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Strategy Implementation Gaps in Multinational Corporations

A Literature Review

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UNIVERSITY OF VAASA**School of Management**

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Title of the Thesis: Strategy Implementation Gaps in Multinational Corporations : A Literature Review
Degree: Master of Science in Economics and Business Administration
Programme: Strategic Business Development
Supervisor: Tuomas Huikkola
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ABSTRACT:

Despite strategists' decades of prescriptive attention on the topic of strategy implementation, organizations only ever realize less than two-thirds of their intended strategic performance. The existing theoretical perspectives on the topic explain the failures of strategy implementation within that one tradition but do not draw from the failures of other theoretical perspectives of strategy implementation. No previous work produces an integrated, multi-level synthesis adequate to the structural complexity of the multinational company (MNC) strategy implementation challenge. This thesis addresses that gap through a qualitative meta-synthesis of 48 verified sources, assembled through a two-stream systematic search across three primary databases and eleven theory-specific supportive searches, supplemented by theoretical sampling. An interpretivist philosophical stance with a critical realist orientation governs the research design. The original contribution of this thesis is a multilevel framework mapping twenty-four implementation gap mechanisms across four organizational levels – the HQ and corporate centre, regional and divisional, subsidiary and local unit, and middle management and interface levels. The six gap types identified are interpretation, alignment, capability, commitment, coordination, and measurement and feedback. Three cross-level patterns emerge from the synthesis: gaps cascade and amplify downward through the organizational hierarchy; interpretation and commitment gaps at the subsidiary and middle management levels are systematically underweighted in the existing literature; and the measurement and feedback gap functions as the structural mechanism through which all other gap types become self-perpetuating. The findings of this thesis reframe strategy implementation failure in MNCs as a multi-level, multi-mechanism phenomenon that formal and structural interventions consistently fail to reach and identifies the micro-level interpretative and relational landscape as the territory most consequential for future research and management practice.

KEYWORDS: strategy implementation, implementation gap, strategy-execution gap, multinational corporation, MNC, dynamic capabilities, institutional theory, sensemaking, HQ-subsidiary

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ABSTRACT:

Strategian toteuttamista on tutkittu yrityksissä vuosikymmenten ajan, mutta organisaatiot tavoittavat silti keskimäärin alle kaksi kolmasosaa strategioidensa tavoittelemista tuloksista. Olemassa olevat teoreettiset viitekehukset selittävät strategian toimeenpanon epäonnistumia kukin oman traditionsa sisällä, mutta ne eivät kykene integroimaan muiden teoreettisten lähestymistapojen tunnistamia epäonnistumismekanismeja omaansa. Yksikään aiempi tutkimus ei ole tuottanut integroitua, monitasoista synteesiä, joka vastaisi monikansallisten yritysten (MNC) strategian toimeenpanon rakenteellista monimutkaisuutta.

Tässä pro gradu-työssä vastataan tähän puutteeseen laadullisella metasynteesillä, joka perustuu 48 varmennettuun lähteeseen. Aineisto koottiin kaksivaiheisella järjestelmällisellä haulla kolmesta ensisijaisesta tietokannasta. Tämän lisäksi aineistoa kerättiin yhdellätoista teoriakohtaisella täydentävällä haulla. Molempia täydennettiin teoreettisella otannalla. Tutkimuksen tieteenfilosofisena lähtökohtana on tulkinnallinen lähestymistapa kriittisrealistisella orientaatiolla. Tutkimuksen alkuperäinen kontribuutio on monitasoinen viitekehys, joka kartoittaa 24 strategian toimeenpanon kuilumekanismeja neljällä organisatorisella tasolla: konserninjohtotasolla, alueellisella ja divisioonatasolla, tytäryhtiö- ja paikallisyksikkö-tasolla sekä keskijohdon ja rajapintojen tasolla. Tunnistetut kuusi kuilutyyppejä ovat tulkintakuilu, yhdenmukaisuuskuilu, kyvykkyysskuilu, sitoutumiskuilu, koordinaatiokuilu sekä mittaus- ja palautekuilu.

Synteesistä nousee esiin kolme monitasoista rakennetta: kuilut kertautuvat ja vahvistuvat organisaatiohierarkiassa alaspäin; tulkinta- ja sitoutumiskuilut tytäryhtiö- ja keskijohtotasolla ovat järjestelmällisesti aliedustettuja nykykirjallisuudessa; ja mittaus- ja palautekuilu toimii rakenteellisena mekanismina, jonka kautta kaikki muut kuilutyypit muuttuvat itseään vahvistaviksi. Viitekehys kuvaa strategian toimeenpanon epäonnistumisen monikansallisissa yrityksissä monitasoisena ja monimekanismina ilmionä, johon muodolliset ja rakenteelliset väliintulot eivät järjestelmällisesti ulotu. Se myös tunnistaa mikrotason tulkinnallisen ja suhteisiin perustuvan toimikentän keskeisimmäksi alueeksi tulevalle tutkimuksella ja johtamiskäytännöille.

KEYWORDS: strategy implementation, implementation gap, strategy-execution gap, multinational corporation, MNC, dynamic capabilities, institutional theory, sensemaking, HQ-subsidiary

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Abbreviations

MNC **Multinational Corporation**

1 Introduction

1.1 Background and motivation

The researcher has throughout the studies encountered literature on strategy implementations and discovered that firms spend increasingly more resources on formulating strategies. But, according to literature, the enactment of those strategies fails consistently. In a Harvard Business Review article Mankins and Steele (2005) state that according to their research, companies deliver only 63% of the financial results that their strategies target, with more than one-in-three executives estimating the effect at less than 50%. They continue to explain that the strategy-to-performance gap of 37% is mainly attributed by the executives studied to three main categories: resource- and skills-related, leadership-related, and performance monitoring related gaps. The article conveys a picture of main themes, or categories, of implementation gaps and provides an actionable roadmap for companies to try and bridge the gaps. When looking at this phenomenon of strategy-to-performance gaps and the underlying causes in the context of MNCs, it is evident that these challenges are multiplied and magnified by global complexity, scale, and diversity. The gaps in strategy-to-performance can be argued to be more severe in a multinational context than in a local context.

In the context of change management, Beer, Eisenstat, and Spector (1990) argue that top-down initiatives tend to fail as they are based on flawed theories of how organizations change. Most initiatives ignore the need for task-alignment instead of generic, overarching attitude-based actions and therefore rarely result in lasting behavior change. It can be therefore argued that real change requires engagement from the stakeholders closest to the work. This argument, when set in MNC context, highlights the challenge of strategy execution and multiplies the strategy-to-performance gaps on a global level as opposed to local firm context.

As the researcher has come across academic articles on this issue throughout the studies, most of them have been focused on a single facet of the strategy implementation gap. Mintzberg and Waters (1985) show that strategy is a “pattern in a stream of decisions and that “the gap between intended (deliberate) and realized (emergent) strategies” is

at the core of the implementation problem. This pattern is reinforced by adhocracy literature (see e.g. Mintzberg & McHugh, 1985) which give rise to patterns that may be very different from those intended top-down plans.

In addition to Mintzberg and Waters, other authors have published research within the topic of strategy implementation within MNCs that reveals that roughly 60-75% of MNCs struggle with effectively implementing their created strategies. Authors Sull, Homkes, and Sull (2015) state that many of the executives of these companies are ignoring the need to address problems with the coordination of the company's resources or departments. Sull (1999) has published research into the concept of "active inertia" within successful companies, where executives have an inherent need to retain status quo even when the external environments change dramatically, deepening the implementation gap. Beer and Eisenstadt's (2000) article discusses the concept of "Silent Killers" and determines that senior-management styles of the company (whether they are top-down or laissez-faire), unclear strategy, and poor vertical communication are reasons for gaps in performance at the firm.

The management of strategy implementations across borders is shown to be difficult. Doz and Prahalad (1991) highlight that MNCs span different geographical markets, product lines, and functions, so traditional hierarchical or matrix structures do not often suffice. Teece, Pisano, and Shuen (1997) contend that in fast-changing global markets firms need sensing, seizing, and re-configuring capabilities. A firm that fails to build or deploy dynamic capabilities contributes to the creation of implementation gaps. Kostova and Roth (2002) state that subsidiaries face conflicting pressures from the parent firm and the host-country institutional environment adopting practices ceremonially – implemented in form but not in substance.

It can be therefore stated that academic literature seems to offer frameworks with practical implications on a variety of single-element strategy implementation gaps, but it is hard to find a synthesis of the frameworks, which has motivated this thesis and the consequent literature review.

1.2 Research gap

The existing theoretical frameworks for the study of strategy implementation gaps and failures each explain the reasons for one or a few of the implementation gaps, but none provide an exhaustive analysis or explanation for those gaps within the context of MNCs. While both strategy implementation and MNCs are researched and addressed separately by authors in management journals, there are few frameworks that attempt to synthesize both beyond a single research problem. The majority of the existing literature on strategy implementation gaps in MNCs suggest general explanations for the failures based on structure and management (as in the Resource-Based View, control systems within the company, or the balanced scorecard) yet underweight the need to study the reasons for failures on the micro-level (Balogun & Johnson, 2004, 2005; Šilenskytė et al., 2022).

Reviews on the existing literature on strategy implementation do not integrate institutional theory with micro-level decision-making. Authors like Hrebiniak (2005) highlights that separating the planning and the execution of strategic initiatives has a negative impact on strategy outcomes, as doing so creates dysfunction at organizational levels because it emphasizes the split to “planners and doers”. The perception, according to Hrebiniak (2005) is that strategy formulation at the top is high-level and challenging, whereas the execution can be performed by the lower levels of the organization. This is fruitful ground for hierarchical and cultural separation within the company.

Sull, Homkes, and Sull (2015) focus detail in their article practical barriers to executing strategy from a cross-function/unit, resource allocation, and distributed leadership perspective. They describe micro-level practices in detail and attribute strategy implementation gaps to weak existing coordination mechanisms, global-local tension, and rigid top-down planning that disables action on local market opportunities. Their research is not considering the institutional theory perspective either.

Balogun and Johnson (2005) acknowledge broader structural influences in their article, but these are treated merely as background framing rather than an analytical lens. The institutional theory perspective is not discussed. In a further article by Balogun (2006),

also focusing on intended vs. emergent strategy, institutional theory is not synthesized either.

And while Šilenskytė, Kohtamäki, and Dhanaraj (2022) recognize the role of macro-level factors, such as organizational structures along with social and cultural structures. However, the authors treat these notions as an analogy to institutional theory.

This ultra-focus on just one academic problem in current management research explains why prescriptive solutions in the literature repeatedly fail to close the gap in practice. This thesis contributes to the gap of an integrated framework or a consolidated multi-level model that recognizes the deliberate-emergent spectrum and synthesizes the implementation gaps.

1.3 The central research question and supporting research questions

The fragmented state of the strategy implementation literature in the MNC context motivates a research question that operates at the meta-level. The research question cannot therefore be about any single implementation gap or any single theoretical framework, but about the collective explanatory capacity of the frameworks in current literature. Each of the three major bodies of literature examined in chapter 3 highlights a portion of the problem: the RBV and dynamic capabilities perspective explains capability gaps; the institutional theory explains alignment and commitment failures at subsidiary level; the sensemaking literature explains interpretation and commitment gaps at the middle management level. A complete synthesis which integrates all three frameworks on all organizational levels where gaps appear simultaneously is missing. The lack of prior integrated synthesis leads to the central research question.

This thesis investigates how current theoretical models fail to explain implementation gaps in multinational corporations and what integrated synthesis is missing. The question requires the thesis to assess existing frameworks critically instead of simply describing them, and to specify what an adequate integrated account would need to contain. Adequacy refers to a model's ability to explain the full range of gap mechanisms interpretative, alignment, capability, commitment, coordination, and measurement-related

mechanisms across all four organizational levels at which they occur in MNCs. The missing synthesis is a multilevel typological framework created by this thesis.

Three supporting research questions structure the analytical work required to answer the central research question. The first asks: **“What are the primary organizational structures and institutional elements at micro-levels through which strategy implementation gaps emerge in MNCs?”** Chapter four synthesizes empirical findings to develop a gap typology. The second supporting research question asks: **“How do the RBV, dynamic capabilities perspective, sensemaking, and institutional theory each explain (or fail to explain) strategy implementation gaps in MNCs?”** Chapter three offers a critical theoretical assessment. The third supportive research question asks: **“What mechanisms and conditions does the literature identify as most effective in bridging strategy implementation gaps in MNCs, and where does the prescriptive literature fall short?”** Chapter five develops practical recommendations by connecting the theoretical findings. The first supporting research question is empirical: it maps the landscape of what literature has found. The second supporting research question is theoretical: it critically assesses the explanatory power of the dominant frameworks. The third supporting research question integrates theory and practice and to guide the analysis. And the central research question synthesizes all three into a meta-level argument about the adequacy of current theory.

1.4 Scope and delimitations

This thesis examines strategy implementation gaps in large multinational corporations analyzing peer-reviewed academic literature in English. The thesis focuses on MNCs because institutional complexity, HQ-subsidary relations, and cross-border cooperation create multi-level implementation challenges. These challenges do not arise in single-country firms. The thesis delimits the review to peer-reviewed journal articles and selected foundational books excluding practitioner reports and grey literature from the analytical sample. These may be used only as background when relevant. No publication date restriction was applied to the search. The review is a qualitative meta-synthesis and

does not aim to establish causal relationships or make statistical generalizations. The analysis charts current explanatory frameworks and identifies gaps. This delineation clarifies the thesis's scope.

1.5 Structure of the thesis

The thesis is organized in six chapters that trace the development of the central argument.

Chapter 1 establishes the research problem and its importance. It identifies the gap between the practical persistence of strategy implementation failures in MNCs and the fragmented theoretical landscape that currently attempts to explain them. This gap produces the central research question and three supporting research questions as the basis of analysis.

Chapter 2 addresses the methodological foundations of the research. It establishes the interpretivist, critical realist philosophical stance that justifies the choice of qualitative meta-synthesis, documents the systematic search protocol through which the analytical sample was assembled, and introduces the research design flow diagram and bibliometric overview of the field. The chapter concludes with an acknowledgement of the design's limitations.

Chapter 3 is the foundation for the theoretical framework. The chapter critically examines the three bodies of literature most prominently applied to strategy implementation gaps in MNCs: the Resource-Based View (RBV) and dynamic capabilities perspective, institutional theory, and the sensemaking and micro-foundations literature. Each framework is assessed for its explanatory scope and limits. The chapter concludes that no single framework covers the full range of gap mechanisms identified in the literature, which motivates the synthesis.

Chapter 4 reports the qualitative meta-synthesis and introduces the multi-level framework of strategy implementation gaps (Table 6). The framework maps gap mechanisms across four organizational levels and six gap types and synthesizes 49 verified sources into a novel conceptual structure. This framework is the original contribution of the thesis.

Chapter 5 discusses the findings mirroring them against the research questions. It answers the central research question directly, elaborates the thesis argument that micro-level interpretation and commitment mechanisms are systematically underweighted in the existing prescriptive literature, draws out practical implications for MNC managers, and proposes specific avenues for future empirical research.

Chapter 6 concludes the thesis with a concise summary of the argument, a restatement of the contribution, and a final reflection on scope and limitations of the work.

