

## Literature Review: Practical Implications Of Organizational Theories On Organizational Effectiveness

Rama Dani<sup>1</sup>, Ivansyah Hafif Harahap<sup>2</sup>, Insyiah Al Ares<sup>3</sup>, Rony Edward Utama<sup>4</sup>

<sup>1,2,3,4</sup> Master of Management, Faculty of Economics and Business, University of Muhammadiyah Jakarta

### Abstrak

This literature review aims to evaluate the practical implications of organizational theories on organizational effectiveness across three strategic sectors: education, Hajj and Umrah services, and healthcare. Using a qualitative, library-based research approach, the study analyzes scientific literature focusing on four major frameworks: Contingency Theory, Complexity Theory, Open Systems Theory, and Institutional Theory. The findings indicate that applying these theories significantly enhances organizational effectiveness. Contingency Theory emphasizes aligning organizational structure and leadership styles with situational factors; Complexity Theory explains organizational adaptation to rapid changes and non-linear interactions; Open Systems Theory highlights the importance of resource exchange and feedback with the external environment; while Institutional Theory underscores the influence of norms, values, and legitimacy in sustaining organizational performance. In the education sector, these theories guide curriculum management and service quality improvement. In the Hajj and Umrah sector, practical implications include strengthening coordination, innovation, and regulatory compliance. In healthcare, they guide responsive and quality-oriented service systems. The article proposes a conceptual model integrating the four theories as a strategic framework to enhance organizational effectiveness across sectors.

**Kata Kunci :** Organizational Theory, Organizational Effectiveness, Education, Hajj and Umrah Services, Healthcare.

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✉ Corresponding author : rd9991216@gmail.com

### PENDAHULUAN

Organizational effectiveness is one of the central issues in modern management studies. An effective organization can achieve its goals optimally by utilizing resources efficiently, adapting to environmental changes, and maintaining long-term sustainability. Amid rapid social, economic, and technological transformations, organizational theories serve as crucial conceptual frameworks for understanding and guiding strategies that improve organizational effectiveness. These theories provide the foundation for managerial decision-making, structural design, and organizational culture development.

However, the application of these theories often requires adaptation to specific sectoral and environmental contexts. For instance, the effectiveness of educational institutions differs from that of public service organizations such as Hajj and Umrah agencies or hospitals, due to variations in objectives, regulatory systems, and stakeholder interactions. Therefore, an in-depth evaluation is necessary to explore how organizational theories can be practically applied across different sectors.

This study focuses on four major organizational theories widely used in contemporary management research:

1. Contingency Theory, which emphasizes the alignment between organizational structure and environmental conditions;

2. Complexity Theory, which explains dynamic and adaptive behaviors in social systems;
3. Open Systems Theory, which views organizations as entities interacting continuously with their external environments; and
4. Institutional Theory, which highlights the importance of legitimacy, values, and social pressures in shaping organizational practices.

In the Indonesian context, the application of these theories is increasingly relevant, particularly in the education, Hajj and Umrah services, and healthcare sectors. These three sectors face high demands for effectiveness amid policy shifts, globalization, and the digitalization of public services. Education requires effectiveness in academic governance and online learning; Hajj and Umrah services must manage complex, high-risk systems; and the healthcare sector needs adaptive responses to crises such as the COVID-19 pandemic.

The main objectives of this literature review are to:

1. Analyze how organizational theories can be applied in practice across the three sectors;
2. Evaluate their relevance to contemporary Indonesian organizational contexts; and
3. Propose a conceptual model that strengthens cross-sector organizational effectiveness.

Through a literature-based approach, this study is expected to provide conceptual contributions to both theoretical development and practical management, particularly for educational, religious, and healthcare institutions in Indonesia.

## **Literature Review**

This literature review discusses four major organizational theories that have practical implications for organizational effectiveness: Contingency Theory, Complexity Theory, Open Systems Theory, and Institutional Theory. Each provides a unique perspective on how organizations adapt to their environment, structure their internal systems, and enhance performance.

### **2.1 Contingency Theory**

Contingency theory posits that there is no single best way to organize. Organizational effectiveness depends on the degree to which its structure, strategy, and leadership style align with environmental conditions. Lawrence and Lorsch (1967), pioneers of this theory, assert that effective organizations are those capable of balancing differentiation and integration among units in response to environmental uncertainty.

In the education sector, Contingency Theory emphasizes the importance of flexibility in curriculum management and human resource development. Schools and universities must adjust their teaching strategies to technological advancements and diverse learner needs. In Hajj and Umrah services, it explains the necessity of adapting service systems to external factors such as government regulations, quota policies, and international geopolitical conditions. In healthcare, it is relevant to hospital management, which must align operational structures and procedures with evolving medical technologies and patient demands.

Practical implication: Organizations must accurately diagnose environmental conditions, then adjust their structures, coordination mechanisms, and leadership styles accordingly.

### **2.2 Complexity Theory**

Complexity theory views organizations as adaptive systems composed of interacting, non-linear elements – meaning small changes in one component can produce large, unpredictable effects (the “butterfly effect”). In management, this theory emphasizes self-organization, emergence, and continuous adaptation.

