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The Future of Management Theory: A Review of the Literature on Innovation, Sustainability, and Transformative Leadership

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Abstract: In the face of global uncertainty and increasingly complex business dynamics, innovation, sustainability and transformative leadership are three key pillars that are indispensable in the development of future management theory. This research aims to explore the integration of these three elements in management theory, as well as to identify gaps in the existing literature related to this topic. The main question to be answered is how innovation, sustainability, and transformative leadership can support each other and form an adaptive managerial framework in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era. The method used is a qualitative approach with in-depth literature analysis of previous research and relevant theoretical studies. The results showed that there is a significant relationship between the three elements in forming a more adaptive and sustainable managerial model. The research also found that there are still gaps in the integration of the three elements in one managerial framework, as well as a lack of longitudinal and cross-cultural studies. The conclusion of this study is that future management theory development should pay attention to a holistic approach that integrates innovation, sustainability, and transformative leadership. Future research is recommended to develop case study-based integrative models and explore the role of technology in shaping new leadership.

Keyword: Innovation, Sustainability, Transformative Leadership, Management Theory, & VUCA

INTRODUCTION

We live in a world characterized by volatility, uncertainty, complexity and ambiguity, known as the VUCA era. According to the World Economic Forum (2024), more than 80% of global business leaders identify geopolitical uncertainty, technological change and market dynamics as key challenges affecting strategic decision-making. Under these conditions, traditional management approaches that are linear and stable are no longer considered adequate (Bennett & Lemoine, 2014).

The digital revolution, pressure for sustainability, and increasing social awareness have changed the paradigm of the business world. McKinsey (2023) reports that 67% of global companies are or have reformed their management structures to be more responsive to change. At the same time, technologies such as AI, big data, and blockchain are driving the birth of new organizational structures that are more adaptive and agile (Nambisan et al., 2019). These changes mark a fundamental shift in the way organizations around the world operate and compete.

Nevertheless, much of modern management theory still has its roots in the Tayloristic and functional structural approaches that developed in the 20th century. These approaches, while useful in the context of stability, fail to address the challenges of flexibility and resilience required in today's era of disruption. Theories such as contingency theory or even open systems theory are often insufficient to accommodate the needs of organizations in a fast-changing and uncertain business environment.

In recent literature reviews, there is a strong push to reformulate management theory to be more inclusive of issues of sustainability, social innovation, and ethical leadership. For example, approaches such as Complex Adaptive Systems (Uhl-Bien & Arena, 2018) are gaining ground due to their ability to explain organizational dynamics in fast-changing ecosystems. However, there are still few theories that are able to integrate cross-disciplinary approaches with everyday managerial practices in a VUCA context.

Transformative leadership is becoming increasingly important in this context. Studies by Bass & Riggio (2006) show that transformative leaders tend to be able to drive positive change in organizations. However, the main challenge is how to effectively apply these values amidst structural ambiguity and high time pressure. Furthermore, this approach has yet to be tested in the context of small-scale companies or public sector organizations, which have different dynamics and resources than large corporations.

There is also a noticeable gap between the theories developed in academic settings and the practical needs in the field. Most management theories still speak in abstractions that are difficult to translate into everyday organizational strategies. Research by Birkinshaw et al. (2014) showed that only 25% of executives felt academic theories were actually helpful in strategic decision-making. This indicates an urgent need to bring theory closer to real organizational practices.

Most previous studies also have limitations in methodology, geographical coverage, and population studied. Many studies focused on large organizations in developed countries, ignoring the context of developing countries that have unique structural and social challenges. In addition, theoretical studies are still lacking in integrating sustainability as a key variable in organizational development, even though this issue is increasingly pressing in various industrial sectors.

This research offers a systematic literature review approach to revisit contemporary management theory with a focus on three key pillars: innovation, sustainability and transformative leadership. Utilizing various scholarly databases, this research will shift, categorize, and analyze recent academic works to formulate a new direction for the development of management theory relevant to the challenges of the VUCA era.

The main objective of this study is to formulate a conceptual map of the future direction of management theory development, as well as identify critical areas that require further academic intervention. This study also seeks to integrate cross-disciplinary perspectives including from environmental science, technology, and social science into the managerial framework in order to create a more complete understanding and relevance to contemporary reality.