2 Methodology

This chapter establishes and justifies the methodological design of the thesis and does so in the following stages: chapter 2.1 positions this research philosophically; chapter 2.2 justifies the rationale for qualitative meta-synthesis as the appropriate method; chapter 2.3 describes the systematic literature search protocol; chapter 2.4 presents the bibliometric results of the search; chapter 2.5 highlights the limitations of the research; and finally chapter 2.6 discloses the use of artificial intelligence tools.

2.1 Research philosophy

This thesis adopts an interpretivist philosophical stance with a critical realist orientation. The choice of philosophical position is dictated by the nature of the research question and the phenomenon under investigation.

As Morgan & Smircich (1980, p491) explain, “debates regarding research methods in the social sciences are linked directly to assumptions about ontology, epistemology, and human nature”. According to them, qualitative research cannot be defined as a set of methods, rather it is an approach deriving from the very nature of social phenomena that is being researched. Their framework positions research approaches on a continuum from objectivism (which treats social reality as a concrete structure, amenable to precise measurement) to subjectivism (which treats reality as a projection of human consciousness that can only be understood through the meanings actors attach to it). This thesis is positioned towards the interpretivist end of the continuum for two reasons grounded in the research question itself.

First, strategy implementation gaps are not objective phenomena as they do not exist independently of the people experiencing them. As Balogun and Johnson (2004,2005) demonstrate empirically, gaps emerge through processes of sensemaking, meaning reconstruction, and the social negotiation of strategic intent across organizational levels. Kostova and Roth (2002) show that what appears to HQ as non-compliance is often a locally rational response to competing institutional pressures that are invisible to the HQ. Oliver (1991) shows that subsidiary responses to strategic mandates range from passive

acquiescence to active defiance depending on how actors interpret their legitimacy position. In both cases, the gap emerges through interpretation, not through objective structural misalignment alone. A positivist stance which would treat gaps as measurable deviations from a defined target state would systematically miss the most explanatory mechanisms.

Second, the central research question asks whether existing theoretical frameworks adequately explain implementation gaps and what integrated synthesis is missing. The very definition of adequacy is that it is a judgement about explanatory power and theoretical coverage, therefore not a quantity that can be measured. Answering the question requires assembling, comparing, and critically reinterpreting a body of literature which is an act of interpretative research and not empirical data collection.

At the same time, this thesis does not adopt a purely subjectivist or social constructionist position. Strategy implementation gaps produce real, observable consequences such as missed targets, failed initiatives, organizational underperformance, that exist independently of any individual's interpretation of them. This calls for a critical realist orientation as a bridge between the interpretivist and objectivist poles of Morgan and Smircich's (1980) continuum: the gaps are real phenomena with observable effects, but their causes are socially mediated and are therefore not structural variables alone. This position justifies synthesizing quantitative survey evidence and qualitative case study evidence within the same review treating both as partial accounts of a phenomenon that no single methodological tradition can fully capture. The philosophical stance established here, interpretivist in orientation, critical realist in its treatment of observable outcomes, directly determines the choice of qualitative meta-synthesis as the research method, as justified in chapter 2.2.

2.2 Rationale for qualitative meta-synthesis

The interpretivist philosophical position introduced in the previous chapter directly determines the choice of research method. If the goal were to aggregate the magnitude of strategy implementation gaps across studies, statistical meta-analysis would be

appropriate. However, meta-analysis requires that studies use comparable methods, operationalize constructs consistently, and report quantitative effect sizes – conditions that manifestly do not hold in the strategy implementation literature which spans qualitative case studies, large-sample surveys, conceptual essays, and practitioner analyses with incompatible variables (Tranfield et al., 2003).

Quantitative research reduces the role of actors (human beings) to figures on the chessboard, subject to pre-determined set of forces and objective forms of measurement (Morgan & Smircich, 1980). Because management research has a shorter tenure than medical research, the development of question formulation is less developed. Subjects of study concern unidentical problems, with a different set of research questions. Therefore, meta-analysis is powerful for homogeneous effect-size data such as medical research but fails to underpin the heterogeneity of management studies. Similarly, narrative reviews in management are often perceived as “subjective, partial, and biased” lacking systematic rigor. (Tranfield et. al., 2003: Denyer & Tranfield, 2009)

Qualitative meta-synthesis, as described by Suri (2011), assembles and reinterprets findings across methodologically heterogeneous studies to produce conceptual contributions that no individual study could generate alone. It treats the existing literature as a body of partial knowledge to be critically integrated. This is precisely what the research question demands: a synthesis that reveals what is collectively missing from the existing explanatory landscape.

This approach follows the framework proposed by Tranfield, Denyer, and Smart (2003), who argue that systematic review methodology developed in medical research requires fundamental adaptation when applied to management and organizational studies. Management research is epistemologically pluralist encompassing positivist, interpretivist, and critical realist traditions, and its questions are frequently concerned with understanding and explanation, rather than prediction and control. Tranfield, Denyer, and Smart (2003) propose that management systematic reviews should be tested against four principles: transparency, inclusivity, explanatory power, and heuristic value. This review is designed against all four. Transparency is achieved through the documented protocol and PRISMA flow summary in chapter 2.3 and Table 5. Inclusivity is achieved

through the eleven-search multi stream design, documented in full detail below. The evaluation of the multi-level framework in chapter four presents the explanatory power. Heuristic value is shown in the standard applied in chapter 5, where the findings are assessed for their capacity to generate productive future research questions.

Denyer and Tranfield (2009) further argue that management systematic reviews should be understood as self-contained research projects. This thesis uses this framing. The multilevel framework of strategy implementation gaps produced in chapter 4 is the novel contribution of this thesis, only possible from the interpretivist, meta-synthetic position established in this chapter.

2.3 Systematic search protocol

Systematic search was conducted using a two-stream design that reflects the iterative nature of qualitative meta-synthesis in management research. Stream 1 comprised of a systematic keyword search across three primary databases supplemented by eleven theory-specific and targeted supportive searches. Stream 2 comprised of purposeful theoretical sampling following argumentative threads identified during Stream 1 screening. This design was necessitated by a characteristic in literature that emerged during the search process: the phenomenon of strategy implementation gaps in MNCs is addressed in five distinct theoretical traditions: strategy execution, institutional theory, dynamic capabilities, sensemaking, and HQ-subsidiary relations, each using incompatible terminology. No single Boolean string retrieves the full literature. This terminological fragmentation is documented by Tranfield, Denyer, and Smart (2003) as a defining characteristic of management research and is addressed here through the multi-stream design consistent with the berrypicking model described by Walsh and Downe (2005).

2.3.1 Search databases

Three primary data bases were used for Stream 1 searching: Scopus (primary), EBSCO Business Source Ultimate, and Web of Science. Forward citation tracking for theoretical sampling was conducted using Scopus's cited-by function.

2.3.2 Scoping searches – four progressive steps

Four progressive scoping searches were run in Scopus to map the field and produce the bibliometric analysis presented in chapter 2.4. Each step adds an additional constraint as presented in Table 1. Scoping search 4 was run in two iterations as the first iteration applied a title-field restriction that produced only 21 results, indicating the string was too narrow to be meaningful as a systematic search. EBSCO produced no results and Web of Science produced three results with the title-field restriction; the three results from the Web of Science search are included in the systematic search Table 2. The string was iteratively revised to remove the title-restriction. Similarly, the MNC related synonyms were evaluated and additions made based on results from the previous searches. These actions produced 931 results. This iterative refinement is consistent with the berry-picking model of Walsh and Downe (2005), in which search strategies evolve as the researcher develops understanding of how the field is indexed. The scoping 4b string adopted based on this model forms the basis of the systematic search across all three databases.

Table 1. Starting point – four progressive search steps.

Search	Purpose	Boolean string	n	Filters
Scoping 1	Map full field – Figure 1	TITLE-ABS-KEY ("strategy implementation" OR "strategic implementation" OR "strategy execution" OR "implementation gap" OR "strategy-execution gap" OR "formulation-implementation")	8 722	None
Scoping 2	Peer reviewed articles only	Scoping 1 AND DOCTYPE (ar OR re) AND LANGUAGE(English)	1910	Document type and language

Scoping 3	MNC context added Figure 2	Scoping 2 AND ("multinational" OR "MNC" OR "MNE" OR "transnational" OR "international firm" OR "subsidiary" OR "headquarters" OR "cross-border" OR "global strategy")	174	
Scoping 4 a (iteration 1)	Initial systematic search – title-restricted	TITLE ("strategy implementation" OR "strategic implementation" OR "strategy execution" OR "implementation gap" OR "strategy-execution gap" OR "formulation-implementation" OR "strategic execution") AND TITLE-ABS-KEY ("multinational" OR "MNC" OR "MNE" OR "transnational" OR "subsidiary" OR "headquarters-subsidiary" OR "cross-border" OR "international firm" OR "global strategy") AND DOCTYPE (ar OR re) AND LANGUAGE (English)	21	Title restricted to strategy synonyms only
Scoping 4 b (iteration 2)	Revised systematic search – title restriction removed, subject area filter applied, adopted as systematic search	TITLE-ABS-KEY(("strategy implementation" OR "strategic implementation" OR "strategy execution" OR "implementation gap" OR "formulation-implementation gap" OR "strategic alignment" OR "practice transfer" OR "strategy-as-practice") OR ("multinational" OR "MNC" OR "MNE" OR "transnational" OR "subsidiary" OR "headquarters-subsidiary" OR "cross-border" OR "international firm" OR "foreign subsidiary" OR "global strategy" OR "institutional duality" OR "subsidiary autonomy")) AND DOCTYPE(ar OR re) AND	931	OR between synonym groups

		LANGUAGE (English) AND (LIMIT-TO(SUBJAREA,"BUSI") OR LIMIT-TO(SUBJAREA,"ECON"))		
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2.3.3 Systematic search

As the scoping searches showed limited number of articles when applying the title-restriction search, the systematic search applied the more extensive revised systematic search logic of scoping 4b to the remaining databases, Web of Science and EBSCO independently. Results of all three databases were sorted by relevance, and the Web of Sciences results were additionally sorted by most-cited. Both the Web of Science and EBSCO results were capped at 500 most relevant (and most cited in the case of Web of Science) due to their larger result sets arising from the broader Title-Abstract-Keywords-field matching. All four sets were combined and deduplicated before screening.

Table 2. Systematic search process.

Database	Search string	n	Notes
Scopus a	TITLE-ABS-KEY (("strategy implementation" OR "strategic implementation" OR "strategy execution" OR "implementation gap" OR "formulation-implementation gap" OR "strategic alignment" OR "practice transfer" OR "strategy-as-practice") OR ("multinational" OR "MNC" OR "MNE" OR "transnational" OR "subsidiary" OR "headquarters-subsidiary" OR "cross-border" OR "international firm" OR "foreign subsidiary" OR "global strategy" OR "institutional duality" OR "subsidiary autonomy")) AND DOCTYPE (ar OR re) AND LANGUAGE (English) AND (LIMIT-TO(SUBJAREA,"BUSI") OR LIMIT-TO(SUBJAREA,"ECON"))	931	

Scopus b	TITLE ("strategy implementation" OR "strategic implementation" OR "strategy execution" OR "implementation gap" OR "strategy-execution gap" OR "formulation-implementation" OR "strategic execution") AND TITLE-ABS-KEY ("multinational" OR "MNC" OR "MNE" OR "transnational" OR "subsidiary" OR "headquarters-subsidiary" OR "cross-border" OR "international firm" OR "global strategy") AND DOCTYPE (ar OR re) AND LANGUAGE (English)	21	Title-restriction synonyms
Web of Science	Equivalent string as above	3	Title-restriction synonyms
Web of Science a	Equivalent string as above – sorted after relevance	500	Full result set 3910 after filtering
Web of Science b	Equivalent string as above – sorted after most cited	500	Full result set 3910 after filtering
EBSCO	Equivalent string as above – sorted after relevance	500	Full result set 976 after filtering
Combined	All four searches combined before deduplication	2455	
After deduplication	All four searches combined after deduplication	2219	

2.3.4 Supportive searches – eleven theory-specific strings

Eleven supportive searches were conducted to capture theoretical traditions that use vocabulary different from the systematic search strings, as reflected in the terminological fragmentation documented by Tranfield, Denyer, and Smart (2003).

Table 3. Supportive search process.

Search	Focus	n	Boolean string
A	RBV/Dynamic capabilities	1400	TITLE-ABS-KEY (("resource-based view" OR "dynamic capabilities" OR "organi*ational capabilities" OR "capability gaps" OR "core rigidities") AND ("strategy implementation" OR "strategy execution" OR "strategic alignment" OR "multinational" OR "MNC" OR "subsidiary" OR "international firm")) AND DOCTYPE (ar OR re) AND LANGUAGE(English) AND SUBJAREA (BUSI OR ECON)
A2	Capability traps/Process improvement	1988	TITLE-ABS-KEY (("capability traps" OR "process improvement" OR "self-confirming attribution errors" OR "improvement dynamics" OR "capability trap" OR "organi*ational inertia" OR "improvement paradox") AND ("strategy" OR "implementation" OR "organi*ational learning" OR "performance" OR "management" OR "execution" OR "dynamic capabilities")) AND DOCTYPE (ar OR re) AND LANGUAGE(English) AND SUBJAREA (BUSI OR ECON)
B	Institutional theory/subsidiary	837	TITLE-ABS-KEY (("institutional theory" OR "institutional duality" OR "ceremonial adoption" OR "decoupling" OR "practice transfer" OR "institutional distance" OR "isomorphism" OR "legitimacy") AND ("subsidiary" OR "MNC" OR "multinational" OR "headquarters" OR "international firm")) AND DOCTYPE (ar OR re) AND LANGUAGE(English)
C	Sensemaking/Middle management	158	TITLE-ABS-KEY (("middle management" OR "sensemaking" OR "sense-making" OR "strategic sensemaking" OR "meaning reconstruction" OR "middle manager" OR "strategic agency") AND ("strategy implementation" OR "strategic change" OR "organi*ational restructuring" OR "strategy execution" OR "implementation" OR "strategic

			renewal")) AND DOCTYPE (ar OR re) AND LANGUAGE(English)
C2	Strategy process/Middle management involvement	1501	TITLE-ABS-KEY (("middle management involvement" OR "strategy process" OR "middle manager" OR "managerial involvement" OR "issue selling" OR "championing") AND ("strategy" OR "strategic" OR "organizational performance" OR "implementation" OR "strategic influence")) AND DOCTYPE (ar OR re) AND LANGUAGE(English) AND SUBJAREA (BUSI OR ECON)
D	HQ-subsidiary coordination	490	TITLE-ABS-KEY (("headquarters" OR "head office" OR "corporate centre") AND ("subsidiary" OR "affiliate" OR "foreign unit") AND ("coordination" OR "control" OR "integration" OR "knowledge transfer" OR "normative integration" OR "autonomy" OR "differentiated network" OR "transnational")) AND DOCTYPE (ar OR re) AND LANGUAGE(English) AND SUBJAREA (BUSI OR ECON)
D2	MNC strategy vocabulary	4633	TITLE-ABS-KEY (("multinational corporation" OR "multinational enterprise" OR "transnational corporation" OR "MNC" OR "MNE") AND ("strategy" OR "strategic" OR "implementation" OR "coordination mechanisms" OR "integration responsiveness" OR "global strategy" OR "local responsiveness" OR "interorganizational" OR "network organization")) AND DOCTYPE (ar OR re) AND LANGUAGE(English) AND SUBJAREA (BUSI OR ECON)
E	Execution barriers/Silent killers	387	TITLE-ABS-KEY (("strategy execution failure" OR "implementation barriers" OR "obstacles to implementation" OR "silent killers" OR "execution challenges" OR "implementation obstacles" OR "why strategies fail" OR "strategy failure")) AND DOCTYPE (ar OR re) AND LANGUAGE(English) AND SUBJAREA (BUSI OR ECON)

E2	Practitioner strategy execution	235	TITLE-ABS-KEY (("making strategy work" OR "strategy execution" OR "turning strategy into performance" OR "secrets to strategy execution" OR "why strategies fail" OR "strategy-to-performance") AND ("implementation" OR "execution" OR "performance gap" OR "organi*ational" OR "management")) AND DOCTYPE (ar OR re) AND LANGUAGE (English) AND SUBJAREA (BUSI OR ECON)
E3	Change management/Transformation failure	4457	TITLE-ABS-KEY (("leading change" OR "change management" OR "transformation failure" OR "why change programs fail" OR "change implementation" OR "organi*ational change" OR "strategic change") AND ("implementation failure" OR "resistance" OR "commitment" OR "guiding coalition" OR "change fatigue" OR "strategy" OR "execution")) AND DOCTYPE (ar OR re) AND LANGUAGE (English) AND SUBJAREA (BUSI OR ECON)

2.3.5 Terminological fragmentation finding

During the search process it became evident that foundational sources central to the theoretical framework do not appear in the initial keyword searches; they use the vocabulary of their own theoretical traditions which differs from strategy implementation terminology. Specifically, sources in the institutional theory tradition use practice transfer, decoupling, and legitimacy terminology; dynamic capabilities sources use capability, knowledge, and learning vocabulary; HQ-subsidary sources use coordination mechanisms and network vocabulary; and practitioner-academic sources frame the phenomenon as performance gaps or transformation failure.

