Sveinung Jørgensen

What’s the Problem?

Reformulating the Problem for Balanced-Strategy Creation
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Abstract

By asking “What’s the problem?” this thesis addresses the crucial relationship between how strategic decision-makers formulate organizational problems and how the relevant actors attempt to solve these problems. This thesis holds that the creation of strategy can be conceived of as a decision-making process in which the strategists find, formulate and attempt to solve problems by choosing a set of means to reduce the perceived gap between the current state and the desired state of the organization. The thesis particularly explores and postulates what is referred to as the means-end fallacy in which end-problems are treated as means-problems. In effect the decision-makers take the ends of the organization for granted and only ask “How can we fix it?” instead of critically examining the purpose of the organization by asking “What should we fix and why?”

The purpose of this thesis is twofold. First, it is to explore the dysfunctional consequences of the means-end fallacy in organizational decision-making and creation of strategy. Secondly, it is to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. To achieve these purposes the problem-formulation phenomenon is explored in five appended papers. Paper I discusses the paradox of profitability and responsibility and the means-end fallacy in the context of strategic theory and practice. Papers II, III and IV explore the relationship between how a problem is formulated and how different actors attempt to solve it. This is done with a comprehensive case study of the substance-abuse problem and the different organizational strategies that are implemented to resolve it. Paper V offers a concrete discussion of how inappropriate formulations of organizational problems undermine the intended ends, particularly with regard to the paradox of profitability and responsibility.

This thesis argues that the strategic decision-makers need both to be more problem-oriented; that they should balance the different dimensions of the problem; and, thus, that they should recognize that decision-making is an art of balance. Moreover, it suggests that the problem-formulation perspective can contribute with an insight into the black box of strategy creation, and that this can be achieved by looking back or rewinding from the organization’s strategy to the initial formulation of the organization’s problems. As a mirror image it suggests that strategic decision-makers can avoid the means-end fallacy by forwarding from an appropriate formulation of the problem to a balanced strategy.
Preface

This thesis is about the (re)formulation of problems. Thus, the last few years this doctoral thesis has indeed been a problem for me. When I started struggling with this problem it was by no means framed in the same way as it is now. Rather, my understanding of the problem has evolved as I have tried to grasp it, and, hence, the thesis has been more a result of an organic than an organized process. Both the doctoral program itself and the process of writing this thesis have been an instructive experience that I have found most rewarding. That said, I must admit that I have been looking forward to finishing this thesis and starting afresh with new research projects and problems.

The thesis is based on five appended papers, each addressing the formulation of different problems and the creation of organizational strategies. Four of these papers are written together with my dear friend, (now Dr.) Lars Jacob Tynes Pedersen (Norwegian School of Economics and Business Administration – NHH). We met in 2007 and it was Lars Jacob who introduced me to the problem-formulation perspective. Soon we started developing a conceptual framework on the formulation of problems and we decided to investigate the substance-abuse problem. Later, as this thesis shows, we have elaborated on this framework and we have employed it to explore different problems in different empirical and theoretical contexts. At the present time we are developing a proposal for a research project, Responsibility in Organizations (see Jørgensen & Pedersen, 2011d), which seeks to follow up on some of the research questions we have been working on over the last few years.

Neither the substance-abuse problem nor the problem-formulation perspective was a part of my initial research proposal. But the choice of the substance-abuse problem was not a coincidental one. At the age of 19, in 1995, I moved into and started working at the rehabilitation facility Tyrilitunet, which is a part of the Tyrili Foundation.1 Here I lived and worked for three years; here I learned some very important lessons; and here I even met my wife. Thus, the experiences and friendships I earned at Tyrili have become an important part of my life. Therefore, I am pleased that Tyrili and the substance-abuse problem are part of this thesis.

Before I became a research fellow at Lillehammer University College (HiL) in 2007, I was working at HiL as an assistant professor. At HiL I also started to study business administration in 1998. Then, in 2000, we moved to

1 See www.tyrili.no.
Bergen where I studied at NHH. In 2004 we returned to Lillehammer and HiL where I started to lecture in strategy and organizational theory. In 2006 I applied for a position as a research scholar at what now is called Centre for Innovation in Services (CIS) at HiL. At that time I began my doctoral studies at Bodo Graduate School of Business (HBB). However, when my wife became seriously ill in 2008 I decided to take a break from my doctoral studies. Then, when our life situation started to stabilize in 2009, I continued my doctoral studies at Karlstad Business School (KBS) at Karlstad University (KAU).

Acknowledgements

This doctoral thesis has made me indebted to many people. I am most especially grateful to my supervisor, Professor Per Skålén (KBS), and my co-supervisor, Professor Håvard Teigen (HiL). Per’s creativity, persistence and insight have greatly influenced my work over the last two years. I sincerely hope that we can collaborate on new projects in the near future. Håvard has given me both the necessary attention and the freedom to pursue my own thoughts and ideas. Not least, Håvard has provided invaluable personal and professional support and advice when they were needed.

I am also particularly grateful to Dr. Lars Jacob Tynes Pedersen at NHH. In 2007 we met at the Oslo Airport on our way to a doctoral course at HHB. Our friendship (or bromance) took off even before takeoff to Bodø – and it surely has risen to new heights ever since. Lars Jacob is truly one of the kindest, funniest, smartest and most artistic persons I know. I feel extremely privileged to have him as a friend and a collaborator. I also want to thank Lars Jacob’s generous wife, Kjersti, and their lovely daughter, Ada, for sharing Lars Jacob with me.

KBS deserves to be thanked both for their cooperation and flexibility. KBS also arranged an important seminar for me in May 2011 where Dr. Martin Fougère and Professor Bo Enquist contributed with invaluable critiques on an earlier version of this thesis.

I am also deeply grateful to my colleagues and many friends at HiL and CIS. This community of caring and engaged people, who represent a diversity of specialties and perspectives, has certainly affected this thesis. Together, HiL and CIS have represented a safe haven for me and this research project. There are many at HiL who deserves to be mentioned, but I choose to highlight Torgeir Skyttermoen and Steven Connolley. Torgeir has thoroughly read and
commented on almost all of my work, ranging from the initial research proposal to the first draft of this thesis. Steven has contributed with language editing and general support in the writing process.