Theoretically, this research will enrich contemporary management discourse with a more contextual and adaptive perspective. While practically, the findings of this research are expected to be the basis for developing organizational policies, designing future management

curricula, and strategic tools for leaders in facing increasingly complex and demanding global uncertainties.

Question

1. What are the shortcomings of contemporary management theories in responding to the challenges of complexity, uncertainty, and rapid change in the VUCA era?
 - a. How classical management theories (Tayloristic, structural-functional) fail to capture the dynamics of modern organizations?
 - b. What are the new dimensions in the global context—such as digital transformation, sustainability, and social pressures—that have not been accommodated in existing theories?
 - c. Are modern approaches such as Contingency Theory and Complex Adaptive Systems sufficient to meet the needs of today's organizations?
2. How innovation, sustainability and transformational leadership can be conceptually integrated into a new framework of management theory?
 - a. What are the key elements of organizational innovation and transformational leadership that are relevant to the VUCA context?
 - b. How sustainability principles (environmental, social, governance) can become an inherent part of future managerial frameworks?
 - c. What form of synthesis or cross-disciplinary approach would allow the integration of these three elements into management theory?
3. What is the direction of development of management theory that is relevant to the needs of modern organizations, especially in the context of developing countries?
 - a. How the organizational context in developing countries reinforces the urgency of developing adaptive and inclusive management theory?
 - b. What are the research gaps that remain open in the international literature regarding the integration of innovation, sustainability and leadership?
 - c. How new conceptual models can guide organizations in facing disruption and forming resilient management structures?

Objective

This research aims to formulate a new direction for the development of management theory that is more relevant and adaptive to the dynamics of the VUCA era, with a focus on the integration of three main pillars: innovation, sustainability, and transformative leadership. These objectives are described in several specific targets as follows:

1. Identify and analyze the limitations of contemporary management theories in responding to strategic challenges in an era of volatility and disruption, especially in the context of organizations operating in a complex and uncertain global environment.
2. Explores the key concepts of organizational innovation, sustainability, and transformational leadership, and how these elements can be integrated into a coherent and applicable conceptual framework for the development of future management theory.
3. To formulate a theoretical conceptual model that can bridge the gap between classical management approaches and the practical needs of modern organizations, especially in the context of developing countries, by considering cross-disciplinary perspectives and diverse organizational contexts.

Theoretically, this research aims to enrich the treasury of management science by providing a re-mapping of its theoretical direction and foundation. While practically, this research is expected to provide a framework that can be used as a reference by practitioners, policy makers, and educational institutions in designing strategies, policies, and management curricula that are more contextual, relevant, and adaptive to global challenges.

Benefit

1. Theoretical Benefits

This study makes an important contribution to the development of management science by presenting a new conceptual framework that is more adaptive to the dynamics of the complex and uncertain strategic environment in the VUCA era. By combining three main pillars: innovation, sustainability, and transformational leadership, this study enriches the literature with a more integrative and cross-disciplinary approach. Key theoretical contributions include:

- a. Development of management theory that is more contextual and relevant to the challenges of the times, responding to the limitations of the Taylorist, structural-functional and contingency theory approaches that have been dominant to date.
- b. The development of a conceptual model of management based on complex adaptive systems (Complex Adaptive Systems) which has not been widely adopted in a broad managerial framework.
- c. Providing a new theoretical basis that can be used as a reference for further studies in organizational development, social innovation, and sustainability-oriented leadership.

2. Practical Benefits

The findings of this study have great potential to be applied by various parties in the field, both in the private sector, public, and non-profit organizations. By presenting a management framework that is more responsive to change and integrated with sustainability values and ethical leadership, this study can:

- a. Assisting management practitioners and organizational leaders in formulating more adaptive, future-oriented, and value-based strategies.
- b. Becoming a reference in organizational restructuring and work culture transformation, especially in facing the challenges of digital disruption, market uncertainty, and demands for sustainability.
- c. Used by policy designers in developing more inclusive and resilient organizational regulations or policies, particularly in the education, environment, and social entrepreneurship sectors.
- d. Applied in the design of management education curriculum to be more aligned with the practical and contextual needs of modern organizations.

