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THE ROLE OF INFORMAL NETWORKS, SHADOW GOVERNANCE, AND SILENT FAILURE ON STRATEGY-EXECUTION – A SYSTEMATIC REVIEW

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ABSTRACT

Despite decades of research and advances in strategic planning, organizations continue to struggle to convert strategic intent into realized outcomes. While traditional explanations focus on weaknesses in planning, leadership, or organizational culture, emerging evidence suggests the strategy–execution gap is primarily driven by misalignment between formal systems and informal networks of influence. This study employed a systematic literature review using the PRISMA 2020 framework to synthesize findings from 60 empirical studies published between 2006 and 2026 across diverse industries and contexts. The analysis identifies four key mechanisms of execution failure. These include divergence in sensemaking across hierarchical levels, which leads to inconsistent interpretations of strategic priorities; fragmentation of communication networks, which disrupts coordination and reinforces silos; the rise of informal "shadow governance" that shifts decision-making away from formal hierarchies; and silent failure, where strategic initiatives gradually erode without detection or corrective action. Collectively, these findings support a reconceptualization of strategy execution as a network-mediated process rather than a linear, top-down cascade. The framework highlights the central role of informal relationships, social capital, and influence dynamics in shaping outcomes, offering a more integrated explanation of why execution gaps persist and how they may be addressed.

KEYWORDS: *Strategy execution, informal networks, organizational alignment, shadow governance, sensemaking, power dynamics*

1.0 INTRODUCTION

The ability to effectively execute strategy remains a critical determinant of organizational success, yet evidence consistently shows a persistent gap between strategic planning and realized outcomes. Despite advances in strategic management frameworks, studies estimate that 60% to 90% of strategies fail during implementation across industries and contexts (Hrebiniak, 2006; Puranam et al., 2021).

This paradox highly sophisticated planning paired with weak execution has driven extensive scholarly attention, with traditional explanations focusing on leadership deficiencies, resistance to change, misaligned incentives, and resource constraints (Kotter, 1995; Kaplan & Norton, 2008; Tarba et al., 2021). However, these accounts do not fully explain the recurring and systemic nature of execution failure (Denis et al., 2022).

More recent organizational theory proposes a deeper explanation grounded in the coexistence of dual coordination systems: formal and informal. Formal systems include organizational structures, strategic plans, and performance metrics, while informal systems consist of social networks, influence relationships, and unwritten norms (Mintzberg, 1979; Krackhardt & Hanson, 1993; Ocasio et al., 2023).

This study examines these mechanisms through a systematic literature review using the PRISMA 2020 framework, synthesizing findings from 60 empirical studies published over two decades.

1.1 Statement of the problem

Despite extensive research on strategy formulation and implementation, a persistent gap remains in understanding why execution fails even when strategies are well-designed and organizations appear aligned (Hrebiniak, 2006;

Kaplan & Norton, 2008). Existing literature often treats execution as a downstream activity, focusing on implementation tools and processes rather than the underlying organizational dynamics that shape behaviour (Puranam et al., 2021). A key limitation of prior research is its reliance on formal organizational constructs, such as structure, hierarchy, and governance mechanisms, while underestimating the role of informal systems (Krackhardt & Hanson, 1993; Cross et al., 2021). This creates an incomplete picture of organizational functioning, where the visible aspects of the organization are analysed while the invisible, yet influential dynamics remain unexamined (Pentland, 2021). As a result, organizations frequently misdiagnose execution failure. Efforts to improve execution often focus on restructuring, increasing oversight, or enhancing communication, without addressing the underlying misalignment between formal authority and informal influence (Kotter, 1995; Denis et al., 2022). This leads to repeated cycles of strategic planning and failure, with little improvement in execution outcomes (Mankins & Steele, 2005).