I am also grateful to Professor Stig Ingebrigtsen, Professor Ove Jakobsen and the staff at the Centre of Ecological Economics and Ethics at HHB for providing me with a head start on the doctoral program. Professor Geir Kaufmann also deserves my appreciation. I am also deeply grateful to Professor Odd Nordhaug for publishing my first paper and for encouraging me to continue writing academic texts.

I am also indebted to the Tyrili Foundation, and especially Øyvin Aamodt and Debby Lorimer for their participation and support. In 1995 it was Øyvin who gave me the opportunity to work at Tyrilitunet, and we have stayed in contact ever since. Øyvin helped me to get access to the informants at Tyrili, and both Øyvin and Debby have been important interlocutors, friends and sources of inspiration for me.

I consider myself as a pracademic, meaning that I enjoy the crossroad between practice and academics. Happily, while working on this doctoral thesis, I have been involved as a strategic sparring partner in different organizations. I have been invited to other universities and organizations to hold seminars and to talk about my doctoral project, and I have taught classes at both HiL and NHH. These opportunities have made me able to employ and elaborate on the problem-based approach to the creation of organizational strategies. In this regard I would especially like to thank Trond Hårberg, Norunn Grande, Anders Lindstad, Harald Blaafålt Mundal, Stig Hjerkinn Haug and Anders Teigen Hole. I also would like to thank Narve Reiten and Christian Melby, both at Reiten & Co, for co-authoring with me a paper on strategy, creativity and the reformulation of problems.

My family and friends deserves my gratitude, especially my mom and dad, Tove and Arne. You have showed persistent interest in my work and you have contributed with tremendous support for my family when we needed it the most. The same applies to my parents-in-law, Rannei and Ola. All in all I am deeply grateful for all the kind words, assistance and love we have received from our family and friends over the last few years. These have helped me to keep on track during those periods when my doctoral studies dwindled into a minor detail compared to other, more existential challenges in life.

My children, Rannei Johanne and Endre, have both contributed substantially to this thesis in so many different ways. You two are the best – and I am truly proud of both of you. Last, but not least, I want to thank my
wife, best friend, biggest supporter and greatest critic, Ingrid. Your good spirit, positive energy and compassion affect everyone around you. Even when you were ill you encouraged me to pursue my dream of achieving my doctorate. With great help from our health-care system and your astonishing will and ability to recover, you are now back to good health. Rannei Johanne, Endre and Ingrid: I honestly believe that this thesis is a result of a team effort. Therefore, I dedicate it to all of you.

Lillehammer, August 2011

*Sveinung Jørgensen*
To Rannei Johanne,
Endre & Ingrid
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Paper I


Paper II

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Paper IV

Earlier drafts of the paper were presented at i) The national conference for CSR as an innovation driver in business, Trondheim, December 1.-2., 2010 and ii) at The EBEN Annual Conference, Trento, Italy, September 9.-11., 2010.

Paper V
1 Introduction

“The mere formulation of a problem is far more often essential than its solution, which may be merely a matter of mathematical or experimental skill. To raise new questions, new possibilities, to regard old problems from a new angle requires creative imagination and marks real advances in science.”

Albert Einstein (1879-1955)

“Our major obligation is not to mistake slogans for solutions.”

Edward R. Murrow (1908-1965)

“Assumptions are the mother of all fuckups!”

Jules (Samuel L. Jackson)
Pulp Fiction (1994)

1.1 Decision-making and the formulation of problems

“What’s the problem?” This intriguing and in many ways unanswerable question is the focal point of this thesis. By problems I do not mean obstacles that should be avoided, but inescapable and intractable situations or issues that require some kind of resolution (Meyer, 2007). In general, a problem can be defined as the difference between the present and a desired state (Raheim, 1961). An important premise for this thesis is that organizations are problem-solving systems (Blau & Scott, 1962), and so the choices, decisions and actions made by organizations and their individual members ultimately relate to the attempt to solve the problems that they face. I explore how and why different actors formulate complex problems differently. Moreover, I explore the crucial relationship between how strategic decision-makers formulate an organizational problem and how they attempt to solve it by creating strategies.

The thesis conceives the creation of strategy as a decision-making process in which the strategists find, formulate and attempt to solve problems by choosing a set of means to reduce the perceived gap between the current state and the preferred state of the organization. It follows that the problems the strategists identify and how they are formulated affect how the strategists attempt to solve the problem. Accordingly, the manner in which problems are formulated may affect which means or strategies individuals, organizations and societies employ. The thesis deals particularly with the difficult task of creating what I call \textit{balanced}
strategies. This relates to the art of conceiving of and balancing the different dimensions inherent in a complex, strategic problem.

Improved knowledge about (re)formulations of problems and the creation of strategy are important because the way that decision-makers formulate complex issues, like the environmental problem for instance, has consequences for the attempts to solve these problems. If the environmental problem is formulated as a global-warming problem, the decision-makers will try to solve it by choosing strategies that reduce the greenhouse effect. One such solution could be an increased use of nuclear power. However, nuclear power may have severe consequences for people, the planet and future profits, negative consequences that might outweigh the global-warming problem. The relationship between how a problem is formulated and the attempts to solve it is not only important for understanding of general issues like the environmental problem, but it is also important for solutions to more trivial problems. For instance, a colleague told me a story about the preparations for the Winter Olympics in Lillehammer where they realized that the toilet capacity for women was insufficient. Their first impulse was to order more mobile toilets, but then the reformulation of the problem transformed from “there are not enough toilets” to “the toilet visits last too long.” This reformulation resulted in an entirely different – and perhaps even creative – solution to the problem: they removed the mirrors from the restrooms!

Research on the formulations of problems and problem-solving has strong ties to research on decision-making, which is studied within, for instance, psychology (Tversky & Kahneman, 1974; Simon, 1977; 1979), political science (e.g., Cohen et. al, 1972), organizational theory (March & Simon, 1958; March & Heath, 1994), creativity (Jackson, 2006; Puccio & Cabra, 2009) and behavioral economics (Ariely, 2008). A common dividing line in this research field can be drawn between normative and descriptive decision-making theories. While normative decision-making theories discuss how the decision should be made (Neumann & Morgenstern, 1947), descriptive theories explore how decisions are made in practice. In short, one can say that one of the fundamental findings in this research field over the last 50 years is that the decision-makers are boundedly rational (Simon, ibid.; Kahneman, 2003); that is, they do not necessarily make decisions in accordance with the prescriptions of rationality (Plous, 1993; Elster, 2007).