2.3.6 Theoretical sampling

Theoretical sampling was used after systematic retrieval to extend the initial sample beyond keyword searching. Theoretical sampling, rooted in the grounded theory tradition of Glaser and Strauss (1967) and applied to qualitative synthesis by Suri (2011) guides the researcher to selecting additional sources based on the emerging needs of the theoretical argument. In practice, this operated in two directions. When a retrieved article referenced a prior work as foundational to its argument, that prior work was retrieved and assessed for inclusion. When a retrieved article had been cited extensively by more recent work not captured in the systematic search, those citing articles were reviewed and evaluated by using Scopus's cited by-function. This iterative, bidirectional process reflects what Walsh and Downe (2005) call berrypicking. It is described as a characteristic of qualitative meta-synthesis where the search is not fully linear but iterative as new theoretical connections emerge.

Theoretical sampling continued until thematic saturation (Suri, 2011) was reached. Following Suri (2011) saturation was defined as the point at which new sources introduced no additional theoretical mechanisms, gap-types, or counter arguments not already represented in the sample. Walsh and Downe (2005) note that the goal of qualitative meta-synthesis is to retrieve all relevant studies in a field, and that saturation is assessed through the sufficiency and comparability of the assembled. The complete sampling trail, documenting which sources were traced and their, is presented in Appendix 2.

2.3.7 Inclusion and exclusion criteria

Table 4. below explains the inclusion and exclusion criteria used.

Table 4. Inclusion and exclusion criteria.

Criterion	Include	Exclude
Publication type	Peer reviewed journal articles and reviews; foundational books via theoretical sampling	Conference papers, editorials, dissertations, non-peer reviewed reports
Language	English	Non-English
Scope	Addresses strategy implementation, strategic alignment in MNC or international business context	Purely domestic firm context, strategy formulation without implementation
Theoretical relevance	Engages around RBV, dynamic capabilities, institutional theory, sensemaking, HQ-subsidary relations, or execution barriers literature	Uses strategy implementation only as background reference without analytical engagement
Publication period	No date restriction applied	No date restriction applied
Quality	ABS 3 and above journals as Tier 1 cores, lower ranked included for unique MNC value	ABS 1 journals

2.3.8 Quality assessment

Quality assessment was applied to articles from the systematic search, supportive searches and theoretical sampling together. Journal quality was assessed using the Academic Journal Guide (AJG, formerly ABS) rankings published by the Chartered Association of Business Schools. Articles from Journals rated 3* and above received priority

analytical attention consistent with the approach adopted by Vuorinen (2019) in the benchmark thesis on which this thesis's methodology is partially modeled. Lower ranked articles were included when they provided unique empirical evidence particularly for MNC-specific context. This tiered approach is documented in Appendix 1 which lists all 3* and above sources for the final analytical sample.

2.4 Bibliometric overview of the field

The descriptive overview of strategy implementation and MNC literature from scoping searches one and three is discussed next. The purpose is to describe the analytical sample within the broader field and to demonstrate that the search strategy captured the relevant literature with adequate coverage. Scoping search one (n=8722) maps the full strategy implementation field without MNC restriction, whereas scoping search three (n=174) is MNC specific. Both sets were analyzed using Scopus's Analyze results-function. All bibliometric analysis was conducted in Scopus.

Figure 1. below presents the distribution of publications per year, derived from the scoping search one. It shows a steady growth of research from the late 1990s spiking after 2015. Figure 2. presents the geographical distribution from scoping search three. United States, United Kingdom, Australia, and Canada combined represent 36% of all search results, while Asian geography only accounts for 18% of the search results. The most frequently publishing journals in the MNC strategy implementation field were Emerald Emerging Markets Case Studies, Long Range Planning, Journal of Business Research, Journal of Business Strategy, and the Journal of World Business.

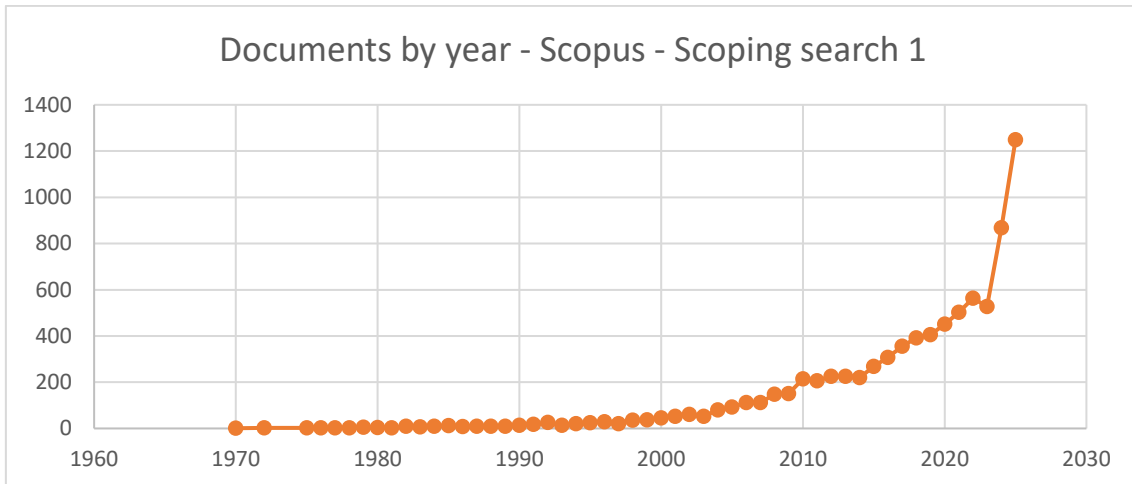


Figure 1. Documents by year – Scoping search 1 in Scopus.

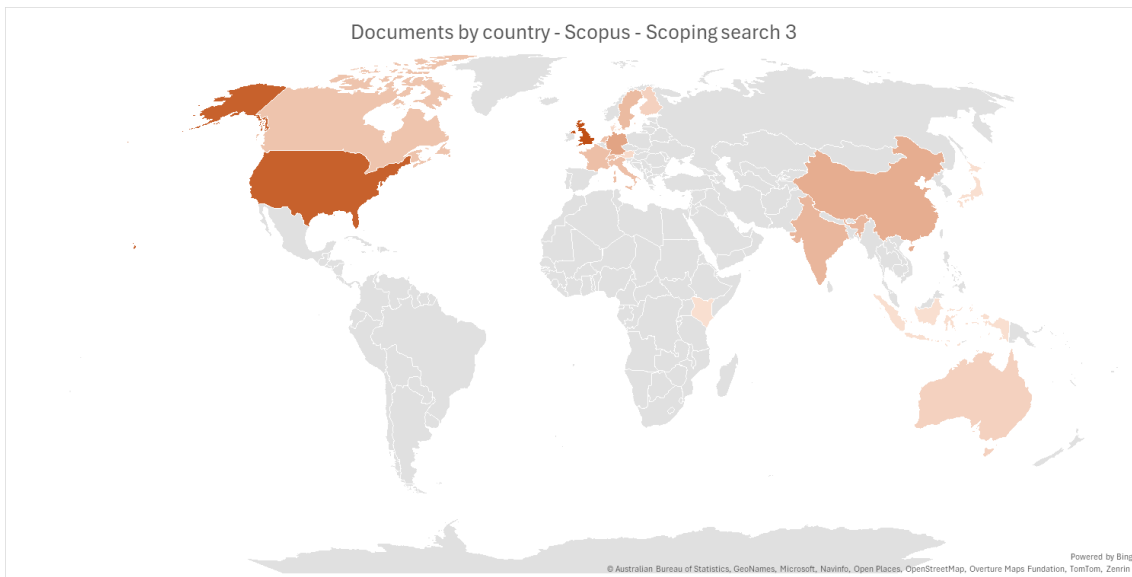


Figure 2. Documents by country – Scoping search 3 in Scopus.

2.5 Limitations of the design

The following limitations of the design are a consequence of a deliberate methodological choice. The English-language restriction is a standard practice in management systematic reviews (Tranfield et al., 2003) and reflects the dominant publication language of the ABS-ranked journals that form the Tier 1 sample. Non-English sources, whilst unlikely to have substantially altered the theoretical framework, nonetheless might have introduced empirical evidence from the non-Anglo-Saxon MNC context.

There are also limitations in the use of databases: the three dominant databases used were Scopus, Web of Science, and EBSCO Business Source Ultimate, but the theoretical sampling procedure reduced the risk of missing foundational sources by tracing citation networks from anchor articles regardless of their database of origin. The adopted systematic search string uses OR operator between the two sets of synonyms rather than the AND operator in the initial scoping search, also the subject area filter provides the primary narrowing constraint. This is transparently documented in Table 1 (Scoping strings).

Theoretical sampling involved the researcher's judgement at two points: which anchor sources to select for citation tracing, and when saturation was reached. Both decisions are inherently subjective, and a different researcher might have decided on different anchor articles potentially arriving at a different final sample. Anchor source selection was guided by citation counts and ABS ranking rather than researcher preference. Saturation was defined operationally as the point at which new sources introduced no additional theoretical mechanism to the already represented sample, following Suri's (2011) purposeful sampling logic. The theoretical sampling trail is documented in Appendix 2. allowing the process to be assessed independently.

Similarly, the screening and quality assessment were conducted by a single researcher without inter-rater quality checks. In systematic reviews, dual-independent screening is standard (Mays et al., 2005; Denyer & Tranfield, 2006; Chalmers et al., 2002). Single-researcher design, however, is standard and accepted in master's level in management research (Denyer & Tranfield, 2006). The risk of subjective bias in screening decisions was mitigated by the explicit and documented inclusion and exclusion criteria in Table 4,

which constrained discretion at screening stage. The ABS-quality tier assignment is based on an objective external ranking system rather than researcher judgement.

As the research method chosen assembles and reinterprets findings across heterogeneous studies, the findings are theoretical and interpretative, rather than predictive and statistically generalizable. Statistical generalization is not the purpose of this thesis – the research question asks whether existing frameworks adequately explain implementation gaps, which is a meta-level theoretical question and therefore not answerable by aggregating effect sizes. Qualitative meta-synthesis is the epistemologically appropriate method for this question as explained in chapter 2.2.

As the sample is drawn exclusively from published, peer-reviewed sources, studies with null results, negative findings, or findings that challenge the dominant frameworks are less likely to have been published. Implementation failures that were either never written up, or that were written up but rejected, are not part of the search results. This publication-bias is, according to Tranfield, Denyer, and Smart (2003) an inherent limitation to any systematic literature review to peer-reviewed articles. It is relevant for practitioner-facing topics such as strategy implementation, where a significant body of tacit knowledge exists in consultancy reports and internal documentation that lie outside the scope of academic research. This limitation is acknowledged as a boundary condition on the findings.

While no date restriction applied to the search, theoretical framework is anchored on sources dating from 1971 to 2022. Strategy implementation in MNCs is affected by development such as AI and digital transformation, post-pandemic reorganization, geopolitical fragmentation and the vulnerability of supply chains. All of these may have produced new gap mechanisms not yet captured in peer-reviewed literature. The search conducted between November 2024 and March 2026 captures the state of the field at this moment in time. The theoretical mechanisms and gaps identified – interpretation, alignment, capability, commitment, coordination, and measurement & feedback gaps – are all structural in nature and unlikely to have been fundamentally altered by recent developments. Their salience, though, might have shifted. Therefore, future research should examine how post-2022 MNC restructuring affects this framework.