2.0 RESEARCH OBJECTIVE

The primary objective of this study was to develop a comprehensive understanding of the strategy execution gap through a systematic synthesis of empirical evidence across informal networks, shadow governance, and silent failure. Specifically, the study aimed:

i. To identify recurring mechanisms of strategy execution failure across empirical studies.
ii. To examine the role of informal networks and power structures in shaping execution outcomes.
iii. To analyse how strategy is interpreted and enacted across organizational levels.

3.0 METHODOLOGY

This study employed a systematic literature review guided by the PRISMA 2020 framework to ensure transparency, rigor, and replicability (Page et al., 2021). A comprehensive search was conducted across Scopus, Web of Science, ScienceDirect, JSTOR, and Google Scholar using Boolean combinations of key terms related to strategy execution, informal networks, organizational alignment, power, and sensemaking, supplemented by backward and forward citation tracking to capture additional relevant studies (Denyer & Tranfield, 2009; Crossan & Apaydin, 2010).

The review covered literature published between 2006 and 2026, reflecting both foundational and contemporary developments, and applied strict inclusion criteria for empirical, peer-reviewed studies focused on strategy execution and organizational processes, while excluding conceptual and non-relevant works.

Following the PRISMA screening stages identification, screening, eligibility, and inclusion 1,842 records were systematically reduced to a final sample of 60 empirical studies for detailed analysis.

4.0 RESULTS AND DISCUSSION

4.1 Strategy execution

Strategy execution has traditionally been conceptualized as a linear process, where strategic plans are translated into operational actions through hierarchical structures (Chandler, 1962; Kaplan & Norton, 1996). This view assumes that organizations function as rational systems, where decisions flow from the top down and are implemented consistently across levels. However, process-based perspectives challenge this assumption by emphasizing the complexity and unpredictability of organizational behaviour (Cyert & March, 1963; Felin et al., 2021). From this perspective, strategy is not simply implemented but is continuously interpreted, negotiated, and adapted as it moves through the organization (Seidl et al., 2021).

The strategy-as-practice (SAP) literature provides a useful lens for understanding execution dynamics (Seidl et al., 2021; Knight & Paroutis, 2023). Rather than viewing strategy as a static plan or formal document, SAP focuses on the day-to-day activities, interactions, and practices through which strategy is actually enacted within organizations. This perspective shifts attention to the micro-level behaviours of actors such as meetings, conversations, routines, and decision-making processes that collectively shape how strategy unfolds in practice. It also highlights the roles of diverse organizational members, including middle managers and frontline employees, whose interpretations and actions influence execution outcomes. By emphasizing praxis (what people do), practices (the tools and routines they use), and practitioners (the actors involved), SAP reveals how strategy emerges as a socially embedded and continuously evolving process. Consequently, it offers a more nuanced understanding of why intended strategies often diverge from realized outcomes, particularly in complex and dynamic organizational contexts.

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This perspective emphasizes that strategy is not merely a top-down directive but is continuously shaped through everyday actions and decisions within the organization (Gavetti, 2012). Rather than being the sole responsibility of senior leadership, strategy execution involves multiple actors across different hierarchical levels, whose interactions and discretionary behaviours significantly influence outcomes (Floyd & Wooldridge, 1992). Moreover, the effectiveness of execution is deeply contingent on contextual factors, as individuals and groups interpret strategic priorities differently based on their local environments, experiences, and constraints (Ocasio et al., 2023). Together, these insights underscore the dynamic and socially embedded nature of strategy, highlighting that successful execution depends not only on formal plans but also on how strategy is enacted, interpreted, and adapted in practice.

Empirical research increasingly shows that informal networks often shape information flow, decision-making, and coordination more strongly than formal hierarchies, sometimes bypassing or overriding official structures (Jacobs & Watts, 2021; Gulati et al., 2021).

4.2 Sensemaking and Strategy Interpretation

Another dominant theme in the reviewed literature is the critical role of sensemaking in shaping strategy execution outcomes. Rather than being implemented in a direct or linear manner, strategy is continuously interpreted, negotiated, and reconstructed as it moves through various levels of the organization. This process reflects the core idea of Karl E. Weick's sensemaking theory, as articulated in Sensemaking in Organizations, and further developed in contemporary studies (Weick, 1995; Vuori & Huy, 2022). As a result, execution becomes less about faithful implementation and more about how individuals and groups collectively construct meaning around strategic directives.