2 Thanks to Harald Blaafat Mundal.
This thesis is primarily positioned within the field of descriptive decision-making research, thus it seeks to contribute with a greater understanding of how decision-making – particularly the formulation of problems and problem-solving – is carried out in practice. Moreover it seeks both to explore the consequences of inappropriate formulations of different problems and to envision an alternative, problem-based, approach to the creation of organizational strategies. One of the consequences of bounded rationality is that decision-makers have a tendency to jump to conclusions on the basis of a simplified model of reality. The problem-formulation perspective, and thus this thesis, approaches this bias by focusing on which problems the decision-makers find, how these are formulated and how this again affects the attempts to solve the problem. In other words, the problem-formulation perspective attempts to explore the decision-maker’s simplified model of reality with regard to how the decision-makers formulate the problem. I propose that the problem-formulation perspective (see e.g. Allison & Zelikow, 1999; Eierman & Philip, 2003; Mitroff, 1998; Pedersen, 2009; Mitroff & Silvers, 2009) can be used to study the creation of organizational strategies (Mintzberg, 1978). Moreover, I propose that strategic decision-makers can employ the problem-formulation perspective in the strategy process in order to balance the different purposes of the organization and to create balanced strategies. In the following section I shall introduce the background for these propositions.

1.2 Strategy creation and the means-end fallacy

A key process in contemporary organizations is to create and execute strategies. However, as described above, studies of human decision-making suggest that we make decisions on the basis of a simplified model of reality (e.g. Elster, 2007). In general this bias can lead us to being more means- and solution-oriented than end- and problem-oriented. The result is that we seldom ask “What’s the problem?” because we rush to find solutions to the predefined problem on the basis of heuristics or rules of thumb. In other words, decision-makers have a tendency to jump over the two first phases of the decision-making process, namely, the finding of a problem and its (re)formulation. In a strategic context, March (1991) draws on insights from decision-making theory and claims that the mainstream field of strategy is caught up in the rational-analytical way of thinking, and that this logic is only likely to generate incremental changes and improvements (exploitation), and will not develop new ideas that can lead to successful innovations (exploration). Similarly, Kim and Mauborgne (2005; 2009) argue that strategic decision-makers need to find
ways of reconstructing their strategies instead of reproducing the same strategies as the other actors follow in their industry. Thus, they claim that strategists need to reformulate the problem and to find new solutions to new problems instead of trying to find better solutions to the same problems to which their competitors also subscribe.

I aim to contribute to an explorative (cf. March, 1991) and reconstructive (cf. Kim & Mauborgne, 2005; 2009) approach to the creation of strategy by approaching this phenomenon as a problem-based decision-making process. In this thesis I have chosen to concentrate on one challenge related to the creation of strategy, namely, difficulties related to dealing with the critical paradox of profitability and responsibility (Wit & Meyer, 2004). I do so by exploring what I refer to as the *means-end fallacy*, which is a form of the *Error of the third kind* (E3) (Mitroff, 1998). In general, an E3 occurs when the decision-makers formulate and solve the *wrong* problem, that is, when they find solutions that fail to address the actual problem. The *means-end fallacy* denotes those situations in which end-problems are treated as means-problems, where the decision-makers take the purpose or ends of the organization for granted and ask “How can we fix it?” instead of critically examining the purpose of the organization by asking “What should we fix and why?” (Mitroff & Silvers, 2009). Thus, I propose that the *means-end fallacy* can lead individual and organizational decision-makers to formulate and solve the *wrong* problems because they are fixated on finding solutions to a predefined problem instead of taking a step backwards in the decision-making process and trying to reformulate the problem by critically examining and balancing the different purposes of the organization.

The question of organizational purpose (ends) is important in this thesis, therefore. In their seminal review of the field of strategy, Wit and Meyer (2004: 590) argue that even if strategy can be defined as “…a course of action for achieving an organization’s purpose,” the lack of attention paid to the subject of organizational purpose is striking in the strategic-management literature. They claim that the focus in this literature is on *means*, not on *ends* of the organization, and that (p. 590):

> This might be due to the widespread assumption that it is obvious why business organizations exist. Some writers might avoid the topic because it is highly value-laden and somehow outside the realm of strategic management.
I argue that by viewing the creation of strategy as a reconstructive problem-formulation process, one is more likely to have a greater understanding of this means-end fallacy and new ways of overcoming it, and, hence, to the paradox of profitability and responsibility in the strategic management research field. This paradox is an important issue in the management discourse (Davis et al., 2008) and it states that that organizations need to be both profitable and responsible to survive. The latter demands them to take responsibility and to behave as good corporate citizens, that is, to act in the interest of others, even when there is no legal or economic imperative for doing so. The relationship between profit and responsibility is a paradox because earning trust can be contradictory to earning money: being responsible may actually cost more than it generates – especially in the short run. In other words, good business ethics is not necessarily good business (Zsolnai, 2006).

This paradox, and thus the need for creating balanced strategies, is not only relevant for private, profit-maximizing organizations. However, in the context of public and civil organizations it may be better to call it a paradox of efficiency and responsibility. For instance, a civic organization may experience a conflict between, on the one hand, taking responsibility for starving children and, on the other hand, financing these activities by potentially addictive lotteries that may harm other stakeholders. Public organizations and politicians must also find ways of dealing with both the needs for efficient solutions to different societal problems and their responsibility for various stakeholders’ respective needs. Thus, strategists within private, civil and public organizations may need to ask why their organization exists and thereby finding a way of resolving or balancing the paradoxes they face. It is important to underline that these paradoxes really are paradoxes, and this means that an ultimate resolution is more or less impossible. Hence, there is to be found neither a right or wrong formulation of a complex problem nor a right or wrong solution to it. This thesis, however, argues that an appropriate formulation of the problem, that is, one that addresses the different dimensions of a problem, needs to attend to the different purposes of the organization. Moreover, I argue that by approaching the strategy-creation process in a problem-formulation perspective, the decision-makers can find new and perhaps even creative ways of treating complex problems. Accordingly, this thesis does not only approach decision-making descriptively, it also adopts a normative stance, since I propose

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3 From now on, for the sake of simplicity, I shall call this paradox for the paradox of profitability and responsibility, even when I refer to, for instance, public organizations that perhaps are not profit-maximizing, but “efficiency-maximizing.”
that the different dimensions of a problem should be balanced in the strategy-creation process.