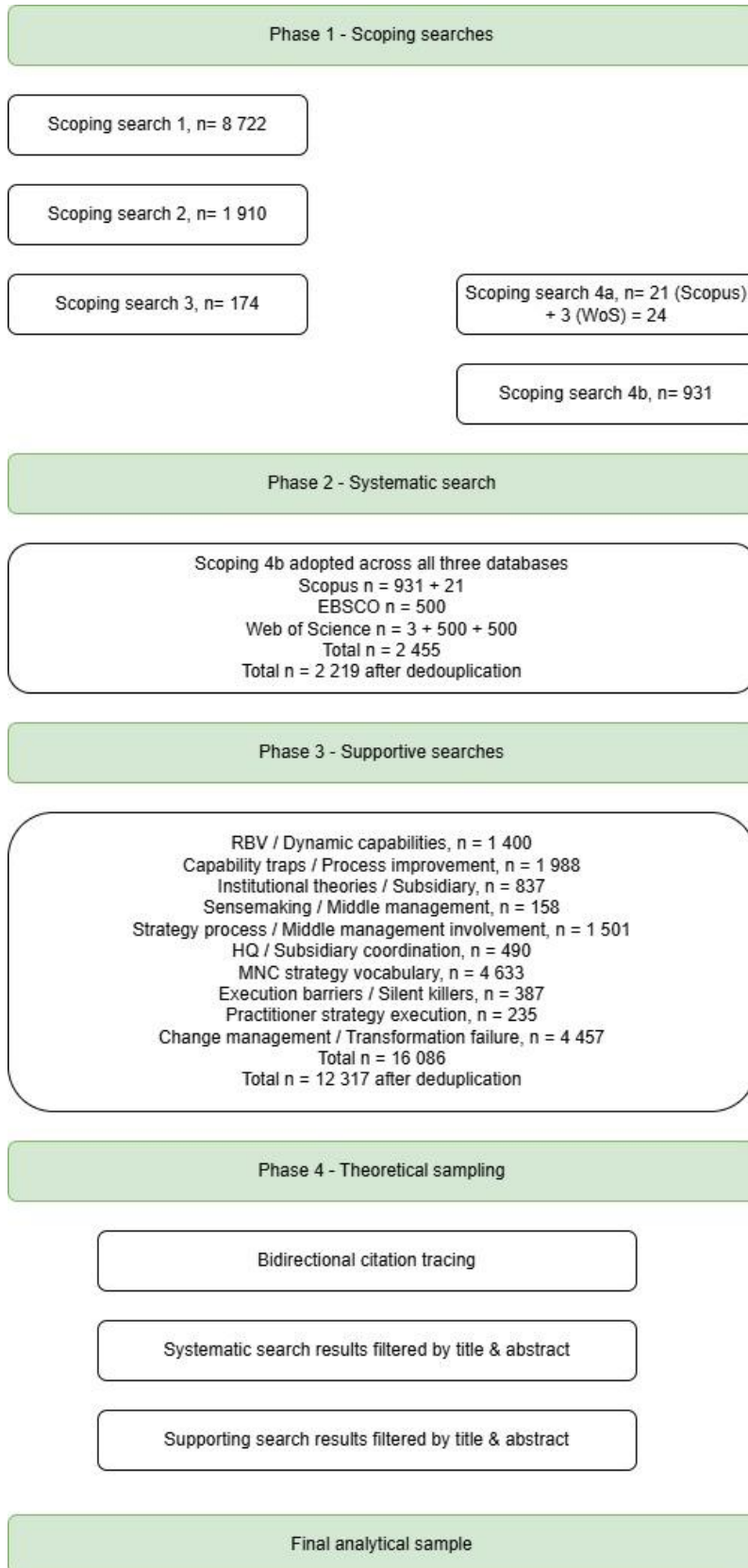


Figure 3. Research design flowchart.

Table 5. Prisma flow summary.

Stage	Systematic n	Supportive n	Total
Phase 1 – Identification			
Records identified	2.455	-	2.455
Supportive searches identified	-	16.086	
Total identified	2.455	16.086	18.541
Phase 2 – Deduplication			
Duplicates removed	236	3.769	4.005
Records after deduplication	2.219	12.317	14.536
Phase 3 – Title screening			
Excluded at title screening	2.095	12.148	14.243
Passed title screening	124	169	293
Phase 4 – Abstract screening			
Excluded at abstract screening	70	80	150
Passed abstract screening	54	89	143
Phase 5 – Full text eligibility screening			
Cross-stream duplicates removed			18
Net unique for full text assessment			125
Excluded at full text			45
Passed full text from searches			79
Phase 6 – Theoretical sampling			
Articles added via theoretical sampling			27
Phase 7 – Quality assessment			
Combined sample for quality assessment			106
Tier 1 sources listed in Appendix 1			48
Tier 2 sources			58
Final analytical sample – included in meta-synthesis 106			

2.6 Use of Artificial Intelligence tools

This thesis was initiated prior to the widespread availability of generative artificial intelligence tools (AI), and no AI was used in the early stages of conceptualization of thesis subject and subsequent content creation. However, during the finalization phase of the thesis, Anthropic's Claude tool was used as a writing assistance tool in the following manner: the researcher has developed arguments, theoretical positions, and analytical observations in both raw note form, citation snippets from searched articles, and verbally. Anthropic's Claude has assisted in formalizing these raw inputs into structured academic prose. The intellectual content – the research design, the assessment of the chosen theoretical frameworks, the theoretical synthesis, the identification of gap mechanisms and the construction of the multi-level framework have all originated from the researcher.

The tool was used as follows:

Structural formalization.

Spoken, snipped and handwritten notes and article citations were provided to Claude as inputs, and the AI generated content was critically evaluated and edited by the researcher.

Language review.

The tool was used to improve phrasing, correct grammatical errors, and to ensure consistent academic verbiage across the thesis without altering its contents.

Planning and chapter structure. Chapter sequencing and testing of the thesis argument were discussed with the tool. Decisions about structure and argumentation remained with the researcher.

Claude was not used to conduct the literature search or to identify/choose sources. It did not produce theoretical arguments independently, nor did it produce the multilevel framework. The researcher remains fully responsible for the content and its academic integrity.

3 Theoretical framework

To understand the phenomenon of strategy implementation gaps in MNCs, it is first necessary to discuss the various theories related to the topic. No single framework was designed with this purpose in mind. The Resource-Based View (RBV), Institutional theory, and the sensemaking perspective were all developed in response to different research questions and with different assumptions about what drives organizational behavior. However, each of those theories are relevant to the phenomenon this thesis focuses on. This chapter examines the theoretical framework of this thesis through the Resource-Based View (RBV) and its dynamic capabilities extension, which explain why firms possess the necessary resources to accomplish specific goals are often unable to successfully implement that strategy. The second theoretical framework examined is institutional theory which explains why subsidiaries adopt practices that are mandated ceremonially rather than earnestly, and why the distance between formal compliance and genuine implementation is a structural feature of the MNC. The third theoretical framework examined in chapter 3.2 is the sensemaking and micro-foundations perspective, which explains why there are often unintended outcomes that neither the RBV nor institutional theory can account for.

In general, each of these frameworks will be reflected upon in relation to the different aspects of strategy implementation, and specifically in relation to the gaps that are present in strategy implementation. Chapter 3.4 will reflect upon each of these theories and their explanatory power in relation to the different levels of analysis of the strategy implementation process within MNCs, and why no single theoretical framework accounts for all the different types of implementation gaps that are discovered in chapter four.

3.1 Resource Based View and Dynamic Capabilities

The Resource-Based view explains that the difference in performance of various firms is due to the difference in the resources that each of those firms controls. Barney (1991) explains that the resources a firm should lead to sustained competitive advantage if

those resources are valuable, rare, inimitable, and non-substitutable. One of the conditions for a valuable resources is that it should enable the firm to implement strategies that improve its efficiency and effectiveness. Thus, the RBV by itself indicates the potential gap between possessing the required resources and being able to utilize them within a firm. The RBV does not assume that resource possession automatically translates to strategic action. It assumes that translation **is** the strategic challenge. In the MNC context where resources are distributed across geographically dispersed units operating under different institutional conditions, the translation challenge is multiplied at every level of the organization.

The dynamic capabilities perspective expands upon the RBV by explaining that competitive advantage arises from a firm's capabilities to identify, seize, and reconfigure its resources according to changing environments (Teece et al., 1997). The resources of a firm include not just its financial and human resources, but also the knowledge and capabilities of its employees. The sensing, seizing, and reconfiguring capabilities are resources themselves. And like all resources in the RBV tradition, they can be heterogeneously distributed, difficult to imitate, and subject to path-dependent development trajectories. Eisenhardt and Martin (2000) qualify this argument by demonstrating that dynamic capabilities are necessary but not sufficient for competitive advantage and that in high-volatility environments they are inherently fragile. Yet, as Helfat and Peteraf (2003) explain, capabilities have life cycles during which they develop, mature, and decline through identifiable stages. These life cycles indicate that the capabilities of the subsidiaries of an MNC may not operate at the same level, leading to an inability to implement the intended strategy according to HQ expectations. The implementation gap is not a failure of will or communication but partly a structural outcome of the capability development process itself.

Furthermore, the dynamic capabilities literature also helps to explain the reasons for the decline of those capabilities. Zollo and Winter (2002) argue that dynamic capabilities are often based on a firm's deliberate learning processes. A firm must learn a new process or develop a new capability to create dynamic capabilities responding to new strategic environment. These learning mechanisms are time-consuming and require effort and are

easily crowded out by short-term performance pressure. As Levinthal and March (1993) explain, in their analysis of the myopia of learning, organizations systematically favor exploitation of existing competencies over exploration of new ones. This favors the short-term over the long-term. In the MNC context, the subsidiary of the MNC often bears the cost of any learning processes while the MNC benefits from that learning. Thus, the subsidiary managers are unlikely to develop such learning processes, leading to a misalignment that rational subsidiary management will resist creating an implementation gap.

Another reason that dynamic capabilities may fail within MNCs is due to the concept of core capabilities becoming core rigidities (Leonard-Barton, 1992). Dynamic capabilities literature recognized that the capabilities which enabled a company to create its initial successes may also be the reason that it cannot make new and strategic changes within the organization. For instance, an MNC implementing strategy that requires a significant departure from established ways of operating the risk is not only organizational inertia; it is active resistance generated by the accumulated expertise of managers and employees whose professional identity is tied to the practices the new strategy requires to abandon. Such resistance is a consequence of the expertise in those methods of the middle management of the subsidiaries.

Repenning and Sterman (2002) demonstrate empirically how these dynamics produce capability traps: their study of process improvement efforts shows that short-term pressure pushes managers towards priority fixes that preserve existing capability configurations instead of activities that would build new ones. The result is a self-confirming attribution error: when improvement efforts fail, managers attribute failure to the workers or the program rather than to structural pressure that prevented genuine investment in improvement. In the MNC context this trap is especially long-lasting since the structural pressure operates across multiple levels at the same time. HQ imposes performance targets that prevent subsidiaries from investing in capability improvement while subsidiaries manage to targets in ways that prevent regional management from seeing the underlying capability deficit. The system sustains itself through attributions that place responsibility elsewhere.

The RBV and dynamic capabilities perspective therefore offers a coherent and empirically grounded account of capability gaps in the MNC. It explains why resource possession does not guarantee strategic execution, why reconfiguration capacity matters in dynamic environments, why capability maturity is unevenly distributed across the subsidiary portfolio, and why organizations systematically fail to invest in learning that would allow them to escape capability traps. Grøgaard, Colman, and Stensaker (2020) confirm in specifically a MNE context that new strategic initiatives fail when legacy structures and managerial capability deficiencies block the sensing, seizing, and reconfiguring that dynamic capabilities theory stands for.

The critical limit of the RBV and dynamic capabilities tradition is significant: this perspective treats the firm as a system that processes strategic demands and deploys resources in response. It says very little about how strategy is understood: how managers at different levels of the organization interpret strategic mandates, what meanings they attach to implementation requirements, and how those interpretations shape what gets done. The capability to execute does not equal the willingness to execute, and the willingness to execute is not equal to a shared understanding of what execution requires. These interpretative and motivational dimensions of the implementation gap are largely invisible to the RBV and dynamic capabilities tradition and their explanation requires the theoretical lenses introduced in chapters 3.2 and 3.3.

3.2 Institutional theory

In contrast to the Resource-Based View and the dynamic capabilities theory, institutional theory begins with a different premise asking what a firm must appear to do to maintain legitimacy within the social environment in which it operates. DiMaggio and Powell (1983) explain that the various organizations within a field or industry have structural similarities, despite the performance differences between those organizations. These similarities that form between the organizations are created due to three types of institutional pressures: coercive, normative, and mimetic. Coercive pressures come from regulatory requirements and the expectations of powerful stakeholders. Normative pressures come from professionalization and the diffusion of best practices across the

industry networks and management education. Mimetic pressures derive from uncertainty: when organizations do not know what to do, they copy those who appear successful. The cumulative effect of these pressures exhibits in the tendency of organizations in the same industry to converge on similar structures and practices over time.

In relation to strategy implementation in MNCs, institutional theory can help to explain why the subsidiaries adopt the practices that are mandated by HQ only ceremonially. As Scott (1995) explains, the practices that are mandated of subsidiaries by an MNC may fall into each of these three categories of institutional theory. Thus, subsidiaries are positioned at the intersection of two institutional environments: the institutional field defined by HQ and the parent country, and the institutional field of the host country. These two environments impose different and often contradictory demands and subsidiaries must navigate both simultaneously.

Kostova and Roth (2002) define this condition as institutional duality, and this concept shows how institutional theory becomes directly explanatory for strategy implementation gaps. Their study of the adoption of organizational practices by MNC subsidiaries shows that the degree to which a practice is genuinely internalized depends on the compatibility of the practice with host country institutional environment and the quality of the relationship between HQ and subsidiary. When there are significant differences in institutional environments, subsidiaries adopt practices ceremonially. They implement the formal requirements of the mandate while continuing to operate according to local logics that the mandate was meant to replace. This ceremonial adoption is not passive resistance, rather it is a rational response to genuine institutional contradiction. The subsidiary that performs compliance while preserving local practice is managing the institutional pressures it faces.

Oliver (1991) expands upon this aspect of institutional theory by explaining that organizational response to institutional pressure is not binary (compliance or resistance) but span a spectrum from passive acquiescence through active compromise and avoidance to outright defiance and manipulation. This typology is analytically powerful in the MNC context because it maps onto the different gap mechanisms visible at different levels of the organization. Ceremonial adoption, Oliver's acquiescence with surface-level

compliance, appears primarily at the subsidiary level and in the alignment gap cells of the multi-level framework. Active avoidance and defiance which Oliver shows emerge when institutional pressures threaten organizational identity and autonomy, appear in the commitment gap cells, particularly when HQ mandates are perceived as illegitimate by subsidiaries with strong local identities or high-status positions in the host country field or industry.

Nohria and Ghoshal (1994) add a further dimension in their research by demonstrating that formal control mechanisms alone cannot produce genuine alignment between HQ intent and subsidiary behavior. Their study of headquarters-subsidiary relations shows a normative integration where the development of shared values, a common understanding of organizational purpose, and a sense of mutual obligation is necessary for the kind of substantive implementation that formal systems do not incentivize. If shared values are absent, formal controls produce the ceremonial adoption that Kostova and Roth describe - subsidiaries learn to satisfy the measurement system without changing the underlying practices those systems were meant to affect. This insight has direct implications for the alignment gap in the multi-level framework: illusory alignment, where KPI compliance masks genuine divergence, is not a failure of measurement system design only. It is a predictable consequence of normative integration failure.

Kostova and Zaheer (1999) extend the legitimacy argument to the MNC, showing that an MNC must be legitimate in various institutional environments simultaneously. Thus, the relationship of each level of the MNC creates an environment in which each level must exhibit different types and degrees of legitimacy. This legitimacy requirement manifests itself at each level of the MNC but in ways that are not visible between the layers. The critical limit of the institutional theory is that it explains why organizations appear to comply to the formal mandates of MNCs yet fail to implement the strategies that are mandated. This behavior is a core mechanism of the alignment gap. It does not explain why individual actors within the organizations diverge from the intended strategy. That explanation requires the micro-level perspective introduced in the next chapter.

3.3 Sensemaking and the micro-foundations of strategy

The last theory this thesis reviews is the sensemaking perspective which begins where institutional theory stops. The sensemaking theory explains the reasons why subsidiaries may not understand the strategies mandated by HQ. Strategic mandates do not arrive at different levels of the organization carrying fixed meanings that recipients simply decode. The mandates are interpreted by middle management through the lens of their existing knowledge, their role identities, their relationships with colleagues, and their understanding of the organizational context. The meaning of a strategic mandate therefore constructed through the sensemaking process of the people who receive it.