This interpretive process leads to significant variation in how strategy is understood across organizational levels. Employees, managers, and teams often develop divergent understandings of strategic priorities based on their roles, experiences, and local contexts. Consequently, strategy is frequently adapted to fit operational realities, resource constraints, and immediate performance pressures. While such adaptation can enhance responsiveness, it can also generate inconsistencies when local interpretations drift away from the original strategic intent.

These challenges are particularly pronounced in contexts of digital transformation, where rapid and continuous strategic change is common. In such environments, the pace and complexity of change amplify sensemaking demands, increasing the likelihood of misinterpretation and misalignment across units. Studies suggest that this dynamic creates persistent gaps between strategic intent and operational reality, making coherent execution more difficult to sustain over time (Cai & Zainal, 2026).

4.3 Informal workarounds and execution drift

When strategy is designed within formal systems but executed through informal ones, misalignment becomes structurally embedded. This leads to delayed implementation, reinterpretation of strategic intent, fragmentation across units, and the proliferation of informal workarounds (Minbaeva et al., 2023; Kretschmer & Khashabi, 2020).

A central finding across the reviewed studies is that informal networks play a decisive role in shaping strategy execution outcomes. Rather than being driven solely by formal organizational charts, execution is heavily influenced by the underlying relational structures through which information, influence, and decisions flow. These networks often determine how effectively strategic priorities are interpreted, communicated, and implemented across various levels of the organization.

Network-based research consistently shows that decision-making authority frequently resides outside formal hierarchies, with real influence emerging through informal connections and social ties (Pfeffer, 1992). Individuals who occupy central positions in advice or communication networks tend to have a disproportionate impact on organizational outcomes, regardless of their formal rank or title (Jacobs & Watts, 2021). These central actors often function as key intermediaries, shaping how strategy is understood and enacted across departments.

In addition, informal relationships strongly determine patterns of information flow and coordination within organizations (Cross et al., 2021). Empirical evidence indicates that organizations with dense, well-connected networks are better able to coordinate actions and execute strategy effectively, while those with fragmented or siloed

networks experience misalignment, delays, and inefficiencies (Jin et al., 2025). This suggests that network structure is a critical, yet often overlooked, determinant of execution success.

4.2 Power dynamics and shadow governance

A significant body of research highlights the central role of power and influence in shaping strategy execution outcomes within organizations. Rather than being determined solely by formal authority or hierarchical position, execution is often shaped by informal coalitions that emerge across individuals and groups with shared interests or mutual dependencies (Pfeffer, 1992). These coalitions can significantly influence which strategic priorities are emphasized, altered, or deprioritized during implementation.

Further studies show that power is not simply an attribute of formal roles but is embedded within organizational network structures (Minbaeva et al., 2023). Individuals who occupy central or bridging positions in informal networks often exercise disproportionate influence over decision-making processes, regardless of their official titles. In addition, informal institutions comprising shared norms, routines, and unwritten rules frequently guide behaviour, particularly in situations where formal rules are weak, ambiguous, or inconsistently enforced (Dau et al., 2022).

Together, these dynamics give rise to what has been described as "shadow governance" systems, where real decisions are made outside formal organizational structures. In such systems, influence flows through informal channels that operate alongside or beneath official hierarchies, shaping execution outcomes in ways that may not be visible in formal reporting mechanisms. This parallel governance structure can either support or undermine strategic intent, depending on how aligned informal and formal systems are.

4.3 Silent failure and the illusion of alignment

The most critical finding across the reviewed literature is the prevalence of silent failure in strategy execution. Unlike operational failures, which are typically visible and triggered by identifiable breakdowns, strategy failures tend to unfold gradually over time. They emerge through accumulated small deviations, inconsistencies in interpretation, and incremental shifts in behaviour rather than through abrupt or easily observable events.