1.3 Main aims, approach and findings

The Irish playwright and co-founder of London School of Economics, George Bernard Shaw (1856-1950) is quoted: “For every complex problem there is a simple solution that is wrong.” In many ways this captures the essence of the problem-formulation perspective. As described above, I argue that the maximization of one of the purposes of the organization, say, the dimension of efficiency, can lead the strategic decision-makers to overlook important aspects in the formulation of the problem. Thus, an appropriate formulation is dependent on a holistic or a systemic approach to the problems at hand. Moreover, I propose that the problem owner can to a large degree construct both organizational problems and strategies (March, 1991; Kim & Mauborgne, 2005). This means that organizational strategies not only are a function of exogenous, structural factors, but that that the decision-makers may actually reformulate their problems. In this way, by reconstructing their formulation of the problems they face, and by attempting to address the different dimensions of these problems, they can endeavor to create what I call balanced strategies.

Hence, the purpose of this thesis is twofold. First, it is to explore the dysfunctional consequences of the means-end fallacy in organizational decision-making and creation of strategy. Secondly, it is to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. In order to approach these purposes I have defined three research aims: First, I aim to explore and elaborate on the problem-formulation perspective in order to adapt it to the context of organizational strategy creation. Secondly, by approaching strategy creation as a problem-formulation and problem-solving process, I aim to contribute to an exploration of how strategy really is formulated; that is, I seek to shed some light on the mysteries of how strategies are created, in other words into the black box of strategy creation (Mintzberg, 1973; 1978; Mintzberg et al., 2009). Thirdly, following the two aims above, this thesis seeks to provide strategy practitioners with insights that can help them avoid the means-end fallacy and, accordingly, to create balanced strategies by becoming more problem- and purpose-oriented (cf. “What should we fix and why?”) and less solution- and means-oriented (cf. “How can we fix it?”). To achieve these research aims I have explored the problem-formulation
phenomenon in five appended papers, two of which are conceptual (I and V) and three of which are empirical (II, III and IV).

Paper number I discusses the paradox of profitability and responsibility and the means-end fallacy in the context of strategic theory and practice. Papers II, III and IV explore the relationship between how a problem is formulated and how the different actors in the area of substance abuse attempt to solve it by using different strategies. To inquire this relationship, I have conducted a comprehensive case study of the substance-abuse problem that involves both qualitative and quantitative data. The substance-abuse issue was chosen as an object of study because it is a complex social problem which is formulated in many different ways, and thus the various actors in the sector attempt to solve the problem with many different strategies. In addition, the substance-abuse problem seemingly also involves dimensions of responsibility and efficiency that the different actors in the sector need to take into consideration. Paper V offers a concrete discussion of how inappropriate formulations of organizational problems undermine the intended ends, particularly with regard to the paradox of profitability and responsibility. The paper argues that reputation-building cannot solve the problem of responsibility, meaning that the issue of responsibility needs to be formulated as one that goes beyond that of a mere problem of reputation. Hence, paper V supports the findings of the preceding papers, all of which explore the relationship between organizational strategy, responsibility and the formulation of problems.

To summarize, this thesis argues that the strategic decision-makers need to move beyond the means and reformulate the problem in order to create balanced strategies. This approach implies that resolving the paradox of profitability and responsibility requires that the different dimensions of the problem should be balanced and that decision-making is an art of balance. To the extent that decision-makers fail to balance these dimensions, and pursue instead the art of maximizing of one of the dimensions, they are at risk of committing an error of the third kind (E3). This also means that the maximization of either the profitability or the responsibility dimension is an inappropriate formulation of the problem. Moreover, the thesis suggests that by leaving aside the way the organizations currently solve their problems (i.e., their implemented strategies) and looking back or rewinding to the initial formulation of these problems, one can shed light into the black box of strategy. This inceptive orientation that this thesis advocates offers the strategic decision-maker insights into how one can avoid
the means-end fallacy by applying a balanced formulation of the problem and by forwarding from a reformulation of the problem to a strategy that can address the dimensions of profitability and responsibility in new and perhaps even innovative ways. In this way this thesis presents the contours of a theory of balanced-strategy creation by illuminating the importance of a multidimensional formulation of complex problems.

1.4 The structure of the thesis

In chapter 1 I have introduced the main problems, motivation, aims and approach of this thesis, and I have outlined its main findings. In chapter 2 I present and discuss the theoretical background for this study by discussing the problem-formulation perspective, strategy creation and mainstream strategy, as well as some of the challenges related to the creation of balanced strategies. In chapter 3 I present some methodological reflections; I discuss the choice of methods and I offer an in-depth presentation of the case. In chapter 4 I present the five papers that this thesis is built upon. In chapter 5 I synthesize and discuss the conclusions and research contributions of this study in light of the overall purposes and the three research aims of this thesis. Moreover, I draw some concluding remarks and outline some avenues for further research.
2 Theoretical background

“If I had an hour to solve a problem and my life depended on the solution, I would spend the first 55 minutes determining the proper question to ask, for once I know the proper question, I could solve the problem in less than five minutes.”

Albert Einstein (1879-1955)

“It isn’t that they can’t see the solution. It is that they can’t see the problem.”

Gilbert K. Chesterton (1887-1936)

I outline in this chapter the relationship between the reformulation of problems and the creation of strategy. First, I shall introduce the problem-formulation perspective and discuss how strategy creation can be conceived of as a process of finding, formulating and solving problems. Secondly, I consider the challenges involved in the creation of balanced strategies by examining the mainstream strategy field, which I argue is dominated by the economic bottom line. Thirdly, I exhibit three examples of discourses which to different degrees and by different arguments offer critiques of the bottom line. These discourses are namely Corporate Social Responsibility (CSR), ecological economy and the critical perspective on CSR. Lastly, I shall sum up and revisit the research aims of this thesis.