Balogun and Johnson (2004) researched the sense-making activities of middle management during strategic change. Their findings show that middle managers do not passively receive the strategies, instead they actively reconstruct strategic messages through informal lateral communication with peers, and that the interpretations they arrive at frequently diverge significantly from what senior management intended. Subsequently, Balogun and Johnson (2005) found that the unintended outcomes that emerged (and that senior managers typically attribute to implementation failures by lower-level employees) are in fact the predictable result of the sensemaking process. The gap between intended and realized strategy is a structural consequence of the distributed and socially mediated nature of strategic interpretation.

Balogun (2006) uses these findings to construct a model of strategic change, showing how the gap between intended and enacted strategy emerges and widens through iterative cycles of sensemaking activity. The model highlights that middle managers are simply not caught between HQ intent and local practice. They are actively constructing the local practice that eventually becomes what the strategy is. In the MNC context, this process flows across multiple organizational levels and across significant geographic, cultural, and institutional distances, where each level introduces its own interpretative layer and each layer changes the original intent.

Wooldridge and Floyd (1990) examined the role of middle management's in strategy implementation showing that middle managers occupy a championing, synthesizing, facilitating, or implementing role depending on their position in the organization and the

strategic context. The role a middle manager adopts in practice shapes what the strategy becomes in their part of the organization. Floyd and Wooldridge (1997) demonstrate empirically that this role adoption has measurable consequences for organizational performance. Therefore, middle management involvement in strategy is not a concern visible in a footnote but rather a determinant of whether strategic intent becomes strategic reality. Despite the impact that middle managers have upon strategic implementation within an organization, literature depicting this importance is relatively scarce compared to the literature that exists on the topic of RBV and institutional theory.

Mantere (2008) adds the role of identity dimension that connects individual sensemaking to structural position. His study shows that middle managers interpret strategic mandates through a lens of their role expectations; what they believe they are supposed to do, what they believe is appropriate for managers on their level and function, and what they believe their organization values and rewards. When strategic mandates are consistent with those role expectations, middle managers enact them willingly and effectively. But when mandates are not aligned to their role expectations, say they require behaviors that feel inappropriate, demeaning, or inconsistent with their professional identity, the result is a subtle reinterpretation of the mandate that preserves role consistency at the cost of strategic alignment.

Rouleau and Balogun (2011) researched the concept of discursive competence, the ability to perform and translate strategy through specific conversational and narrative practices, among middle managers. They conclude that the effectiveness of this sensemaking is shaped by the manager's position in organizational networks, not merely their formal authority.

The limits of the sensemaking perspective of strategic implementation are the mirror image of its strengths. While the perspective focuses on individual and group interpretations of enacting strategic mandates, it highlights the interpretation and commitment gaps that neither RBV nor institutional theory explains. The focus on interpretation by middle management does not examine the structural conditions that constrain the sensemaking process and shape the range of interpretations that are available to any given actor. The middle manager that is constructing the strategic mandate is not acting

in a vacuum within their organization; they are acting within the constraints of resources, institutional pressures, and capability deficits that the two other frameworks describe. To provide a complete understanding of the implementation of a company's strategy, all three of these lenses upon the strategy implementation process are required.

3.4 Synthesis: Why is no single framework sufficient

Each of the theoretical frameworks examined in this chapter investigates a different level within the company and explains different reasons why there is a gap between intended strategy and enacted strategy. The resource-Based View and dynamic capabilities perspective explains why firms that possess the resources and capabilities required for strategy execution still fail to deploy them effectively. This is the capability gap that emerges from rigid routines, myopic learning, and the structural pressures of MNC governance. Institutional theory explains why subsidiaries adopt strategies ceremonially rather than substantively. These are the alignment and commitment gaps that emerge from institutional duality, legitimacy pressure, and the absence of normative integration. The sense-making perspective explains why strategic intent diverges from strategic reality at the level of individual interpretation and collective meaning-making. These are the interpretation and commitment gaps that emerge from the distributed, socially mediated, and role-constrained nature of strategic sensemaking in large organizations. The claim of this thesis is that the three frameworks are individually insufficient because they address different levels of the same phenomenon without connecting them. The RBV explains capability gaps but cannot account for why managers with adequate capabilities still misinterpret strategic mandates. Institutional theory explains why subsidiaries decouple formally from HQ intent but cannot account for the micro-level meaning-reconstruction through which decoupling is enacted. The sensemaking perspective explains how individuals construct strategic meaning but cannot account for structural capability constraints and institutional pressures that shape the range of interpretations available to them.

No single theoretical framework examines and covers all of the gap mechanisms. Hence, the synthesis of each of these theories to provide a complete understanding of strategy implementation gaps must be conducted and is presented in chapter four.

4 Findings: Sources of strategy implementation gaps

The primary finding of this thesis is a conceptual framework that maps the various sources of strategy implementation gaps of MNCs. Table 6 presents that framework. Each row in the table represents one of the four levels within the organization at which the implementation gaps are found. Each column represents one of the six types of gaps identified in the strategy implementation.

The twenty-four findings represented in the table do not represent twenty-four different phenomena within the organization. Instead, they are manifestations of the same challenge that exists in strategy implementation. What the matrix reveals is that this challenge operates differently at each organizational level and through different mechanisms depending on the type of gap. Understanding these different manifestations of the challenge is the first step in understanding why strategy intended often fails to be enacted as such. The problem is that generic strategies often do not account for the different ways in which the challenge manifests at different levels of the organization and in relation to the other types of implementation gaps. Understanding this differentiation is the prerequisite for understanding why generic prescriptions for strategy implementation so frequently fail in MNC context. It is because they typically address one level and one gap type only.

For each of the levels in the model, the six types of implementation gaps will be examined based on the analytical sample gathered through the systematic search and theoretical sampling process documented in chapter two. Finally, in the conclusion of this chapter, the findings will be discussed in their relation to one another through cross-level synthesis. The synthesis identifies the structural patterns visible across the full matrix and develops the thesis argument about which gaps are most systematically underweighted in the existing literature.

Table 6. Multi-level framework of Strategy Implementation Gaps in Multinational Corporations

Gap Level	Interpretation Strategic intent diverges as it cascades downward	Alignment Formal systems fail to translate intent into action	Capability Required competencies absent or unevenly distributed	Commitment Motivation and buy-in fail to materialise	Coordination Cross-unit execution breaks down at interfaces	Measurement and Feedback Learning signals absent, gaps go undetected/uncorrected
HQ / Corporate Centre	Strategy ambiguity and conflicting priorities Unclear directives prevent coherent cascade; cognitive schema of HQ leadership diverges from operational reality	KPI mis-design, illusory alignment, shared values failure Formal controls signal compliance while masking divergence; normative integration through shared values neglected	Core rigidities, sensing failure, learning myopia Exploiting current strengths crowds out new capability investment; myopic focus on performance traps HQ in existing competence base	Top-team conflict and change fatigue Low leadership credibility; insufficient guiding coalition; repetitive change mandates erode willingness	Matrix conflicts and misaligned planning cycles Structural complexity deadlocks execution; formal and informal coordination mechanisms poorly balanced	Absent strategic learning loops HQ cannot detect implementation failure; inability to learn is a silent killer; feedback signals are aggregated to the point of uselessness
Regional / Divisional	Translation loss, portfolio trade-offs Regional filters reframe global intent; cultural distance at regional boundaries compounds ambiguity	Competing priorities, resource allocation conflict Horizontal silos fight for resources; commitments made but not kept across units	Uneven capability maturity, learning myopia Capability heterogeneity reinforced by myopic exploitation; regions that fall behind rarely close the gap without structural intervention	Inertia, internal coalition politics Resource-commitment inertia; internal ecology of strategy resists reallocation across regions	Cross-border handoffs, process fragmentation Discontinuities at regional boundaries; coordination mechanism evolution stalls under implementation pressure	Degraded performance signals, learning inertia Regional aggregation obscures subsidiary-level failures; deliberate learning mechanisms absent or poorly designed
Subsidiary / Local unit	Local sense-making, institutional distance Host-country institutions provide competing interpretive frame; cultural schema diverges from HQ cognitive model of strategy	Ceremonial adoption, decoupling, active avoidance Subsidiaries respond across a spectrum (passive ceremonial compliance to active avoidance and defiance) depending on legitimacy pressure	Capability traps, absorptive capacity limits Improvement efforts crowd out capability building; skills and infrastructure constrain value transfer from HQ	Resistance spectrum: identity threat to active defiance Resistance ranges from acquiescence through compromise to manipulation; triggered by identity threat, legitimacy pressure, and autonomy loss	Knowledge-transfer friction, interdependence failure Tacit knowledge does not travel; structural interdependencies break down under implementation pressure	Double-loop learning failure, internalization signal absence Subsidiaries lack feedback on whether adopted practices are genuinely internalised or merely performed; double-loop correction mechanism absent
Middle management & Interfaces	Meaning reconstruction through role identity and message distortion Managers filter strategy through role expectations; championing and synthesising roles introduce systematic drift across levels	Incentive conflicts and role overload Misaligned incentives and management style block vertical transmission; bandwidth constraints prevent follow-through	Managerial bandwidth and routine deficits Implementation requires routines and bandwidth that middle managers systematically lack under current strategy demands	Strategic agency: from issue selling to cynicism Middle managers move between enabled agency and disengaged cynicism; role clarity and organisational support determine which prevails	Boundary spanning failure and interface breakdown Improvement initiatives stall at unit boundaries; middle managers trapped in improvement paradoxes across interfaces	Upward signal distortion and absent sensemaking feedback Middle managers receive no signal on whether their interpretation matches HQ intent; upward influence channels distort rather than transmit accurate implementation status

4.1 HQ/Corporate center level

At the highest level of the MNC, the corporate headquarters, it was expected that there are few implementation gaps present. After all, it is at this level in the MNC where strategy is being formulated and communicated to the rest of the organization. A review of the literature, however, suggests otherwise.

Interpretation gap. Beer and Eisenstadt (2000) identify that one of the first and foremost silent killers of strategy implementation is the unclear and often conflicting strategy that is sent down from HQ. In their analysis of organizations that constantly failed to execute their intended strategies, they find that HQ leadership teams routinely produced strategic mandates that were unclear enough to allow for contradictory interpretations leading to divergent strategies to be deployed by the levels below. This form of ambiguity preserved consensus at the top, while generating confusion below. The ambiguity is not accidental rather it is often the price for consensus. Bartlett and Ghoshal (1989) attribute this dynamic to the structural complexity of the transnational corporation, whose needs cannot be resolved by strategic language alone. Sull, Homkes, and Sull (2015) confirm in a large-scale study of strategy execution failures that the single most common source of execution breakdown is not strategic incompetence at lower level of the organization but the failure of senior leadership to make sufficiently clear and binding commitments about strategic priorities at the top.

Alignment gap. Another silent killer of strategy implementation are the formal systems that the MNC utilizes to translate strategy into action. Examples of such formal systems include performance measurement (Kaplan and Norton 1996, 2008), corporate budgeting systems, and organizational reporting systems. The balanced scorecard and the strategy execution premium framework developed by Kaplan and Norton (1996,2008) argue that without such formal systems there is no way of ensuring that the intended strategy from HQ becomes effectively implemented throughout the organization. Their frameworks represent the most influential attempt in the management literature to close the HQ-level alignment gap through formal mechanism design. The efforts of other researchers, however, have found that these formal systems are not guaranteed to lead to the alignment of subsidiaries with the intended strategy. Neilson, Martin, and Powers (2008)

identify illusory alignment: conditions in which reported compliance to strategic objectives masks divergence between stated and enacted strategy. They find in a study of over one thousand organizations that decision rights and information flow rather than motivational structures are the primary determinants of execution quality. And that the most common failure mode is a situation in which people throughout the organization technically perform against their stated objectives while strategically acting in ways that undermine them. Nohria and Ghoshal (1994) provide the theoretical explanation for why such control mechanisms will not provide any alignment without the foundations of shared values. By using control mechanisms to align the subsidiary with the HQ without the foundation of normative integration, the two entities will not be aligned.

Capability gap. The capability gap at HQ level manifests primarily as a sensing and re-configuration failure. This is HQ leadership's lack of capabilities to understand what capabilities are required of its subsidiaries to implement HQ mandated strategy. Teece, Pisano, and Shuen (1997) state that sensing, seizing, and reconfiguring is a dynamic capability that must be cultivated. While Leonard-Barton (1992) shows that the historical strengths of HQ can translate into strategic rigidity meaning that organization is constrained in its ability to develop new capabilities that future strategies requires. Furthermore, Levinthal and March (1993) show that there is a tendency for HQ to exhibit myopia regards to learning, as it favors exploiting current capabilities over exploring new ones. This produces an organizational bias toward the familiar which is rational in the short-term and strategically constricting in the long run.

Commitment gap. Beer and Eisenstadt (2000) identify top-team conflict and the inability of senior leadership teams to engage honestly in performance problems as the second major silent killer of strategy implementation. Where HQ leadership is divided in that individual leadership team members have divergent opinions on strategic priorities, conflicting functional allegiances are present, or private commitments to initiatives that compete with the stated strategy, the resulting confusion cascades down the organizational levels in a way that undermines commitment at every level below. Kotter (2007) identifies the absence of sufficiently powerful guiding coalition as the primary reason that transformation efforts fail. Without a critical mass of leadership genuinely

committed to the strategy organization's default inertia (the accumulated weight of existing systems, structures, and behaviors) will overwhelm the change effort. Sull, Homkes, and Sull (2015) extend this argument by showing that commitment failures are typically not motivational but structural. Managers throughout the organization are often genuinely committed to the strategy but face a system of competing priorities, resource constraints, and accountability structures that make acting on that commitment impossible.

Coordination gap. Bartlett and Ghoshal (1989) identify the coordination problem as one of the defining structural problems of the transnational corporation. Their analysis of the matrix structures that emerged in global firms during the 1980s and 1990s shows that attempts to manage competing demands of global integration and local responsiveness through formal structural solutions were more costly than the originally thought benefits. Martinez and Jarillo (1989) trace the evolution of coordination research in the MNC literature, identifying a progressive shift from formal structural mechanisms toward more informal and subtle coordination models. These lateral relationships and socialization processes were indicators to scholars that formal structures alone were insufficient for the coordination challenges of complex MNCs. Doz and Kosonen (2010) also connect this problem to the problem of strategic agility. Specifically, when the strategic priorities of an organization change rapidly in response to environmental change, the planning cycles, budgeting processes, and governance mechanics through which HQ coordinates the organizational levels below often become too slow, too rigid, and too politically motivated to enable the level of strategic agility that is required.

Measurement and feedback gap. This gap at the HQ level represents perhaps the most structurally invisible of the six gap types precisely because it concerns what the HQ does not know about the implementation of its strategies. Beer and Eisenstadt (2000) identify the inability of an organization to learn as a silent killer. This is because the organizations HQ is unable to implement strategies due to the information systems' failure to recognize what strategies are being enacted by the lower levels as compared to those that are stated. The balanced scorecard framework created by Kaplan and Norton (2008) aims to overcome this issue. Reppenning and Sterman (2002) show that structural pressures stop organizations from acting on formal feedback mechanisms. The pressures that generate

capability traps also generate attribution errors within the organization that prevent it from recognizing the feedback from its processes and systems as relating to its strategy implementation.