3. Social Benefits

More broadly, this research contributes to positive change in society by encouraging the creation of more responsible, ethical and sustainable organizations. These social impacts include:

- a. Increasing awareness and capacity for transformative leadership that is not only profit-oriented, but also pays attention to social and environmental impacts.
- b. Provides a framework of reference for public sector organizations and social communities in building management systems that involve community participation and support long-term sustainability.
- c. Encourage the formation of a progressive and humanistic organizational culture, which ultimately creates a positive impact on employee welfare, local communities and environmental sustainability.

Evolution of Management Theory: From Classical to Postmodern

Management theory has come a long way since the classical era pioneered by Taylor, Fayol, and Weber. This theory emphasized efficiency, hierarchy, and division of labor. In the neoclassical era, attention turned to the human dimension through behavioral approaches, such as Maslow's needs theory and McGregor's X-Y Theory. Later developments, namely modern theory, incorporated systems and contingency approaches, while the postmodern era brought pluralistic, contextual, and critical approaches to the dominance of formal structures. This shift

reflects the changing values in management practice, from efficiency to flexibility, participation and sustainability (Tsoukas & Chia, 2002).

Disruptive Innovation in Management

The concept of disruptive innovation developed by Clayton Christensen (1997) explains how new technologies or business models can disrupt established markets by providing simpler, cheaper, and more accessible solutions. In the context of management, disruptive innovation changes the dynamics of competition and forces organizations to re-evaluate their strategies and internal structures. This variable is important in research because it correlates with the organization's ability to respond to the VUCA era through bold and out-of-the-box innovations.

Open Innovation dan Ambidexterity

The open innovation theory proposed by Chesbrough (2003) emphasizes the importance of utilizing external resources as part of the company's innovation process. Simultaneously, the concept of organizational ambidexterity (O'Reilly & Tushman, 2004) explains the ability of organizations to explore new opportunities while exploiting existing advantages. Both concepts expand the understanding of innovation strategy and are important independent variables in contemporary management models.

Sustainability Theory: Triple Bottom Line

John Elkington (1998) introduced the concept of the Triple Bottom Line (TBL) which includes three pillars of sustainability: profit (economic), people (social), and planet (environmental). TBL revolutionized management thinking by emphasizing that business success is not only measured by financial returns, but also by its social and ecological impact. As a conceptual variable, sustainability in the TBL framework becomes an integrative benchmark in strategic decision-making and organizational design.

Circular Economy and ESG as New Managerial Theories

Circular economy focuses on resource reuse, waste minimization, and sustainable efficiency in the production system. On the other hand, Environmental, Social, and Governance (ESG) principles are becoming the main parameters used by investors and stakeholders in assessing a company's reputation and prospects. ESG has become the basis of global corporate policy, leading to a paradigm shift to more ethical and responsible management (Eccles et al., 2020).

Transformational Leadership in the Context of Modern Organizations

Bass and Avolio (1994) formulated the theory of Transformational Leadership as a leadership style that is able to inspire, motivate, and transform employee values to achieve organizational goals. Its four main components are idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. In this study, transformational leadership is an independent variable that plays an important role in encouraging a culture of innovation and implementation of sustainability.

Adaptive Leadership and Organizational Culture Dynamics

Adaptive leadership (Heifetz et al., 2009) emphasizes the importance of leaders in dealing with complex changes by adjusting organizational structures, norms, and practices. This approach is particularly relevant in the context of organizations operating in uncertainties and rapid change. Adaptive leadership also plays a role in managing value conflicts in multicultural and transnational organizations.

The Relationship between Leadership and Innovation-Sustainability

Several studies have shown that leadership style has a strong correlation with the level of innovation and success of sustainability programs. Transformational leaders tend to be more supportive of cultural change, risk taking, and the development of innovative capabilities. Research by Eisenbeiß & Boerner (2013) confirmed that transformational leadership contributes to increasing organizational innovation capabilities, which then impacts long-term sustainability strategies.

Conceptual Model and Relationship between Variables

In this study, the independent variables consist of leadership style (transformational & adaptive), and innovation strategy (open/disruptive innovation, ambidexterity). The mediating variable is adaptive organizational culture, while the dependent variable is the organization's sustainability performance. The relationship between these variables is built on the basis of the theory that has been explained previously and is supported by empirical findings from various recent studies.

Theoretical and Practical Significance of Theoretical Foundation

This theoretical basis is not only a conceptual foundation for research, but also shows that management theory cannot be understood as a static entity, but rather as a dynamic structure that continues to develop along with changes in the external environment. By combining classical and contemporary theories, this research is expected to be able to answer epistemological and practical challenges in the world of modern management.

