoing uncertainty and disruption, theories that elucidate internal processes and environmental interactions become even more relevant. The dynamic interplay between culture, identity, structure, and innovation underscores the importance of continuously refining theoretical models to reflect real-world complexity and transformation.

2. RESEARCH METHOD

This literature review employs a systematic approach to gather, analyze, and interpret existing literature on organizational theory. Scholarly articles were sourced primarily from Google Scholar and Scopus, focusing on empirical studies, theoretical frameworks, and major findings related to organizational culture, behavior, and identification. A comprehensive search included relevant keywords such as "organizational culture," "organizational identification," "employee engagement," and "performance." Articles published within the last decade were prioritized to ensure the inclusion of contemporary insights and practices. The review synthesizes findings from various studies, paying particular attention to the theoretical frameworks adopted in each work and the practical implications drawn regarding organizational management and behavior.

3. RESULTS AND DISCUSSIONS

Organizational Culture and Employee Engagement

Organizational culture significantly influences employee engagement and their identification with the organization. It represents the shared values, beliefs, and practices that shape how employees perceive their roles and relationships within the workplace. A strong and cohesive culture can serve as a motivational anchor, aligning personal values with organizational goals and enhancing individual commitment. Research by Tatt et al. (2022) suggests that a robust organizational culture fosters resilience and dedication, particularly in volatile or high-pressure environments, by providing psychological safety and a sense of collective purpose.

Such cultural frameworks not only enhance workplace harmony but also foster a sense of loyalty and trust among employees, driving performance outcomes. A positive organizational culture contributes to the development of high-quality work relationships, effective communication, and mutual respect. These cultural attributes are instrumental in strengthening employee engagement, which is characterized by emotional investment, enthusiasm, and proactive contribution to organizational success. Engaged employees are more likely to exhibit discretionary effort, stay longer in the organization, and advocate for its values and reputation.

The psychological mechanism underpinning this engagement is closely tied to organizational identification, whereby employees internalize the organization's identity as part of their own self-concept. Umphress et al. (2010) highlight the dual nature of this phenomenon, noting that while identification can inspire ethical behavior and organizational citizenship, it may also give rise to unethical pro-organizational behavior—actions that benefit the organization but violate broader moral standards. For instance, employees may rationalize rule-bending or withholding information if they believe it serves the company's interest. This underscores the need for leaders to not only strengthen identification but also reinforce ethical boundaries.

Given the complexity of employee behavior within cultural systems, organizational leaders must adopt a strategic and intentional approach in managing culture. This includes articulating core values, modeling ethical conduct, rewarding aligned behavior, and promoting inclusivity. By doing so, leaders can shape a culture that not only engages employees but also channels their identification in constructive and ethical directions. Clear communication, participatory decision-making, and recognition systems are essential in reinforcing cultural coherence and mitigating the risks of deviant loyalty.

Ultimately, cultivating an organizational culture that nurtures engagement requires more than symbolic gestures; it demands consistent alignment between values, policies, and everyday practices. Organizations that succeed in this endeavor often experience improved retention, innovation, and reputation. Moreover, when employees feel valued and empowered within a culture of trust and integrity, they are more likely to become ambassadors of the organization's mission. As such, understanding and managing the interplay between culture and engagement is not just an HR imperative, but a strategic necessity for sustainable organizational performance.

Theoretical Frameworks in Organizational Theory

Rational choice theory and social identity theory are fundamental frameworks that underpin much of contemporary organizational behavior research. These theories offer contrasting yet complementary perspectives on how individuals make decisions and interact within institutional environments. *Rational choice theory*, as explored by Zey (2015), posits that individuals act based on calculated self-interest, weighing costs and benefits to arrive at decisions that maximize personal utility. Within organizations, this perspective has significant implications, particularly in areas such as incentive structures, leadership styles, and interdepartmental cooperation. Zey's work emphasizes that a nuanced understanding of rational decision-making can lead to more adaptive organizational structures and improved interpersonal dynamics, especially in hierarchical or bureaucratic settings. In contrast, *social identity theory* introduces a more relational and psychological dimension to organizational behavior. Zhao et al. (2015) argue that beyond individual rationality, employees are also deeply influenced by their membership and identification with social groups, including the organization itself. This identification shapes attitudes, motivations, and behavior, especially in multicultural or interdisciplinary teams. By fostering a shared organizational identity, organizations can strengthen employees' sense of belonging, promote cohesion, and mitigate intergroup conflict. Zhao et al. further illustrate that shared identity is particularly crucial in diverse and dynamic environments, where alignment with collective goals can support resilience and innovation.