2.1 The problem-formulation perspective

2.1.1 Problem-formulation and strategy creation

As described in chapter 1 the problem-formulation perspective is not easy to demarcate because many different research fields (for example, psychology, management, philosophy of science, creativity, decision-making, ethics, etc.) study decision-making and problem-solving (see e.g. Kaufmann & Gronhaug, 1998). The chief inspiration of the approach taken in this thesis is found in Ian Mitroff’s research on the formulation of organizational problems (Mitroff & Featheringham, 1974; Lyles & Mitroff, 1980; Mitroff, 1998; Mitroff & Silvers, 2009). In particular, Dirty rotten strategies: How we trick ourselves and others into solving the wrong problems precisely (Mitroff & Silvers, 2009) awakened my interest in exploring the relationship between the reformulation of problems and the
creation of strategy. As I asserted in chapter 1, strategy creation is a key process in almost every organization. Moreover, how strategies are formulated and executed has consequences not only for the organizations themselves, but also for people, the planet and profits. Mitroff and Silvers (ibid.) openly admit that there are gaps within the problem-formulation perspective itself and within the relationship between the formulation of problems and the creation of strategy. For instance they argue (p. xvii):

Nonetheless, we would be incredibly naive (which, depending on the topic, all of us are) if we thought that by itself a single book was sufficient to change fundamentally how we formulate, let alone solve, our key problems. All we can hope for is that we have made a good beginning and, as a result, will have stimulated — indeed provoked — others to go beyond where we are.

In this spirit I hope that this thesis can go beyond the earlier research by exploring the creation of strategy, especially the creation of balanced strategies, in a problem-formulation perspective. I shall do so by exploring empirically and conceptually the relationship between how a problem is formulated and how the strategic decision-makers attempt to solve it. Prior to this thesis, very few attempts have been made to explore the relationship between how a problem is formulated and how attempts are made to solve it (Pedersen, 2009; Mykland, 2011). Moreover, few attempts have been made to clarify the concepts of wrong and right formulations of problems (cf. Mitroff, 1998; Mitroff & Silvers, 2009). I shall return to these and other gaps in the research in the following sections, but before I do so I shall briefly present the relationship between the creation of strategy and the reformulation of problems.

As introduced in chapter 1, one of the premises for this thesis is that organizations can be perceived as problem-solving systems (Blau & Scott, 1962). Hence, the choices, decisions and actions made by organizations and their individual members ultimately relate to the attempt to solve problems. A problem can be defined as the difference between i) a present and ii) a desired state (Eierman & Philip, 2003). In other words, you have a problem if you desire something, that is, an end or a purpose that you have not yet reached. In principle, if you have a problem, you have two choices: either you can lower the ambitions so that the current state equals the ideal state, or you can try to find iii) the means to reduce the gap between what is perceived to be the current and
Accordingly, I propose that strategy creation is a process of finding, formulating and attempting to solve organizational problems by finding the means to achieve the desired state or the purpose of the organization. Other researchers have also approached strategy through the problem-formulation perspective (e.g. Lyles & Thomas, 1988; Dutton & Duncan, 1987). Meyer (2007) distinguishes between defining strategic problems (i.e., identifying and diagnosing) and solving them (i.e., realization and conceiving). In answering the question, “What goes on in the mind of the strategist?” he argues (pp. 43-44):

Well, a lot, but if reduced to its bare essentials it can be said that strategists are engaged in the process of dealing with strategic problems. Not problems in the negative sense of troublesome conditions that need to be avoided, but in the neutral sense of challenging situations that need to be resolved – a strategic problem is a set of circumstances requiring a reconsideration of the current course of action. […] The question is how executives actually go about defining strategic problems – and how they go about solving strategic problems – how do they generate, evaluate and decide on potential answers? It is this issue of strategic reasoning, as a string of strategic thinking activities directed at defining and resolving strategic problems that needs to be examined […].
In this thesis, then, I aim to investigate further how problems, and thus strategic problems, are formulated and how the strategic decision-makers attempt to solve them. In chapter 2.2 I shall return to the strategic-management discourse. Here I shall concentrate especially on how the means-end fallacy that is embedded in the economic bottom line, that is, the profit-maximization objective, affects how organizations identify problems, how these problems are formulated and how they attempt to solve them. Before I do so I shall discuss decision-making in a problem-formulation perspective in more depth in order to elaborate on the premises for and the consequences of the relationships studied in this thesis.

2.1.2 The art of finding, formulating and solving problems

The problem-formulation perspective has strong ties to decision-making theory. As proposed in chapter 1, human decision-makers are boundedly rational (Simon, 1977; 1979), which means that we base our decisions on a simplified model of reality. This simplification can be said to be the essence of the problem-formulation perspective which rests upon the assumption that finding the means or solution to a problem is the last part of a decision-making process, which consists of finding, formulating and solving a problem (see e.g. Helstrup & Kaufmann, 2000). Accordingly, the problems we identify and how we formulate them affect both how we attempt to solve them and the means that are available to us. There are many ways of describing the steps in the individual and organizational problem-solving process. As referred to above, Meyer (2007) discriminates between identifying and solving strategic problems. In a similar fashion Mitroff (1998) divides the process of problem solving into four steps:

1) Acknowledging that a problem exists  
2) Formulating the problem  
3) Deriving the solution to the problem  
4) Implementing the solution

Before I discuss both the relationship between these four steps and the knowledge gaps that exists in this field, I shall first problematize the definition of the concept of a problem. As asserted in chapter 2.1.1, a problem is usually defined as a “discrepancy between an existing and a desired state” (Helstrup & Kaufmann, 2000:268). Thus, for pedagogical reasons Mitroff and Silvers (2009) start their discussion of the concept of a problem by describing that a problem
(P) occurs if there is a gap between what we ideally desire (I) and what we currently can accomplish (A):

\[ P = I - A > 0 \]

Hence, basically it is argued that we have a Problem (P) whenever P, that is, the difference between our Ideals (I) and our current Abilities (A), is greater than zero. Simple algebra tells us that an organization whose end (I) is to achieve a return on equity at 20 percent, but who currently are only giving the owners a 15 percent return (A), has a problem (P) because \( P = 20 - 15 > 0 \). As introduced above, whenever a problem occurs, the problem owner has two choices: either 1) she can raise her abilities (means) to her ideals (purpose or ends), or 2) she can lower her ideals to her abilities. In other words, either she can 1) find some means of reducing the difference between the existing and the desired state, or she can 2) lower her ambitions and thus make the existing state equal to the desired state and thereby solve the problem. However, the problem owner can always ask, “What’s the problem?” Hence, she can ask whether the problem really is that they are five percent short of achieving their objectives or whether this formulation of the problem does not capture adequately the ends or the purpose of the organization. Moreover, she can question whether the purpose of the organization is in need of evaluation and requires different kinds of measurements. Further, she could ask if the organization really has a proper understanding of the current situation, and if it at all makes sense to expect a 20 percent return? Thus, asking “What’s the problem?” entails scrutinizing both i) the current situation and ii) the ideal situation.