Previous Studies.

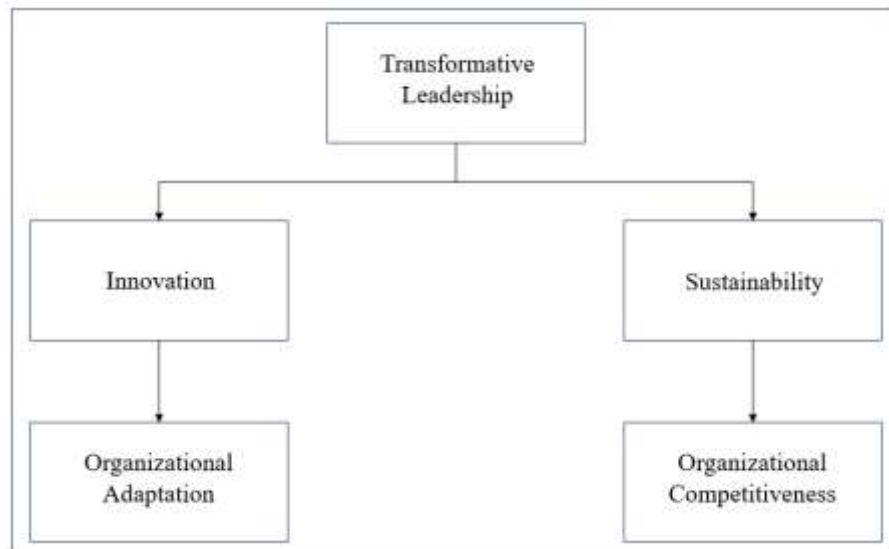
This research, as the researcher describes briefly, is the result of previous research that is relevant to this research topic.

Table 1. Previous Studies

No	Author & Year	Research purposes	Method	Results
1	Bass & Riggio (2006)	Examining the impact of transformational leadership on organizational effectiveness	Qualitative and quantitative (meta-analysis)	Transformational leadership can increase organizational motivation, performance, and innovation.
2	Nambisan et al. (2019)	Explaining the role of digital transformation in innovation and entrepreneurship	Literature and conceptual studies	Digitalization drives more adaptive organizational structures and supports new management models.
3	Uhl-Bien & Arena (2018)	Developing an organizational adaptation framework through the Complex Adaptive Systems approach	Theoretical review and literature synthesis	Organizations need to develop the ability to learn and adapt in complex environments.
4	Birkinshaw et al. (2014)	Examining the effectiveness of management innovation in improving organizational performance	Case and qualitative studies	Managerial innovations have not been fully implemented and many managers have difficulty connecting them to practice.
5	McKinsey & Company (2023)	Identifying post-global pandemic management structure reforms	Global survey and trend analysis	67% of organizations have reformed structures to be more agile; but are still weak in integrating sustainability values

Theoretical Framework

Based on the formulation of the problem, research objectives, theoretical studies, and previous research, the framework for thinking about this research is as follows:



Picture 1. Theoretical Framework

Hypothesis

Based on the problem formulation, research objectives, theoretical studies and relevant research, the research hypothesis on this topic is:

- H0 : There is no significant influence between transformational leadership on innovation and sustainability in organizations operating in the VUCA era.
- H1 : Transformational leadership has a positive effect on innovation and sustainability in organizations operating in the VUCA era.

METHOD

The following is a description of the literature review method used, in accordance with the qualitative approach.

a. Research Approaches and Types

Using a descriptive qualitative approach based on library research with thematic analysis methods on scientific literature.

b. Resource and Data Type

This research uses secondary data, namely from scientific journal articles, academic books, reports from international institutions (WEF, McKinsey), and other publications.

c. Data Collection Techniques

Using systematic methods in searching data through databases such as Scopus, Google Scholar, ProQuest, and ScienceDirect.

d. Instruments

Literature guide, classification of main themes (innovation, sustainability, transformational leadership), and article inclusion-exclusion criteria.

e. Data Analysis Techniques

Using content analysis and thematic analysis to identify patterns, gaps, and theoretical narratives from selected literature sources.