These two theoretical perspectives, rational and social, are not necessarily contradictory but rather serve as lenses to understand different facets of organizational life. While rational choice theory explains strategic behavior driven by individual calculation, social identity theory accounts for emotional and normative drivers that influence how employees relate to their organizations and peers. Together, they offer a balanced view of organizational behavior that captures both logic and loyalty, autonomy and affiliation.

Further enriching this discourse is the application of *organizational learning theory*, which adds an adaptive and developmental layer to the analysis. Berta et al. (2015) investigate how learning mechanisms within organizations such as mentoring, knowledge-sharing practices, and reflective facilitation—enhance organizational effectiveness. Their study reveals that supportive learning environments foster continuous improvement, foster employee empowerment, and cultivate a culture of inquiry and innovation. Particularly in complex or service-oriented sectors like healthcare and education, the capacity to learn and adapt collectively is a key determinant of long-term success. Taken together, the integration of rational choice, social identity, and organizational learning theories presents a multidimensional understanding of human dynamics within organizations. These frameworks not only help diagnose organizational challenges but also inform strategies for designing resilient, inclusive, and high-performing institutions. By leveraging insights from each theoretical stream, leaders and scholars can better understand how to mobilize human resources effectively, aligning individual interests with collective goals while fostering a culture of continuous development and shared identity.

The Impact of Leadership on Organizational Identification

Leadership plays a transformative role in shaping organizational culture and influencing employee behavior across all levels of an institution. It is widely recognized as a central mechanism through which values, norms, and expectations are communicated and reinforced within organizations. Leaders not only set the tone for acceptable behavior but also act as role models whose actions are emulated by others. The capacity of leadership to steer organizational direction, especially during periods of change or uncertainty, makes it a critical factor in determining organizational effectiveness and employee outcomes.

For instance, Kim (2020) discusses the emergence and growing relevance of *servant leadership*, a model that emphasizes empathy, stewardship, and the prioritization of followers' needs. Particularly in bureaucratic and hierarchical structures where employee autonomy may be limited, servant leadership offers a refreshing alternative. It encourages collaboration, open communication, and a supportive work climate. Kim's findings suggest that such leadership styles are highly effective in enhancing *organizational commitment* and nurturing employee trust, which subsequently contributes to stronger identification with the organization and improved job satisfaction. Moreover, leadership plays a vital role in managing and shaping organizational responses to change. According to Zhao et al. (2015), *resistance to change* within organizations often arises not merely from individual reluctance but from deeper cultural misalignments and rigid leadership styles. When leaders fail to recognize or adapt to shifting organizational needs and external pressures, their actions may reinforce outdated norms, causing friction between strategic vision and day-to-day operations. Zhao and colleagues highlight that effective change management requires *adaptive leadership* leaders who are flexible, emotionally intelligent, and capable of aligning evolving expectations with existing cultural frameworks.

The interplay between leadership style and organizational culture is further evidenced by the degree to which leadership can either perpetuate or transform existing workplace dynamics. Transformational and servant leaders, for example, are more likely to foster inclusive cultures where innovation, psychological safety, and employee engagement are prioritized. In contrast, autocratic or transactional leaders may sustain short-term efficiency but often fail to instill long-term loyalty or adaptability. As such, the alignment between leadership style and the desired cultural evolution is a strategic imperative for organizations aiming to remain resilient and competitive. These insights underscore that leadership is not a static function but a dynamic and context-sensitive process. In light of increasingly complex organizational environments characterized by globalization, digital transformation, and demographic shifts leaders must continuously reassess and recalibrate their approaches. By embracing servant and adaptive leadership models, organizations can cultivate a culture of mutual respect, continuous learning, and collective commitment. The ability of leadership to not only guide but also *transform* organizational culture is, therefore, pivotal in achieving sustainable organizational success.

Knowledge Management and Organizational Performance

Knowledge management (KM) emerges as a vital component of effective organizational practice, playing a central role in shaping competitiveness, adaptability, and long-term performance. In the contemporary knowledge economy, the strategic management of information and expertise is no longer an auxiliary function but a core organizational capability. Effective KM encompasses not only the storage and retrieval of information but also the processes of knowledge creation, sharing, application, and integration across functional and hierarchical boundaries.

Lakhani et al. (2012) emphasize the significance of knowledge distribution in enhancing an organization's capacity to *innovate* and remain *competitive*. Their research highlights how *task decomposition* the practice of breaking down complex processes into smaller, manageable units facilitates greater knowledge exchange and collaboration among diverse teams. Through this mechanism, organizations can harness specialized expertise, foster interdisciplinary problem-solving, and generate innovative solutions more efficiently. Furthermore, knowledge sharing acts as a catalyst for organizational learning, enabling firms to adapt more swiftly to external changes and to avoid knowledge silos that hinder productivity and innovation.