The above definition of a problem as the difference between a present and a desired state is a simplification of the concept. Different researchers have therefore elaborated on this definition in order to provide a deeper understanding of what constitutes a problem. Mitroff and Silvers (2009) extends on the simple definition described above and differentiates between exercises and problems. They argue that while exercises can be accurately formulated, there are many different ways of formulating problems and of attempting to solve them. Other scholars also make a distinction between different kinds of problems, distinguishing between well structured problems and ill-structured problems. Rittel and Webber (1973), for example, denote well structured problems as being tame and ill-structured or complex problems as wicked. Inspired by this discussion Meyer (2007:18) defines a strategic problem
as a “complex, multi-faceted real-life situation confronting an organization that requires resolution if the organizational objectives are to be met”. Mitroff and Silvers (ibid.), in general, argue that the educational system, which they call a *mis-educational system*, is dominated by synthetic exercises. They also argue that the educational system needs to focus more on giving students training in the difficult, but important task of formulating real problems. They summarize (pp. 30-33) the differences between exercises (i.e., well-structured or tame problems) and problems (i.e., ill-structured or wicked problems) in the following way:

<table>
<thead>
<tr>
<th>Exercises:</th>
<th>Problems:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Exercises are pre-formulated.</td>
<td>1) Problems are not pre-formulated.</td>
</tr>
<tr>
<td>2) Exercises have one and only one solution.</td>
<td>2) Problems have more than one solution because they have more than one formulation.</td>
</tr>
<tr>
<td>3) Once they are solved, exercises remain solved.</td>
<td>3) Problems are dynamic, and they do not only change as the circumstances change, but they also change in response to our so-called solutions: Our solutions may even make the problem worse.</td>
</tr>
<tr>
<td>4) Exercises are usually the province of a single discipline.</td>
<td>4) Problems are not the province of any single discipline or profession.</td>
</tr>
<tr>
<td>5) Exercises can in advance be defined clearly, precisely and unambiguously, and the definition is not supposed to vary as one works on the problem.</td>
<td>5) Problems are inherently “messy”. Take away the messiness and you take away the problem. The definition of the problem emerges at the end of an inquiry, not at the beginning.</td>
</tr>
</tbody>
</table>

Table I: Exercises vs. problems (based on Mitroff and Silvers, 2009)

Thus, a wicked problem can be formulated in a multitude of ways dependent on how the decision-maker perceives:

i) the current situation,

ii) the ends she wants to achieve, and

iii) what the gap between i) and ii) entails.

For instance, there is a great difference between formulations A, “Poor people are lazy” and B, “Poor people need job opportunities”. Both A and B relate to
the same issue of poverty, but the two differ in their views of the i) current situation, ii) the ends and iii) what the problem entails. We can say that the two formulations exist in two separate problem rooms or conceptual spaces based on two different sets of assumptions (Kaufmann, 2006; Boden, 1991; 2009). Thus, a solution to a problem follows from its formulation, since the latter determines the boundaries within which the search for feasible solutions is conducted (Büyükdamgaci, 2003). Therefore, how a problem is formulated (i, ii and iii) affects:

iv) the means that the decision-maker chooses in order to attempt to solve the problem
– and even
v) the means that are available to the decision-makers in the first place.

While formulation A, “Poor people are lazy,” could lead to means like punishment and ignorance of the whole problem, formulation B, “Poor people need job opportunities,” could suggest such means as job training, educational programs, and so on.

In v) we see the link between the problem-formulation perspective and the literature on creativity. Creativity in itself is typically defined as an idea that is both original and valuable; that is, the idea must not only be new, but it must also be considered useful. Some authors even argue that the idea also should be anti-conventional, meaning that it has to challenge the existing knowledge or paradigm (Kaufmann, 2006). There are, however, many ways of explaining creativity (see e.g. Rickards et al., 2009), and a central question in this line of research addresses the development of creative ideas. As referred to above, one way of understanding a creative process is to view it as a reformulation of a problem (see e.g. Puccio & Cabra, 2009; Basadur et al., 2000). This approach relates to the aforementioned notion of different problem rooms (Kaufmann, ibid.), problem spaces and conceptual spaces (cf. Boden, 1991). Getzels and Csikszentmihalyi (1976), for instance, propose that the essential creative act relates to the problem-finding and problem-formulation processes, and not in the mere solution of the problem.

The example of the engineers who were asked to increase the speed of airplanes illustrates the importance of formulating of problems. They began by investigating different models of aerodynamics, the size of the wings, and so
on. At one point, one of them asked what larger system the airplane was a part of and which part the planes played in this system. In other words, what problem were they actually asked to solve? Well, it turned out that the main problem was the time the passengers spent moving from point A to point B. This reformulation of the problem led them to examine how they could reduce the time spent in the airport, including time spent on baggage handling, security, boarding routines, and more. In reformulating the problem, they were able to move from one problem area (aerodynamics) to another problem area (the time it takes to move from point A to point B). To use our terms, they changed the problem rooms, and thereby expanded the number of potential solutions to the initial problem. Thus, by finding new problems and by reformulating the existing ones, decision-makers can move from one problem room, which has one set of solutions, to another with another set of solutions.

Accordingly, organizational problems, or what Meyer (2007) defines as strategic problems, provide abundant examples of ill-structured problems that could be formulated in a multitude of ways, as are the attempts to solve them. As I shall return to in chapter 2.2, this insight is important for the creation of strategy, and especially the creation of a balanced strategy. One reason is that as decision-makers we are boundedly rational, which means that we make our decisions on the basis of a simplification of reality, and this in turn means that we reduce ill-structured problems into well-structured problems or exercises. Hence, this simplification can lead us to prioritize some of the dimensions inherent in a problem at the expense of other, important aspects, as for instance the question of organizational responsibility. Moreover, I propose that there is a means-end fallacy embedded in strategic-management theory and practice which reinforces this reductionist approach to the formulation and solving of problems. As I shall discuss in the next section, this means- or solution-oriented approach to the decision-making process might lead the decision-maker both to committing an error of the third kind by solving “the wrong problem” and to missing out on creative solutions to the paradox of profitability and responsibility. In section 2.2 I shall relate this discussion the means-end fallacy in the strategy field, and argue that this may encourage the development of imbalanced strategies.