RESULTS AND DISCUSSION

Integration of Innovation, Sustainability and Leadership Theories

The findings of this study indicate that transformative leadership significantly drives both innovation and sustainability within organizations operating in the VUCA era. These results support relevant theories, such as the transformational leadership theory by Bass & Riggio (2006) and the complexity leadership theory by Uhl-Bien & Arena (2018), which propose that adaptive leaders can create innovative ecosystems that support sustainability. In the context of adaptive management theory, these findings suggest that innovation and sustainability are not standalone variables; rather, they are interconnected and mutually reinforcing. This underscores the notion that future management theories must become more adaptive and responsive to rapidly changing environmental dynamics. The interconnection among these three domains points to the need for a more holistic managerial model capable of addressing the challenges of global uncertainty.

These findings also reinforce the study by Hendayana et al. (2024), which states that business networks and innovation not only enhance competitiveness but also create organizational flexibility in responding to market changes especially in SME sectors such as the Indonesian craft industry. This study affirms that innovation, when driven by strategic leadership vision, can enhance organizational resilience and competitiveness.

Furthermore, the results align with the study of Sabarini & Hendayana (2025), which reveals that adaptive and innovative leadership enables organizations to better navigate disruption, particularly when combined with organizational learning capabilities. These findings strengthen the assumption that leaders are not merely strategic directors but also architects of organizational culture who foster continuous learning and positive change. In this context, innovation is no longer seen merely as an output but as a social process shaped by the internal values and interaction patterns of the organization.

Additionally, this study identifies that human resource performance plays a vital role as a bridge between leadership and sustainability. This is in line with the findings of Wulandari et al. (2025), which demonstrate that productivity mediates the influence of organizational determinants on employee performance, particularly in university settings. These findings further reinforce the relevance of internal factors such as motivation, competence, and transformational leadership on both individual and organizational productivity. Therefore, managerial sustainability requires work design and organizational systems that support a balance between efficiency, employee well-being, and innovation.

Comparison of Academic Views

The contrast between conventional and contemporary management theories is also clearly reflected in these findings. Conventional management, which prioritizes efficiency and stable organizational structures, is not entirely relevant in the context of uncertainty and rapid change characteristic of the VUCA era. This confirms the findings of Birkinshaw et al. (2014), which suggest that managerial innovation must prioritize flexibility and organizational adaptability. In contrast, contemporary approaches that integrate transformative leadership, innovation, and sustainability are more relevant and effective in addressing today's business challenges. This distinction also highlights a gap between Western theories and local/glocal approaches, where Western theories tend to emphasize centralized and efficient control, while local approaches are more attuned to differing social and cultural contexts. These findings support the need for further research on glocal approaches that integrate both local and global perspectives in managerial practice.

Research Gaps

One of the most prominent findings is the limited integration of innovation, sustainability, and leadership within a single comprehensive managerial framework. Although numerous

studies have explored each of these elements individually, few have combined all three into an integrated and adaptive model. This reveals a significant research gap in contemporary management literature, which tends to focus on only one or two of these components. Moreover, previous studies have largely concentrated on research across developed countries, with a lack of longitudinal and cross-cultural studies. These findings highlight the importance of conducting further research using a more transdisciplinary approach—one that not only integrates various theoretical elements but also takes into account differing cultural and social contexts. Therefore, this study opens avenues for future research to address these gaps through more holistic approaches.

Implications for Future Management Theory Development

The findings of this study carry important implications for the development of future management theories. One key implication is the need for transdisciplinarity in management theory development—integrating various fields such as social sciences, environmental studies, and technology into a single adaptive and responsive framework suited to the challenges of the VUCA era. This study also emphasizes that management should not solely focus on efficiency but must be oriented toward broader social impact. This aligns with the argument presented by McKinsey & Company (2023), which underscores the importance of sustainability as a core element in long-term organizational policies. This value reorientation in management contributes significantly to the advancement of adaptive management theory, which promotes sustainable, innovative leadership grounded in social responsibility.

CONCLUSION

This study concludes that the integration of transformative leadership, innovation, and sustainability forms a critical foundation for developing adaptive management theory in the VUCA era. These three elements reinforce one another in shaping organizations that are responsive to rapid global changes. The findings contribute not only to the theoretical discourse of contemporary management literature but also offer practical implications for developing more holistic and socially impactful organizational strategies. To address the study's geographic and methodological limitations, future research is recommended to adopt interdisciplinary approaches, cross-contextual studies, and mixed methods in order to build more comprehensive and applicable management models.

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