In education, this theory views schools as complex ecosystems involving teachers, students, curricula, and communities that influence one another dynamically. It promotes collaborative and flexible learning systems. In Hajj and Umrah services, it explains the need for adaptive systems to manage uncertain conditions such as policy changes and mass pilgrim logistics. In healthcare, it clarifies how medical staff, patients, information systems, and policies interact in unpredictable patterns.

Practical implication: Leaders should manage organizations through adaptive structures, open communication, and continuous learning rather than rigid control.

### **2.3 Open Systems Theory**

Developed by Katz and Kahn (1978), Open Systems Theory views organizations as systems that continuously interact with their external environments—receiving inputs (resources, information), transforming them into outputs (products, services), and adapting through feedback loops.

In education, it emphasizes collaboration between schools and external stakeholders such as industry, government, and communities to ensure curricula remain relevant. In Hajj and Umrah services, it highlights interagency coordination among ministries, airlines, healthcare providers, and Saudi authorities. In healthcare, it stresses the importance of hospital networks with research institutions, government bodies, and communities to sustain effective service systems.

Practical implication: Organizational effectiveness improves when internal systems dynamically interact and adapt to external factors.

### **2.4 Institutional Theory**

Institutional Theory posits that organizations are influenced not only by technical and economic factors but also by social, political, and cultural pressures. Organizations often imitate legitimate and successful practices (isomorphism).

In education, this explains why institutions follow accreditation and certification standards to gain legitimacy. In Hajj and Umrah services, institutional pressures come from regulations, international standards, and public expectations of transparency and reliability. In healthcare, they arise from accreditation requirements, ethical standards, and public health regulations.

Practical implication: Organizations must balance internal innovation with external compliance to maintain legitimacy and public trust.

## **METHOD, DATA, AND ANALYSIS**

This study employs a qualitative research method using a library research (literature review) approach. The library-based method is chosen because the main purpose of this study is to examine theories, concepts, and previous research findings relevant to organizational effectiveness and the application of modern management theories within the contexts of education, Hajj and Umrah services, and healthcare.

## **RESULT AND DISCUSSION**

### **A. Education Sector**

The education sector functions as a complex social system focused on human development. According to contingency theory, effectiveness depends on aligning learning systems, school management, and leadership with changing contexts such as technological advances and student diversity.

Complexity theory portrays educational institutions as adaptive ecosystems where collaborative and digital learning encourage innovation. Open systems theory underscores the importance of partnerships between schools, industries, and communities to ensure real-world relevance. Institutional theory highlights legitimacy through accreditation, transparency, and academic ethics.

Practical implications:

- 1) Educational leaders must develop adaptive, technology-based learning systems.
- 2) Institutions should foster an open, innovative culture supporting continuous learning.
- 3) External networking and compliance with national and international standards enhance institutional performance.

## B. Hajj and Umrah Services

Hajj and Umrah management is a complex socio-spiritual system involving governments, travel agencies, healthcare staff, and pilgrims. Contingency theory stresses adjusting to changing quotas, policies, and geopolitical conditions.

Complexity theory explains how minor disruptions (e.g., flight delays) can cascade across logistics networks, requiring resilient adaptive systems. Open systems theory highlights the importance of coordination among ministries, airlines, and Saudi service providers. Institutional theory stresses legitimacy through compliance with Sharia principles, ethical conduct, and international regulations.

Practical implications:

- 1) Strengthen dynamic, standardized inter-agency coordination.
- 2) Implement information technology innovations (e.g., pilgrim management apps).
- 3) Build public trust by ensuring Sharia compliance and service transparency.

## C. Healthcare Sector

Healthcare faces technological, demographic, and policy challenges. Contingency theory emphasizes the need for structural flexibility to respond to crises such as pandemics or drug shortages. Complexity theory views hospitals as adaptive systems composed of diverse actors (doctors, nurses, patients, administrators).

Open systems theory stresses integrating hospitals with public health systems and medical education institutions to enhance knowledge and resource sharing. Institutional theory emphasizes professional legitimacy through accreditation, certification, and ethical compliance.

Practical implications:

- 1) Foster an adaptive organizational culture responsive to patient needs and technology changes.
- 2) Strengthen cross-unit communication for greater efficiency.
- 3) Maintain public trust through professional ethics and regulatory compliance.

## 3.4 Cross-Sector Synthesis

Across education, Hajj and Umrah, and healthcare, organizations share common challenges – rapid environmental change and public accountability. Integrating the four theories suggests that:

- 1) Contingency → requires structural flexibility.
- 2) Complexity → promotes adaptive innovation.
- 3) Open Systems → demands inter-institutional collaboration.
- 4) Institutional → sustains legitimacy and public trust.

Thus, public sector organizational effectiveness in Indonesia depends on managing adaptation, collaboration, and legitimacy simultaneously.

## CONCLUSION

This study concludes that organizational effectiveness cannot be explained by a single theory. Rather, combining contingency, complexity, open systems, and institutional perspectives offers a more comprehensive analytical framework for understanding public organizations – particularly in education, Hajj and Umrah, and healthcare.

Contingency theory underscores structural alignment with environmental conditions; complexity theory emphasizes collaboration and adaptive learning; open systems theory highlights external resource integration; and institutional theory focuses on legitimacy through compliance and values.

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