4.2 Regional and divisional level

The level of the organization that exists between the company's headquarters and its operating subsidiaries is typically referred to as the regional and divisional level. This level acts as a link between the strategy established by the company's headquarters and the subsidiaries, making decisions regarding the allocation of resources to these subsidiaries, and providing governance and oversight of their operations. Despite its critical position within the company's structure, the regional and divisional level is the least theorized level with the analysis of MNCs. Most of the existing literature on the implementation of strategic plans within MNCs focuses on the relationship between the HQ and its subsidiaries, or the relationship among the subsidiaries themselves. This analytical gap in the literature is informative: it suggests that the mechanisms through which implementation gaps emerge and compound at the regional level are not yet fully understood.

Interpretation gap. As described by Bartlett and Ghoshal (1989), the strategy that is established by the company's headquarters is inevitably translated into a different language by the regional managers. These managers are familiar with the conditions of the local markets in which they intend to operate and, as such, necessarily adapt the strategy established by the company's headquarters to suit the local markets and their conditions. These adaptations inevitably result in a gap between intended strategy and enacted strategy. Doz and Kosonen (2010) explain that this process typically occurs within the context of regional management structures that were established in the context of an older strategic plan for the organization, and which are, consequently, out of sync with the HQ's new direction.

Alignment gap. The second gap that exists at the regional level is the alignment gap. Sull et al. (2015) found that there is a "silo" problem with many organizations, wherein the various business units that comprise the organization do not act in coordination with

each other. At the regional level, subsidiaries compete for limited regional investment instead of following a unified regional plan. Nohria and Ghoshal (1994) show that the subsidiaries do not share a set of values within the organization that would lead them to act in coordination with each other; which is why they appear to comply with the strategy and governance structure established, but do not commit to the strategy that is implemented.

Capability gap. The third gap at the regional level is the capability gap. Helfat and Peteraf (2003) have shown that the diversity of capabilities among these various units within an organization is a feature of the competitive environment in which they exist. In the regional context, these different capability levels mean that subsidiaries develop capabilities at different rates because of their histories, local markets, and investment paths. This system is more complex than models that assume uniform capabilities. Zollo and Winter (2002) show, for instance, that enabling all subsidiaries to commit resources to strategy implementation is a process that takes time and resources, and one that the regional managers do not typically provide. Additionally, Levinthal and March (1993) show that learning myopia biases investment toward stronger, reinforcing heterogeneity.

Commitment gap. Burgelman (1991) shows that there are commitments of resources within the various entities that comprise an organization, and that those commitments can limit the organization's commitments to other entities within that company. Burgelman refers to this concept at the regional level as relative inertia. This is the tendency of established regional structures and management teams to preserve the strategic arrangements that gave rise to them. Sull, Homkes, and Sull (2015) have documented this commitment gap in their research, finding that the most common failures in meeting strategic plans at the middle and senior management levels are not a lack of commitment to the company's strategy, but that the structure of their commitments prevents them from meeting those strategic plans. Regional managers are accountable to headquarters for strategic alignment and to subsidiary managers for operational performance, and they face a structural commitment conflict that no amount of motivational ambition can resolve.

Coordination gap. Meyer, Li, and Schotter (2020) identify the management of MNC subsidiaries as a multi-level and dynamic challenge that has been insufficiently theorized in the international business literature. They note that the mechanism through which HQ strategies are transmitted through regional structures to subsidiary operations remain poorly understood. Additionally, Šilenskytė, Kohtamäki, and Dhanaraj (2022) have conducted research that confirms the coordination gap between the company's headquarters, regional offices, and subsidiaries. Furthermore, Martinez and Jarillo (1989) note that the various coordination mechanisms developed by MNCs over time have moved toward informal coordination among managers and subsidiaries precisely because formal mechanisms proved insufficient for the coordination demands of complex multi-level organizations.

Measurement and feedback gap. The measurement of the performance of subsidiaries at the regional level is a process that is invisible to both the company's headquarters and the subsidiaries. From HQ's view, regional reporting masks weak subsidiaries; from subsidiaries view, reporting consumes managers' time without producing useful performance signals. Additionally, Zollo and Winter (2002) establish that the deliberate learning of the regions' management teams requires that those same management teams incorporate knowledge of their strategies and performance into their management process. Repping and Sterman (2002) show that the same management capability traps that exist within firms at the firm level also exist at the regional level.

4.3 Subsidiary and local unit level

The subsidiary level of MNCs is the level where the strategy formed and determined from the perspective of the multinational corporation's home office must be implemented. It is also the level that receives the most theoretical attention within the international business literature. Furthermore, the mechanisms relating to institutional theory can be seen most readily within the context of the subsidiary level of MNCs. Subsidiaries exhibit characteristics that exist simultaneously within the parent multinational corporation's global organization and within the country in which that subsidiary is

established. These two environments create implementation gaps within the subsidiary that are unparallel to the other levels of the MNC.

Interpretation gap. One of the first gaps documented within the subsidiary level is the interpretation of the strategy mandated for the subsidiary from the MNC's home office. Kostova and Roth (2002) have shown that the interpretation of that strategy depends on the distance between the country of the MNC's home office and the country in which the subsidiary is established. The distance between these two locations will impact the subsidiary's interpretation of the MNC strategy; it is likely that the subsidiary will interpret the strategy through the lens of its local institutions and regulations. Furthermore, Balogun and Johnson (2004) show that the sensemaking process within the subsidiary to interpret the strategy from the MNC's home office is not through the formal communications channels created by the MNC, but through the informal communications channels that exist between the subsidiary's middle managers and team members.

Alignment gap. Within the institutional theory literature relating to MNCs, the most dominantly discussed gap at the subsidiary level is the alignment gap. Kostova and Roth (2002) have determined that subsidiaries adopt the practices mandated by the MNC through one of two processes. The first is internalization, in which the practices are incorporated into the subsidiary's way of performing its tasks and are recognized as valuable by the. The second is ceremonial adoption; this occurs when the subsidiary adopts the practice required by the MNC but does not recognize its underlying values, continuing to perform its tasks as before. These two processes arise from the subsidiary's experience with duality within the MNC and the subsidiary's response to that duality. For instance, Oliver (1991) notes that subsidiaries may respond to mandates from the MNC through acquiescence, compromise, avoidance, defiance, and even intentional manipulation of the institutions within which they exist. Other authors, such as Ghoshal and Bartlett (1990), indicate that subsidiaries will have relationships with the MNC that allow them to perform their tasks better; alignment with the MNC is stronger if the subsidiary does not have to change its way of performing tasks in response to the MNC's strategy. Durand and Jacqueminet (2015) demonstrated that subsidiary managers are also

influenced by practice established by other subsidiaries within the same multinational corporation.

Capability gap. Furthermore, within the subsidiary level, another gap concerns the subsidiary's capabilities. Repenning and Sterman (2002) identify two mechanisms that lead to the inability to implement strategies mandated by the MNC. First is the capability trap which arises because subsidiary managers and their organization focus on throughput rather than capability development. The second is the attribution error: managers blame a lack of motivation rather than a lack of capability. Kostova and Roth (2002) also state that a subsidiary may have a gap in absorptive capacity: the subsidiary may not have the ability to benefit from the capabilities provided by the MNC and its other subsidiaries. Such a capacity is most difficult for the MNC to develop within its subsidiaries, yet most needed by them. Eisenhardt and Martin (2000) show that dynamic capabilities are fragile and context-dependent, and that transferring a dynamic capability from one organizational context to another (which is what HQ attempts when it mandates a practice develop elsewhere in the organization) frequently fails because the capability is embedded in the specific context in which it was developed.

Commitment gap. The commitment gap at subsidiary level is driven primarily by legitimacy dynamics that neither the RBV nor standard implementation research fully account for. Kostova and Zaheer (1999) show that MNC subsidiaries face the distinctive legitimacy challenge of simultaneously maintaining legitimacy within the HQ-defined global organization and within the host country institutional field. These two demands often cause tension in the subsidiary. When an HQ mandate requires the subsidiary to adopt practices inconsistent with host country norms, the rational response is strategic non-compliance. This behavior is identified by Oliver (1991) as avoidance or defiance not ceremonial adoption that Kostova and Roth (2002) describe. Balogun and Johnson (2005) demonstrate that the commitment gap at subsidiary level also has an identity dimension: when strategic change threatens the professional identity of subsidiary managers, the result is reinterpretation of the mandate to preserve identity coherence at the cost of strategic fidelity.

Coordination gap. The coordination gap at the subsidiary level reflects the tension between the subsidiary's need for local operational coherence and the MNCs need for cross-unit coordination. Kostova and Roth (2002) show that the relational context, such as the quality of social exchange relationships and the degree of subsidiary identification with the broader organization, between HQ and subsidiary is a critical determinant of whether cross-unit coordination occurs willingly or instrumentally. Ghoshal and Bartlett (1990) establish that the MNCs effectiveness as an interorganizational network depends on the quality and density of lateral relationships between units. Therefore, management must cultivate these cross-unit relationships through socialization and knowledge sharing. Grøgaard, Colman and Stensaker (2020) demonstrate in a contemporary MNE context that legacy structures and existing capabilities were built for a previous strategy and now block the cross-unit integration the new strategy requires.

Measurement and feedback gap. The measurement and feedback gap at subsidiaries has two distinct failure modes. First, subsidiaries often fail to report real implementation problems back to headquarters. Quiet results arise from institutional pressures, commitment dynamics, and coordination failures described in the previous gaps. Subsidiaries that have learned to manage HQ expectations through ceremonial compliance have no incentive to provide accurate feedback about the gap between formal compliance and genuine implementation. Second, the subsidiary does not learn whether implementation methods deliver the intended results. Repenning and Sterman (2002) show that the capability trap persists because accurate feedback is suppressed. If managers received real signals that they were making wrong decisions, the trap would be visible and breakable. The measurement and feedback gap is therefore not a side effect; it is the mechanism that hides other gaps.

4.4 Middle management and interfaces

Middle managers hold the trickiest role in the MNC strategy implementation process. They often have two bosses as they simultaneously receive strategic mandates from above and act as agents of strategic implementation below. They translate, interpret, filter, supplement, and resist. This happens often simultaneously and in ways that are

invisible to both senior management and themselves. The existing strategy implementation literature recognizes the central role of middle management to implementation outcomes, but the MNC-specific dimensions of the middle management role have received less systematic attention than the general organizational dynamics.

Interpretation gap. The interpretation gap at the middle management level is the most thoroughly documented mechanism in the empirical strategy implementation literature. Balogun and Johnson (2004) show that middle managers do not transmit strategic mandates downward – they reconstruct them. Through a study of middle manager behavior during strategic restructuring, they show that the primary medium of strategic interpretation is not the formal communication channels through which mandates arrive but the informal lateral conversations through which middle managers make sense of the mandate with their peers. The interpretations that emerge from these conversations are processed through middle managers' local knowledge, experience, and functional perspective. Balogun (2006) develops this phenomena into a process model that shows how intended strategies are progressively transformed through iterative sensemaking cycles and produce enacted strategies that may differ significantly from what senior management has designed. Rouleau and Balogun (2011) further explain that effective strategic sensemaking at the middle management level depends on discursive competence, and that this competence is unevenly distributed across middle managers. This creates systematic variance in interpretation quality that formal training programs cannot easily address. Mantere (2008) adds the role identity dimension, showing that middle managers interpret strategic mandates through the lens of their role expectations; that is, they interpret mandates in ways that fit how they believe their roles should be carried out. Wooldridge and Floyd (1990) show that middle managers serve four strategic roles - champions, synthesizers, facilitators, and implementers - and the role a manager plays shapes the interpretation they produce and the strategic reality they create.

Alignment gap. The alignment gap at middle management level stems from incentive structure, role overload, and management style. Beer and Eisenstadt (2000) identify inadequate down-the-line-leadership, i.e. the failure of middle managers to translate the strategic intent into the specific behavioral requirements of their direct reports, as the

third silent killer of strategy implementation. This failure is not driven by lack of motivation; middle managers lack situational leadership themselves in a time when they simultaneously handle operations, cost, and people. Neilson, Martin, and Powers (2008) confirm that misaligned incentives and unclear decision rights at the middle management level are the primary mechanism for execution failures. This is not because middle managers are unwilling to act strategically, but because the formal systems that they operate within make strategic behavior costly and operationally compliant behavior individually rewarding. Wooldridge and Floyd (1990) note that the alignment gap at middle management level is also a communication gap: the formal channels through which middle managers receive strategic direction are frequently insufficient to convey the specificity and nuance that effective translation requires.

Capability gap. Hrebiniak (2005, 2006) identifies an important capability gap: middle managers often lack implementation skills and execution routines. His analysis shows that the strategic planning processes of most organizations systematically under-invest in developing middle managers' implementation capabilities. Organizations are self-defeating because this results in a gap between intended strategy and the competencies of those assigned to implement it. Beer and Eisenstadt (2000) connect this to the bandwidth problem: middle managers who lack the specific strategy implementation capabilities are disproportionately affected by role overload and cannot compensate through efficiency like more capable peers do. The result is a double capability deficit: insufficient implementation skill and insufficient time and investment from above to develop those skills. The aforementioned factors makes effective strategic action structurally impossible.

Commitment gap. The commitment gap at middle management level has two manifestations that the literature treats separately but that are closely related in practice. The first is active disengagement or strategic cynicism, as Wooldridge and Floyd (1990) document, by middle managers who believe that the organization's strategic commitments and strategic initiatives are artificial, and that investment in strategic implementation will not be recognized or rewarded. The second is the motivated interpretation that Mantere (2008) documents. It is not disengagement but a reframing of the strategic

mandate to fit their role and local context. Both responses produce implementation gaps which can be cured by restoring trust through authentic leadership commitment by clearly explaining which behaviors managers should use and how they fit their professional identity. Floyd and Wooldridge (1997) empirically show that middle management involvement in strategy formulation is a significant predictor of organizational performance; organizations that engage middle managers as strategic agents rather than implementation instruments consistently outperform those that do not. Guth and MacMillan (1986) demonstrate the commitment gap mechanism showing that middle managers who perceive that a strategy threatens their personal goals will redirect strategic initiatives to serve their interest. This can include changing the initiative's goals, reducing its priority, or allowing it to fail, regardless of formal commitment to the strategy. Neilson, Martin, and Powers (2008) confirm that understanding what motivates middle managers is a prerequisite for securing the genuine commitment to strategy execution.

Coordination gap. The coordination gap at middle management and interface level reflects the structural position of middle managers as boundary spanners. These organizational actors operate across functional, geographic, and hierarchical boundaries that formal structures struggle to manage. Balogun and Johnson (2004) show that the informal lateral networks serve as the main system for both strategic sensemaking and coordination. This dual function creates inherent tensions: middle managers use the same conversations for interpretation and implementation, which can produce errors and coordination failures. Repenning and Sterman (2002) demonstrate that the capability trap operates at the interface where no unit has the authority or incentive to shoulder coordination costs. The result is that implementation failures at organizational interfaces persist despite broad agreement that improvement is necessary.