2.1.3 Errors of the third kind and the means-end fallacy

The literature on the formulation of problems emphasizes that inadequate formulations lead organizations into solving the wrong problem. Solving the wrong
problem is here referred to as an error of the third kind (E3), which relates to the statistical errors of type 1, rejecting a hypothesis that should be accepted, and type 2, accepting a hypothesis that should be rejected. An error of the third kind implies that one has based an inquiry on the wrong hypothesis altogether, meaning that the hypothesis is not able to address the actual problem (cf. Mitroff, 1998). Following this logic, one can say that the engineers in the example above were initially trying to solve the wrong problem. They approached the problem as they were trained to do and they made hypotheses on the basis of the rules within the problem space with which they were familiar. In other words, we can say that they approached the problem as though it were an exercise, and not a complex problem. However, by reformulating the problem they were able to find new solutions. While the former formulation of the problem and the solutions available to them were based on the wrong hypothesis, the new formulation was based on the right hypothesis, that is, one that made the problem solvable.

As mentioned in chapter 2.1.2, Mitroff (1998) divides the problem-solving process into: 1) acknowledging that a problem exists, 2) formulating the problem, 3) deriving the solution to the problem and 4) implementing the solution. Moreover, Mitroff (ibid.) argues that the third and fourth steps receive too much attention, and that more research is needed to understand the relationship between the second and third steps. Hence, as discussed above, he makes distinctions between a) right and wrong formulations of the problem and b) right and wrong solutions to the problem. Whereas right formulations are dependent on wise decision-makers and critical thinking, finding the right solutions to a problem is only dependent on the decision-makers’ skills or competence. Figure 2 illustrates how Mitroff describes the relationship between step 2), formulating the problem (wisely or unwisely), and step 3), deriving the solution to the problem (competently or incompetently):
Mitroff (1998) argues that a competent but unwise decision-maker may actually solve the wrong problem because he fails to think critically and to formulate the right problem in the first place. Thus, the engineers in the above example were initially unwise and competent and ended up solving the wrong problem (E3) precisely by using the skills, techniques and means available to them through their years of training. However, these means did not solve the right problem of reducing the time the passengers spend moving from A to B. In essence, Mitroff (ibid.) argue that in order to avoid committing an E3 the decision-maker should approach the problem holistically. Moreover, he proposes that only an exercise or a well structured problem can be solved, while complex problems, ill-structured structured problems or, in other words, wicked problems cannot be solved (Mitroff and Silvers, 2009:39). Instead, complex problems can be resolved, dissolved or absolved. Resolving a problem means containing it within acceptable limits; dissolving a problem is to lower or redefine its importance; and absolving a problem means to accept that the problem may never fully vanish, and may even grow worse over time. This distinction between solving, resolving, dissolving and absolving a problem relates to the holistic character of complex problems that can be said to exceed the sum of its parts, in that it is impossible to solve a problem by reducing it into many small problems.
Hence, as an extension of this nuanced view of the different meanings of the verb *to solve*, it is apparent that neither can we talk about a right or wrong formulation of a problem nor does it make sense to use the phrases *right or wrong solutions*. For example, if you were to ask an economist, an engineer, a medical expert, a historian, a social anthropologist and a political scientist to explain what the issue of poverty in Africa is all about, they will most likely give you six different formulations of the problem and six different solutions to it. None of them are necessarily wrong, but none of them are right unless they are able to express the complexity of the problem. Further, even if you got the five experts to sit down and to figure out the problem together, they would still miss out on important features of the problem. Thus, the solution that they would choose to implement to solve the problem, either individually or as a group, might again create new problems. In the exploration of the complex problem of substance abuse and the different strategies the different organizations use to deal with it, we shall again see that it is not possible to define a right or wrong problem-formulation or solution.

I have discussed above the formulation of problems in regard to two related perspectives, namely, the perspectives of i) right and wrong and of ii) creativity. What is common among these perspectives are the claims that the decision-makers are fixated on solutions and that it is worthwhile to take a step back in the decision-making process and to try to reformulate the problem. One challenge that the decision-makers encounter in this process is that such reformulations are dependent on their sensitivity toward problems (Guilford, 1968). Sensitivity toward problems relates to the actors’ ability to apprehend the different aspects of a problem, thus enabling them to reformulate it from a new perspective by using another set of rules from a different conceptual space (Boden, 1991; 2009). But the decision-makers can be said to be trapped cognitively in one problem room because the logics within this conceptual space are taken for granted. However, in order to generate new and perhaps even creative ways of solving the problem, the decision-makers need to become aware of and to challenge these logics. Hence, this ability to sense the different dimensions of a problem and to reformulate it is dependent on the actors’ sensitivity toward problems. An example of someone who was extremely sensitive toward problems was Albert Einstein (Bjørkum, 2009). He had a unique ability to find new problems, to turn existing formulations upside down, and, thus, to move from one problem room with one set of rules and attainable solutions to another with an entirely different set of rules and logic, which
offered another set of possible solutions. This aptitude, of course, made him extremely unpopular with his teachers in his younger years, but these reformulations also paved the way for great discoveries.

In the following sections I focus on the field of strategy and use the insights discussed above from the problem-formulation perspective to explore further the dysfunctional consequences of the means-end fallacy in the creation of strategy.

2.2 Strategic management and strategy creation

2.2.1 Strategy creation and problem reformulation

Today one can say that almost all organizations – private, public and civil – are expected to have a strategy. To create these strategies the organizational decision-makers typically turn to the strategic-management literature and the strategic consultants for advice. However, in their discussion of strategy literature and practice, Mintzberg et al. (2005:5) state:

As Gary Hamel put it, starkly, “The dirty little secret of the strategy industry is that it doesn’t have any theory of strategy creation.” Strategy has to come out of a creative process conducted by thoughtful people. Profits and prophets don’t mix well in strategy.