Over time, these dynamics contribute to "silent failure," where strategic erosion occurs gradually without immediate detection or corrective response (Beer & Eisenstat, 2000; Cai & Zainal, 2026). Because of their gradual nature, these failures often lack clear triggering points that would normally prompt managerial attention or corrective action. As a result, they remain largely undetected within formal performance management and reporting systems, which are typically designed to capture discrete and measurable deviations rather than slow-moving misalignments. This makes silent failure particularly difficult to diagnose using conventional monitoring tools.

Over time, this creates an "illusion of alignment," where organizations appear to be coordinated and strategically coherent on paper, while in reality their actions are fragmented across units and informal networks (Beer & Eisenstat, 2000; Zuzul et al., 2024). The disconnect between formal reporting structures and lived organizational practice means that strategic drift can persist unnoticed until its effects become too significant to ignore.

5. CONCLUSION

This study examined the persistent strategy–execution gap by synthesizing empirical insights across strategy execution, sensemaking, informal networks, and organizational power dynamics. The findings converge on a fundamental rethinking of how execution is understood in organizations, shifting attention away from purely formal, hierarchical explanations toward more relational and socially embedded processes.

First, strategy execution is fundamentally network-driven rather than structure-driven. Relational ties, informal interactions, and patterns of influence often play a more decisive role than formal organizational charts in shaping how strategy is interpreted and enacted. This highlights the importance of the organization's social architecture as a core determinant of execution outcomes.

Second, misalignment in execution does not primarily stem from weak strategic formulation but from informal systems that operate alongside formal structures. Even well-designed strategies are frequently reshaped through

informal norms, coalitions, and localized interpretations, which can subtly redirect implementation away from intended goals.

Third, strategy execution is not a linear process of implementation but a continuous process of reconstruction. As strategy moves through different actors and contexts, it is repeatedly interpreted, adapted, and modified. This ongoing sensemaking process means that realized strategy often differs significantly from intended strategy.

Finally, execution failure is often silent and incremental rather than abrupt and visible. It emerges through small deviations, fragmented coordination, and gradual erosion of strategic intent that escape formal monitoring systems. Over time, this creates an illusion of alignment, where organizations appear coherent in formal reporting but are misaligned in practice.

6. RECOMMENDATION

6.1 Organizational Stakeholders - Practitioners and Managers

i. Map and actively monitor informal networks to better understand how influence and information flow within the organization, beyond formal reporting lines.
ii. Strengthen cross-functional communication channels to reduce fragmentation and improve coordination across units and hierarchical levels.
iii. Integrate sensemaking processes into strategy execution by ensuring continuous dialogue, clarification, and feedback loops across all organizational levels.
iv. Identify and address "silent drift" early by complementing formal KPIs with qualitative signals from frontline employees and network actors.
v. Align informal norms with formal strategy through deliberate culture-shaping interventions and leadership engagement at multiple levels.

6.2 Academic Scholars

i. Expand research beyond formal structures to incorporate network analysis, sensemaking, and institutional perspectives in strategy execution studies.
ii. Develop integrated theoretical models that explain how formal and informal systems interact to produce execution outcomes.
iii. Increase empirical focus on micro-level processes (e.g., interactions, communication patterns, and decision pathways) rather than only macro-level organizational variables.
iv. Explore the role of hidden influence structures and shadow governance in shaping strategic outcomes.
v. Enhance methodological diversity by combining qualitative, network, and computational approaches to capture execution dynamics more accurately.

6.3 Suggestions for Further Studies

i. Empirical studies examining how informal networks specifically mediate the translation of strategy into action across different industries.
ii. Longitudinal research tracking the emergence and progression of silent failure in organizations over time.
iii. Comparative studies between organizations with strong versus weak alignment between formal and informal systems.
iv. Application of social network analysis and digital trace data to map real-time execution dynamics.
v. Investigation of how digital transformation and AI-driven decision systems reshape sensemaking and informal influence structures in execution processes.

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