Measurement and feedback gap. The measurement and feedback gap at the middle management level is produced by the same structural dynamics that generate the interpretation gap. Balogun and Johnson (2004) show that the informal sensemaking processes through which middle managers interpret strategic mandates provide no mechanism for calibrating those interpretations against senior management intent. The conversations through which middle managers construct their understanding of strategy are

lateral peer conversations, not upward dialogues with the strategy formulators whose intent the middle managers are trying to implement. The result is that interpretation differences go undetected until they lead to sizable strategic divergence. Wooldridge and Floyd (1990) identify the upward influence problem as follows: middle managers who possess accurate information about implementation obstacles and execution failures face significant career risks if they honestly convey that information upward. Therefore, they are systematically bias toward optimistic reporting and this further degrades the quality of strategic feedback that reaches senior management. This dynamics produces a feedback environment at the middle management level which affects both the interpretation gap and the execution gap and makes it structurally invisible to the upper organizational levels.

4.5 Cross-level patterns and the thesis argument

The twenty-four cells of the multi-level framework do not exist in isolation. The matrix as a whole reveals three cross-level structural patterns within the framework, each individually significant and collectively constituting the argument of this thesis.

Pattern one: The cascade and amplification of gaps. The implementation gaps do not appear independently of each other. They cascade downward and amplify through the organizational hierarchy. The interpretation gap that Beer and Eisenstadt (2000) document at the HQ level, the strategic ambiguity produced by conflicting priorities at the top, creates the conditions in which the regional translation gap documented by Bartlett and Ghoshal (1989) is most severe. These competing strategic priorities at the regional level created conditions in which Kostova and Roth's (2002) ceremonial adoption at the subsidiary level is most likely to occur. The ceremonial adoption at subsidiary level creates the context in which middle management cynicism documented by Wooldridge and Floyd (1990) and Guth and MacMillan (1986) is most rational. Thus, each gap reinforces the next, and each level creates conditions in which gaps at the next level are worse, more persistent, and less visible. This dynamic cascade explains a pattern widely observed in practice but rarely theorized: strategy implementation fails more quickly down the hierarchy.

Pattern two: The systematic underweighting of interpretation and commitment gaps at the subsidiary and middle management levels. The bulk of the strategy implementation literature addresses the alignment and capability gaps at the upper levels of the organization. The balanced scorecard (Kaplan & Norton, 1996, 2008), the execution premium model (Kaplan & Norton, 2008), and the execution discipline framework of Neilson, Martin, and Powers (2008) are all examples of literature that respond to the alignment and capability gaps at the top of organizational hierarchy. Additionally, Hrebiniak's (2005, 2006) efforts to describe what he considers the requirements for making a strategy work focus primarily upon the capability and alignment gaps at the top and upper-middle management levels. Even the silent killers framework by Beer and Eisenhardt's (2000) indicates that the focus at the middle management levels is on remedying the symptoms of implementation failures rather than their causes. The gaps at the subsidiary and middle management levels receive little prescriptive attention from the strategy implementation literature. For instance, Balogun and Johnson (2004, 2005) documented that middle managers of many organizations tend to exhibit systematic failures in the communication of strategies to other subordinates within their organizations. These failures in communication of strategy are typically caused by the different priorities of different departments within the organization. Furthermore, the identity-based resistance exhibited by middle managers as documented by Balogun and Johnson (2005) and Oliver (1991) indicates that the subsidiary and middle managers tend to have commitments to their subordinates that are in conflict with the requirements of the companies' strategy. Thus, these gaps at subsidiary and middle management levels can be addressed only through interventions that recognize these conflicts and realign the middle managers' commitments with those of the company's strategy.

Pattern three: The measurement and feedback gap as the mechanism of persistence.

This pattern is the most consequential for understanding why implementation gaps persist. The measurement and feedback gap is the mechanism by which other gaps persist. The silent killers described by Beer and Eisenstadt (2000) continue to exist in part because the organization suppresses the processes that would detect and fix them. The capability traps described by Repenning and Sterman (2002) are self-reinforcing

specifically because of the attribution errors they generate prevent accurate diagnosis of the structural problem. Ceremonial adoption of mandates described by Kostova and Roth (2002) persist in part because of the measurement systems HQ uses to monitor implementation; these systems are designed to detect formal compliance rather than genuine internalization. The interpretation differences documented by Balogun and Johnson (2004) persist because no mechanism makes this divergence visible and correctable.

Each of these patterns constitutes a component of the argument. Chapter five develops the implications of this argument further for management practice and for future research.

5 Discussion

The purpose of this thesis was to examine whether existing theoretical frameworks adequately explain strategy implementation gaps at MNCs and to explore what explanatory synthesis is currently missing from literature. In chapter three the author critically viewed three major theoretical perspectives contributing strategy implementation gaps. Chapter four captured the findings in a multi-level framework of twenty-four implementation gap mechanisms. The purpose of this chapter is to synthesize the findings through answering the central research question and the supporting research questions.

5.1 Answer to supporting research question 1 – What are the primary organizational, institutional, and micro-level mechanisms through which strategy implementation gaps emerge in MNCs?

Chapter four identifies six structural mechanism areas, which impact all four organizational levels studied, and that cause implementation gaps in MNCs. Ambiguity generated at the corporate center is the first mechanism; unclear strategic mandates from HQ level allow for contradictory interpretations which flow downward through the organization, compounding at the subsequent level making the gap mechanism more severe (Beer & Eisenstadt, 2000; Sull et al., 2015). The second mechanism is formal system failure due to measurement, governance, and reporting mechanisms designed to produce alignment between organizational levels, but exhibiting in ceremonial compliance at subsidiary level because they are not supported by normative integration and shared values (Kostova & Roth, 2002; Nohria & Ghoshal, 1994; Neilson et al., 2008). Third, structural pressures fueled by short-term performance demands prevent investment in capability improvement therefore disabling effective implementation. These also generate attribution errors that prevent accurate diagnosis of the structural problem (Repenning & Sterman, 2002; Levinthal & March, 1993; Leonard-Barton, 1992). The fourth mechanism is based on institutional duality. This mechanism describes how subsidiaries operating and embedded in host-country institutional environments different from the HQ

context face institutional contradictions that produce ceremonial adoption, active avoidance, and identity-based resistance irrespective of formal commitment to strategy (Kostova & Roth, 2002; Oliver, 1991; Kostova & Zaheer, 1999). The fifth mechanism describes the sensemaking process, where middle managers reconstruct strategic mandates through informal lateral sensemaking processes. These systematically diverge from senior management intent and result in compounded interpretation gaps due to absence of feedback mechanisms, through which divergence could be detected and corrected (Balogun & Johnson, 2004, 2005; Balogun, 2006; Mantere, 2008). In structural terms the most consequential sixth mechanism is measurement and feedback failure. Information systems and governance mechanisms monitoring strategy implementation are incapable of identifying and therefore correcting the divergence between stated and enacted strategy. This gap renders the remaining five invisible and self-perpetuating (Beer & Eisenstadt, 2000; Repenning & Sterman, 2002; Kaplan & Norton, 2008). As discussed earlier in chapter four this particular gap enables the durability of the five others: ceremonial adoption persists because only formal compliance rather than genuine internalization is detected, capability traps persist because attribution errors omit feedback making the structural problem visible, and interpretation divergence persists because of the lack of a mechanism that would show and correct the gap between stated and enacted strategy. Therefore, it can be stated that none of the six gap types are independent – they interact, cascade, and compound with the measurement and feedback gap functioning as the lock holding the entire system in place.

5.2 Answer to supporting research question 2 – How do the RBV, dynamic capabilities perspective, and institutional theory each explain (and fail to explain) strategy implementation gaps in the MNC context?

The RBV and dynamic capabilities perspective is most comprehensively explaining capability gaps. Core rigidities (Leonard-Barton, 1992), learning myopia (Levinthal & March, 1993), capability traps (Repenning & Sterman, 2002), and lifecycle heterogeneity across the subsidiary portfolio (Helfat & Peteraf, 2003) account for why firms possessing

resources and capabilities required for strategy execution still fail to deploy them effectively. Its explanatory limit is that it largely ignores the interpretative and institutional dimensions of implementation failure because it treats strategy implementation as a pure resource deployment problem. The RBV tradition only brushes the concepts of how strategic meaning is constructed across organizational levels.

Institutional theory is strong in explaining alignment and commitment gaps at the subsidiary level. It accounts for why formal compliance can coexist with substantive non-implementation through the mechanisms of institutional duality and ceremonial adoption (Kostova & Roth, 2002), legitimacy pressure (Kostova & Zaheer, 1999), and the spectrum of strategic responses to institutional demands (Oliver, 1991). Its explanatory limit is the ideology that institutional actors are carriers of institutional logic rather than individuals actively interpreting and reconstructing strategic mandates. It explains why subsidiaries decouple but fails to see the micro-level sensemaking processes through which decoupling is enacted or the role identity dynamics shaping individual managers' responses to institutional contradiction.

Lastly, the sensemaking and micro-foundations perspective is strongest in explaining interpretation and commitment gaps at middle management level. It explains why strategic intent diverges from strategic reality through the mechanism of distributed meaning reconstruction (Balogun & Johnson, 2004, 2005; Rouleau & Balogun, 2011), and why that divergence is shaped by role identity (Mantere, 2008). This is also induced by self-interest (Guth & MacMillan, 1986) and the structural position of middle managers in organizational networks (Wooldridge & Floyd, 1990; Floyd & Wooldridge, 1997). The explanatory limit is its focus on interpretative activity of individuals without adequately taking structural conditions into consideration. The sensemaking literature explains how meaning is constructed but relies on the other two frameworks to explain the conditions within which that construction occurs.

5.3 Answer to supporting research question 3 – Do existing theoretical frameworks adequately explain strategy implementation gaps at MNCs, and what integrated explanatory synthesis is currently missing?

The answer is yes, but partially. Common to academic research, the research questions in individual literature articles is very focused and specific. The integrated synthesis missing is a framework that maps the full range of implementation gap mechanisms across the full range of organizational levels, identifies the interaction effects between levels and mechanism types, and distinguishes between gaps that are addressable through formal interventions and gaps that are not. The synthesis from chapter four is the multi-level framework. It is the original contribution of this thesis. It does not replace the three theoretical frameworks that are used as its base, rather it organizes their contributions making visible the explanatory territory that none of them individually covers.

5.4 The underweighted quadrant: micro-level interpretation and commitment mechanisms

A consequential finding of this thesis is the distribution of prescriptive attention in the existing strategy implementation literature. Focus in prescriptive literature is on the upper-left area of the multi-level framework: HQ-level alignment and capability gaps. Simultaneously, the interpretation gaps at the subsidiary and middle management levels receive less attention. The strategy execution literature (Beer & Eisenstadt, 2000; Hrebiniak, 2005, 2006; Neilson et al., 2008; Sull et al., 2015) has developed primarily through executive surveys, large-scale quantitative studies, and consulting practice, reflecting the epistemological preferences of the research traditions dominating the strategy implementation field. The aforementioned instruments of research are all best suited to identifying formal system failures rather than micro-level interpretative dynamics by the very nature of their purpose. What these research approaches generate are administratively tangible and organizationally visible results, thus making them appealing to senior

leadership who partly commission and certainly consume implementation research. However, they are, as evidenced, consistently insufficient.

It is also indicated in evidence that the insufficiency is structural in nature. For example, the interpretation gap documented by Balogun and Johnson (2004, 2005) is not a communication quality problem resolved by clearer strategic messaging. It is the direct result of informal and social nature of the sensemaking process through which strategic meaning is constructed in large organizations. Producing better strategy documents, communication channels or investing in strategic alignment software does not change the process through which middle management make sense of those communications. Adding more formal communication does not reduce the need for informal construction.

Performance management cannot address the commitment gaps caused by identity-based resistance at the subsidiary level as documented by Balogun and Johnson (2005) or the self-interest dynamics introduced by Guth and MacMillan (1986). A performance management system that penalizes non-compliance does not address the structural conditions that make resistance rational. Subsidiary managers who face institutional contradiction do not resolve it by tighter accountability. Instead, they become better at managing appearances while preserving local practice (Kostova & Roth, 2002). Hence, organizations should not invest more in communication or performance management at the subsidiary and middle management levels. The investment should instead be made in the social and relational conditions of trust, shared identity, normative integration, and psychological safety. These conditions allow for divergent interpretations to surface and corrected. Organization design should treat middle managers as strategic agents who are engaged and informed and equipped with decision-making authority.

5.5 Practical implications

Chapters three and four contribute specific practical implications to MNC managers responsible for strategy implementation.

Implication 1: Design strategic communication to help people make sense of the strategy

Leaders design the strategy, share concise materials throughout the organization, and then check understanding. But strategic meaning is constructed through informal, lateral conversations (Balogun & Johnson, 2004) by middle managers of varied skills to perform and translate strategy (Rouleau & Balogun, 2011). Therefore, structured informal forums should replace the production of formal cascade materials. Organizations should invest in cross-functional dialogue, peer learning networks, and after-action reviews. These all make strategic interpretations visible and correctable before implementation divergence occurs. The architecture of strategy communications must be changed.

Implication 2: Audit formal alignment systems for ceremonial adoption risk before deployment

Rather than monitoring for compliance after deployment of strategic implementation, formal alignment systems should be audited before deployment. As evidenced by Kostova and Roth (2002) and Neilson, Martin, and Powers (2008), the balanced scorecard and execution premium (Kaplan & Norton, 1996, 2008) produce illusory alignment if normative integration is lacking. An audit should examine if the mandate is consistent with host-country norms and if measurement indicators capture genuine internalization. Durand and Jacqueminet (2015) add the dimension of peer subsidiary visibility to the audit – a form of social pressure typically not accounted for by HQ-managed performance systems.

Implication 3: manage implementation load as a strategic resource constraint

Beer and Eisenstadt (2000) identify management bandwidth as a structural constraint on implementation capacity and Hrebiniak (2005, 2006) states that the absence of appropriate implementation capability among middle managers is the primary obstacle to strategy implementation. Organizations consistently underestimate the implementation load on middle management. This load should not be absorbed by middle management as such, rather it should be viewed as a resource draw that must be managed. The total demand on middle management's time and attention should be factored as a binding constraint on strategic initiatives. Repenning and Sterman (2002) discuss releasing throughput pressure that prevents investment in improvement, and this model should be applied on middle management on strategic implementation initiatives as well.

Organizations should limit the number of simultaneous strategic initiatives to respect the bandwidth constraints of implementing managers.

Implication 4: Build upward feedback channels that make interpretation gaps visible

Among the gap types, the measurement and feedback gap can be most effectively addressed. The information exists, but it is embedded in informal conversations, local adaptations, and practical workarounds. Because most MNC governance environments do not provide psychological safety and honest inquiry, the investment is not technical but an investment in leadership behavior. When senior and regional management consistently demonstrate that accurate information on implementation challenges is received as valuable intelligence and not as middle management failure, the gaps become more visible and hence, correctable.

5.6 Limitations and future research

Seven limitations of this research design are acknowledged in chapter two and are summarized here in terms of their implications for the findings. There is a systematic Anglo-American bias in this research because of the English language restriction. Cultural differences and heritage play a particular role in the MNC context at the subsidiary and middle management levels, which is not accounted for due to the Anglo-American research material despite the MNC context. The qualitative meta-synthesis offers theoretical depth and coherence but sacrifices statistical generalizability. The research articles are collected from heterogeneous studies conducted in different organizational contexts and the findings are therefore not comparable. The multi-level framework integrates findings but does not show how often different gap types occur across MNCs or provide the predictive power of quantitative aggregation. Because one researcher made the screening and sampling decisions, other reviewers might have produced a different sample and framework.