Building upon this foundation, Rehman et al. (2019) explore the mediating role of *organizational capabilities* in translating knowledge resources into performance outcomes. Their findings suggest that merely possessing knowledge assets is insufficient unless these are strategically deployed through well-developed capabilities. By aligning knowledge strategies with business objectives, organizations can enhance efficiency, responsiveness, and value creation. Rehman et al. further argue that dynamic capabilities such as sensing, seizing, and reconfiguring serve as critical enablers in this process, bridging the gap between knowledge potential and operational effectiveness.

These perspectives collectively underscore the necessity for organizations to cultivate an environment where *continuous learning* and *knowledge sharing* are embedded within the cultural fabric. Leadership support, technological infrastructure, and incentive systems must converge to support knowledge-based initiatives. When employees are encouraged to share expertise, reflect on experiences, and engage in collaborative learning, organizations become more resilient and agile. Such a culture not only enhances innovation but also empowers employees, improves decision-making quality, and supports sustainable competitive advantage.

In conclusion, the integration of KM into organizational strategy is not optional but essential. As Lakhani et al. (2012) and Rehman et al. (2019) illustrate, knowledge must be deliberately structured, diffused, and aligned with organizational goals to unlock its full potential. Organizations that proactively invest in their knowledge systems both technological and humanposition themselves to thrive in an environment marked by rapid change and complexity. Thus, fostering a knowledge-centric culture is a strategic imperative for 21st-century organizations committed to performance excellence.

The Role of Organizational Support in Conflict Management

The relationship between Perceived Organizational Support (POS) and workplace conflict has garnered increasing scholarly attention, particularly in relation to how organizational climates influence employee behavior and interpersonal dynamics. POS refers to employees' general perception regarding the extent to which the organization values their contributions and cares about their well-being. When employees perceive high levels of support from their organization, they are more likely to reciprocate with positive attitudes and behaviors, including reduced conflictual interactions with colleagues and supervisors.

Caesens et al. (2019) found that higher levels of POS are significantly associated with *lower instances of workplace conflict*, and this relationship is notably *mediated by failure-related trust*—the belief that mistakes will not be met with harsh judgment, but rather with support and learning opportunities. This form of trust fosters open communication and psychological safety, allowing employees to navigate workplace challenges without fear, thereby minimizing interpersonal tensions. Such findings echo earlier research suggesting that organizational climates characterized by fairness, recognition, and empathy lead to more cooperative and collaborative environments (Rhoades & Eisenberger, 2002).

Furthermore, Chen et al. (2024) reinforce the complexity of this dynamic by introducing the role of *emotional labor*—the process by which employees manage their emotions to fulfill organizational expectations. Their research highlights that when organizational support structures are perceived as inadequate, employees performing high levels of emotional labor may experience *emotional exhaustion*, which can exacerbate interpersonal friction and disengagement. Conversely, supportive organizational environments can buffer the emotional toll of such labor, strengthening employee *affective commitment* and reducing the likelihood of conflict escalation.

Additional studies provide further evidence that POS functions as a crucial antecedent to workplace well-being. For example, Kurtessis et al. (2017) conducted a meta-analytic review showing that POS is positively linked to job satisfaction, organizational commitment, and performance, while negatively associated with strain, turnover intentions, and counterproductive work behaviors. These outcomes collectively indicate that employees who feel supported are less likely to engage in harmful or conflict-prone behavior, and more likely to contribute constructively to organizational goals. In light of these findings, organizations are encouraged to institutionalize support practices such as open-door policies, fair performance evaluations, employee recognition programs, and opportunities for personal development. By doing so, they not only reduce the risk of conflict but also foster a culture of trust and mutual respect. As such, perceived organizational support emerges not only as a buffer against conflict but as a strategic resource for enhancing engagement, resilience, and organizational harmony (Eisenberger et al., 2020).

4. CONCLUSION

The insights gained from this literature review reveal a multifaceted relationship between organizational theory and practical outcomes in contemporary settings. The interplay of organizational culture, leadership, employee identification, and knowledge management constructs a complex but critical framework for understanding organizational behavior. As organizations continue to evolve in response to external pressures and internal dynamics, the theoretical frameworks established in prior research become increasingly relevant. Future research should aim to explore these dimensions further, incorporating diverse organizational contexts and focusing on the implications of emerging organizational theories in practice. Understanding these relationships can lead to more effective organizational strategies that enhance performance, foster employee engagement, and cultivate an ethical workplace culture.

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