There are three distinct areas for future research that the findings of this thesis has initiated. According to Šilenskytė, Kohtamäki, and Dhanaraj (2022), strategy implementation in transnational MNCs is an understudied phenomenon and they explicitly call for empirical research on the mechanisms causing persisting implementation gaps. The

framework produced by this thesis can serve as a conceptual scaffold to systemize empirical work. Research could be conducted following a specific strategy implementation initiative across all four organizational levels documented in this thesis. This would allow researchers to observe in real time how the cascade dynamic proceeds level-to-level. Also, the relative severity of different gap types could be viewed in specific organizational and institutional context. Identified mechanisms' behavior in practice could be mirrored against what has been theorized in particular in Nordic MNC context.

The second area for future research is quantitative research on the relative magnitude of the six gap types across industries and MNCs. As this research is based on meta-synthesis, it cannot quantify the relative weight of the six gap types by industry and MNC structure. This could be established through a large sample survey that treats each of the six gap types as an individual construct.

The third area of future research could be conducted on identity dynamics in subsidiary resistance to strategic mandates. Balogun and Johnson (2005) research was conducted in a domestic organizational context – when identity threats are the primary mechanism for commitment gaps at subsidiary level, how do they present in MNC context? Subsidiaries are embedded in both an HQ-defined and a host-country identity so researchers should study how these competing identities shape resistance. This would significantly deepen the commitment gaps identified by this thesis as underweighted in prescriptive literature.

6 Conclusion

The purpose of this thesis was to provide answers to the central research question: “Do existing theoretical frameworks adequately explain strategy implementation gaps in multinational corporations?” and to identify what integrated explanatory synthesis is currently missing from literature. The research shows that existing frameworks are partial rather than incorrect. This thesis proposes a multi-level framework that shows how gap mechanisms operate across four organizational levels.

Chapter one establishes the research problem. On average, organizations realize less than two-thirds of their intended strategic performance as demonstrated by Mankins and Steele (2005). It is evident that strategic reality diverges from strategic intent in a manner that is both widespread and long-standing. Additional research studied confirms that the problem is not random but structural. The chapter describes the central research question along with three supporting research questions. These questions form the basis of the thesis as a testable set of questions.

Chapter two documents the methodology of the thesis. The position of interpretivist philosophical stance was adopted. This stance treats strategy implementation gaps as a real phenomenon. As such, these phenomena have observable consequences that are socially mediated. Therefore, they cannot be reduced to structural variables only. The method chosen is meta-synthesis as described by Tranfield, Denyer, and Smart (2003) and Suri (2011). The research design used was two-stream with twelve systematic and supportive searches. Three primary databases and a theoretical sampling process were used. Three anchor sources were identified and used for forward and backward tracing. The final analytical sample of 106 verified sources was then subjected to quality assessment. The search protocol, PRISMA flow summary, and theoretical sampling trail are all documented in full.

Chapter three describes the theoretical framework and critically assesses three traditions most prominently applied to strategy implementation gaps in MNCs. Capability traps are explained in the Resource-based View and dynamic capabilities literature. Mechanisms such as core rigidity, learning myopia, capability traps, and lifecycle heterogeneity explain why resource possession fails to enact intended strategy. Alignment and

commitment gaps subsidiary level are explained in the institutional theory literature. The mechanisms of institutional duality, legitimacy pressure, and institutional contradiction are drivers for mandated practices being adopted ceremonially instead of substantively. The interpretation and commitment gaps at middle management level are explained by the sensemaking literature - divergence from senior management intent is driven by informal sensemaking processes. Each framework was evaluated on its explanatory scope and limits, revealing that no single tradition captures all the gap mechanisms.

Chapter four synthesizes the findings into a multi-level framework. This framework is the original contribution of this thesis. The framework consists of six gap types and four levels. The four levels represent the HQ and corporate center, the regional and divisional, the subsidiary and local, and the middle management/interface levels. The six gap types introduced are interpretation, alignment, capability, commitment, coordination, and measurement and feedback gaps. The analysis showed that gaps at different levels interact and create compounding cascades. Measurement and feedback gaps sustain other gaps by blocking corrective signals.

Chapter five answers the central and supporting research questions directly. It elaborates the argument of the underweighted quadrant of the matrix around middle management. This chapter also develops four practical implications for MNCs:

- Design strategy communications for sensemaking
- Audit formal alignment systems for ceremonial adoption risks before deployment
- Treat implementation load as a strategic resource constraint, and
- Build upward feedback channels that make interpretation gaps visible.

The original contribution of this thesis is the multilevel framework of strategy implementation gaps in MNCs presented in chapter four.

The thesis shows theoretically that no single tradition can explain the strategy implementation gaps adequately. This is due to the three main traditions researched working at different analytical levels. This structural mismatch – not any single limitation – explains why no one tradition fully accounts for the strategy implementation gap.

Methodologically the thesis argues for a two-stream qualitative meta-synthesis because of the terminological fragmentation of management research as described by Tranfield,

Denyer, and Smart (2003). The multi-stream research design that is developed in chapter two and documented in full in the appendices can be used in future research in similarly fragmented research traditions.

The framework shows that interpretation and commitment gaps at subsidiary and middle management levels are resistant to formal fixes. The framework also explains when alignment systems work and when they only create ceremonial compliance.

Despite a multitude of research initiatives, strategy implementation remains a problem due to the implementation gaps. This thesis doesn't solve the problem but it maps it more fully. The underweighted quadrant in the framework is the most important: these gaps are hard to measure, resist formal interventions, and rarely give clear, scalable guidance for executives. Future management research on strategy implementation gaps should focus on the subsidiary and middle management level of MNCs because the consequences of misalignment and divergence is most consequential at these levels.

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<https://doi.org/10.1287/orsc.13.3.339.2780>

Appendices

Appendix 1. Final analytical sample

Author(s) and year	Title	Journal/Publisher	ABS	Stream
Balogun (2006)	Managing Change: Steering between intended strategies and unanticipated outcomes	Long Range Planning	3	SC
Balogun & Johnson (2004)	Organizational restructuring and middle manager sense-making	Academy of Management Journal	4	SC
Balogun & Johnson (2005)	From intended strategies to unintended outcomes	Organization Studies	4	SC
Barney (1991)	Firm resources and sustained competitive advantage	Journal of Management	3	SA
Bartlett & Ghoshal (1989)	Managing across borders: The transnational solution	HBS Press	n/a	Book
Beer & Eisenstat (2000)	The silent killers of strategy implementation and learning	MIT Sloan Management Review	3	SE
Beer, Eisenstat and Spector (1990)	Why change programs don't produce change	Harvard Business Review	NR	TS
Burgelman (1991)	Intraorganizational ecology of strategy making and organizational adaptation	Organization Science	4	SA

DiMaggio & Powell (1983)	The iron cage revisited: Institutional isomorphism and collective rationality	American Sociological Review	4	TS
Doz & Kosonen (2010)	Embedding strategic agility	Long range Planning	3	TS
Durand & Jacqueminet (2015)	Peer conformity, attention, and heterogeneous implementation of practices in MNEs	Journal of International Business Studies	4	TS
Eisenhardt & Martin (2000)	Dynamic capabilities: what are they?	Strategic Management Journal	4	TS
Floyd & Wooldridge (1997)	Middle management's strategic influence and organizational performance	Strategic Management Journal	4	SC2
Ghoshal & Bartlett (1990)	The multinational corporation as an interorganizational network	Academy of Management Review	4	TS
Grøgaard, Coleman & Stensaker (2020)	Legitimizing, leveraging, and launching: Dynamic capabilities in the MNE	Journal of International Business Studies	4	TS
Guth & MacMillan (1986)	Strategy implementation versus middle management self-interest	Strategic Management Journal	4	TS
Helfat & Peteraf (2003)	The dynamic resource-based view: Capability lifecycles	Strategic Management Journal	4	TS
Hrebiniak (2005)	Making strategy work: Leading effective execution and change	Wharton School Publishing	n/a	TS
Hrebiniak (2006)	Obstacles to effective strategy implementation	Organizational Dynamics	2	TS

Kaplan & Norton (1996)	The balanced scorecard: Translating strategy into action	HBS Press	n/a	TS
Kaplan & Norton (2008)	The execution premium: Linking strategy to operations	HBS Press	n/a	TS
Kostova & Roth (2002)	Adoption of an organizational practice by subsidiaries of MNCs	Academy of Management Journal	4	SB
Kostova & Zaheer (1999)	Organizational legitimacy under conditions of complexity	Academy of Management Review	4	TS
Kotter (1995)	Leading change: why transformation efforts fail	Harvard Business Review	NR	TS
Leonard-Barton (1992)	Core capabilities and core rigidities	Strategic Management Journal	4	TS
Levinthal & March (1993)	The myopia of learning	Strategic Management Journal	4	SA
Mankins & Steele (2005)	Turning great strategy into great performance	Harvard Business Review	NR	TS
Mantere (2008)	Role expectations and middle manager strategic agency	Journal of Management Studies	4	SC
Martinez & Jarillo (1989)	The evolution of research on coordination mechanisms in MNCs	Journal of International Business Studies	4	SD2
Meyer, Li & Schotter (2020)	Managing the MNE subsidiary: A multi-level and dynamic search agenda	Journal of International Business Studies	4	SD2
Mintzberg & Waters (1985)	Of strategies, deliberate and emergent	Strategic Management Journal	4	TS
Morgan & Smircich (1980)	The case for qualitative research	Academy of Management Review	4	TS

Neilson, Martin & Powers (2008)	The secrets to successful strategy execution	Harvard Business Review	NR	TS
Nohria & Ghoshal (1994)	Differentiated fit and shared values: Alternatives for managing HQ-subsiary relations	Strategic Management Journal	4	SD2
Oliver (1991)	Strategic responses to institutional processes	Academy of Management Review	4	TS
Repenning & Sterman (2002)	Capability traps and self-confirming attribution errors	Admin. Science Quarterly	4	SA2
Rouleau & Balogun (2011)	Middle managers, strategic sensemaking, and discursive competence	Journal of Management Studies	4	TS
Scott (1995)	Institutions and organizations	Sage	n/a	TS
Simons (1994)	How new top managers use control systems as levers of strategic renewal	Strategic Management Journal	4	TS
Šilenskytė, Kohtamäki & Dhanaraj (2022)	Strategy implementation in the transnational MNC	Journal of Business Research	3	SS
Sull, Homkes & Sull (2015)	Why strategy implementation unravels – and what to do about it	Harvard Business Review	NR	TS
Teece, Pisano & Shuen (1997)	Dynamic capabilities and strategic management	Strategic Management Journal	4	SA

Tranfield, Denyer & Smart (2003)	Towards a methodology for developing evidence-informed management knowledge	British Journal of Management	3	TS
Walsh & Downe (2005)	Meta-synthesis method for qualitative research: A literature review	Journal of Advanced Nursing	NR	TS
Wooldridge & Floyd (1990)	The strategy process, middle management involvement, and organizational performance	Strategic Management Journal	4	SC2
Zollo & Winter (2002)	Deliberate learning and the evolution of dynamic capabilities	Organization Science	4	TS
Denyer & Tranfield (2009)	Producing a systematic review	Sage Handbook of Organizational Research Methods	n/a	TS
Suri (2011)	Purposeful sampling in qualitative research synthesis	Qualitative Research Journal	NR	TS
<p>Appendix 1 key for abbreviations:</p> <p>ABS: NR = not consistently indexed, n/a = book</p> <p>Stream: SS = systematic search, SA/SA2 = Search A/A2, SB = Search B, SC/SC2 = Search C/C2, SD2 = Search D2, SE/SE2 = Search E/E2, TS = theoretical sampling</p>				

Appendix 2. Theoretical sampling trail

Anchor source	Direction	Source retrieved	Justification for inclusion
Teece et al. (1997)	Backward	Leonard-Barton (1992)	Core rigidities, the antecedent to dynamic capabilities.
Teece et al. (1997)	Backward	Zollo & Winter (2002)	Extends dynamic capabilities framework with deliberate learning mechanisms.
Teece et al. (1997)	Backward	Eisenhardt & Martin (2000)	Parallel operationalization of dynamic capabilities.
Teece et al. (1997)	Backward	Levinthal & March (1993)	Learning myopia – explains why capability gaps persist.
Kostova & Roth (2002)	Backward	DiMaggio & Powell (1983)	Theoretical basis for isomorphism and decoupling.
Kostova & Roth (2002)	Backward	Ghoshal & Bartlett (1990)	HQ-subsidiary network theory.
Kostova & Roth (2002)	Backward	Kostova & Zaheer (1999)	Legitimacy argument.
Kostova & Roth (2002)	Backward	Oliver (1991)	Strategic responses to institutional pressure.
Kostova & Roth (2002)	Forward	Grøgaard, Colman & Stensaker (2020)	Extends institutional duality to dynamic capabilities in MNEs.

Balogun & Johnson (2004)	Backward	Morgan & Smircich (1980)	Foundational for qualitative and interpretivist research philosophy.
Beer & Eisenstat (2000)	Backward	Beer, Eisenstat & Spector (1990)	Describes why change programs fail – provides historical depth to commitment gap analysis.
Beer & Eisenstat (2000)	Backward	Kotter (2007)	Guiding coalition and commitment failures.
Hrebiniak (2006)	Backward	Hrebiniak (2005)	Execution obstacles.
Hrebiniak (2006)	Backward	Neilson, Martin & Powers (2008)	Decision rights and execution.
Šilenskytė et al. (2022)	Backward	Sull, Homkes & Sull (2015)	Execution gap persistence.
Šilenskytė et al. (2022)	Backward	Mankins & Steele (2005)	Strategy to performance gap.
Šilenskytė et al. (2022)	Backward	Doz & Kosonen (2010)	Strategic agility and HQ sensing capability.
Systematic search results	Backward	Scott (1995)	Institutional theory.
Systematic search results	Backward	Mintzberg & Waters (1985)	Intentional vs. emergent strategy distinction.
Systematic search results	Backward	Barney (1991)	RBV foundational article cited across search A articles.
Systematic search results	Backward	Kaplan & Norton (1996, 2008)	Cited across alignment gap literature.

Systematic search results	Backward	Simons (1994)	Cited in control systems literature.
Methodology literature	Backward	Tranfield, Denyer & Smart (2003)	Foundational systematic review methodology text for management research.
Methodology literature	Backward	Denyer & Tranfield (2006)	Addresses adaptation of systematic review for management studies.
Methodology literature	Backward	Suri (2011)	Foundational text on purposeful sampling in qualitative research synthesis.
Methodology literature	Backward	Walsh & Downe (2005)	Berrypicking model and search transparency requirements.
Systematic search (n=931)	Forward & Backward	Šilenskytė et al. (2022)	Directly relevant to central research question.
Full text eligibility screening (n=79)	Forward	Durand & Jacqueminet (2015)	Discusses attention allocation of subsidiary stakeholders to HQ mandates.
Full text eligibility screening (n=79)	Forward	Guth & McMillan (1986)	Demonstrates middle management incentive conflict when self-interest is at risk.
Full text eligibility screening (n=79)	Forward	Rouleau & Balogun (2011)	Highlights middle management

			sensemaking capabilities and the need to exercise strategic influence.
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