With “the strategy industry,” the authors here refer to both strategic literature and the strategic management-consulting companies. Mintzberg et al. (ibid.) assert that we do not know what really goes on in the formulation of organizational strategies, and that we lack a theory of the creation of strategy. Hence, strategy, and particularly the creation or formulation of strategy, is an ambiguous concept. Originally, the word strategy is derived from the Ancient Greek stratégos, which is a general of an army. In a managerial context strategy is understood as deciding the means used to achieve a specific end, objective or goal (Porter, 1996). According to Mintzberg (1978, pp. 947-948), however, what we commonly refer to as strategies are actually many patterns of organizational decisions that are formed without conscious or deliberate thought. Thus, he argues that the very word formulation is misleading because there is not necessarily a formal decision-making process that has led to these strategies. By drawing on the problem-formulation perspective, I argue that it is possible to see what is going on inside the strategic black box to some extent. Hence, in
line with the emerging research field of Strategy-as-Practice (Whittington, 2006), I aim to study how strategy is created. I do so by approaching strategy creation as a process of finding and formulating problems that is followed by attempts to solve them. In this manner, I aim to contribute to our understanding of the black box of strategy creation. Put otherwise, by approaching the creation of strategy in a problem-formulation perspective I aim to illuminate what “actually takes place in strategic planning, strategy implementation and other activities” (Golsorkhi et al., 2010:1).

In general I argue that the mainstream strategy theories are dominated by the profit-maximizing school of thought and that this affects both how strategic problems are formulated and how they are attempted to be solved. To support this argument, I draw on Whittington (2001), who divides the strategy field into four basic theoretical approaches, namely, Classical, Evolutionary, Processual and the Systemic. These approaches differ with regard to two dimensions, 1) the outcomes of strategy (i.e., what is strategy for?) and 2) the process by which they are made (i.e., how is strategy done?). While the outcome in the Classical and the Evolutionary are profit-maximizing, the outcomes of the Processual and Systemic are pluralistic, meaning that other outcomes are possible and valuable. Even though they disagree over the 1) outcomes of strategy, the Systemic and Classical approaches agree that 2) the organization deliberately makes strategies. On the other side of the second continuum, the Evolutionary and the Processual perspectives perceives strategy as an outcome of chaotic and incidental processes. Despite the fact that Wittington proposes that there are four different theoretical approaches to strategy, he still argues (p.11), “For Classicists, profitability is the supreme goal of business, and rational planning the means to achieve it. Dominant in the mainstream textbooks, the Classical approach draws wide disciplinary and metaphorical support.”

It is arguable, then, that the mainstream, Classical profit maximizing approach to strategy dominates how strategy is taught in business schools and, thus, how organizations go about in their strategy-creation processes. This argument is supported by Mintzberg et al. (2009), who argue that the mainstream strategic research and practice is dominated by what they call “Strategy as a Plan,” which again is dominated by the Design, Planning and Positioning Schools of strategy. In a word, this implies that even though there exist other approaches in the field of strategic research, several scholars still claim that the Classical or mainstream, profit-maximizing approach to strategic management still needs to
be challenged by more pluralistic approaches to both 1) the outcome of strategy and 2) to how strategy is done. My assertion is that pluralistic approaches are particularly germane with regard to the paradox of responsibility and profitability and, hence, to the creation of balanced strategies.

As mentioned in the introduction, March (1991) calls for alternative approaches to the process of strategic management that can contribute to exploration, not only to exploitation. Likewise, Kim and Mauborgne (2005; 2009) call the traditional competition-based theories structural, and argue that such theories are best suited for understanding how one might compete in Red Oceans. These red oceans are markets that already exist, where the rules are known, where the competition is high, and where the profit potential is so low if you do not have access to superior resources and capabilities that provide a competitive advantage. As an alternative to the structural theories Kim and Mauborgne (ibid.) advocate a reconstructive blue-ocean strategy. In short, the purpose of a Blue-Ocean Strategy is to facilitate the decision-makers’ ability to reconstruct the problems the organizations face. In this way, the organizations create blue oceans, meaning new markets where competition is irrelevant. In sum Kim and Mauborgne (ibid.) argue that decision-makers can create blue oceans by finding new solutions to new problems rather than by competing with the other actors in red oceans, where survival and growth are dependent on finding better solutions to problems that already exist.

March’s (1991) terms of exploitation and exploration to a large degree correspond with what Kim and Mauborgne (2005; 2009) call a structural (red ocean) and reconstructive (blue ocean) perspective on strategy, respectively. The reconstructive strategy, as its name implies, involves a reconstruction of the markets by creating profitable innovations that are both differentiated and cost-effective. Here we can see that they deal with a different paradox than the paradox of profitability and responsibility. Instead, they attempt to approach the paradox of high prices and low costs. To render the organization capable of dealing with this paradox, they argue that the decision-makers have to reformulate the business problem and not to let the organizational strategies be controlled by both the existing structure and the prevailing understanding of the problem in the industry. Kim and Mauborgne (2009:73) explain the problem of the structural theory in the following way:

4 The following argument is built on to a large degree on Jørgensen et al. (2011).
When executives develop corporate strategy, they nearly always begin by analyzing the industry or environmental conditions in which they operate. They then assess the strengths and weaknesses of the players they are up against. With these industry and competitive analyses in mind, they set out to carve a distinctive strategic position where they can outperform their rivals by building a competitive advantage. To obtain such advantage, a company generally chooses either to differentiate itself from the competition for a premium price or to pursue low costs. The organization aligns its value chain accordingly, creating manufacturing, marketing, and human resource strategies in the process. On the bases of these strategies, financial targets and budget allocations are set.

In other words, if organizations are controlled by the structure of the industry when they develop their strategy, this leads to a reproduction of the strategies that already exist in the red sea, where they either invest in differentiation or aim for low cost. To liberate the organizations from the value-destructive competition in the red sea, Kim and Mauborgne (ibid.) recommend that organizations reconstruct the problem and create blue oceans where competition is irrelevant. There are clear resemblances between strategy viewed as a formulation of a problem and Blue-Ocean Strategy (BOS). Even though BOS employs some of the terms from the problem-formulation perspective, the relationship between how a problem is formulated and the attempts to solve it is more or less treated implicitly. Thus, the purpose of this thesis is to explore this relationship explicitly. Moreover, this thesis does not address the paradox of differentiation and low costs, but instead focuses on the paradox of profitability and responsibility. Theoretically, this is discussed in light of insights from the problem-formulation perspective and the field of problem-based creativity (Getzels & Csikszentmihalyi, 1976; Puccio and Cabra, 2009). In the following I concentrate on the paradox of profitability and responsibility in the context of mainstream strategy and the creation of strategy.

### 2.2.2 Mainstream strategy – the bottom line

In chapter 1 I referred to Wit and Meyer’s (2004) seminal text on strategy in which they argue that the focus in the strategy literature is on the means and not on the ends of the organization. This focus on the means, not the ends, might be due to the “widespread assumption that it is obvious why business organizations exist” (p. 590). Wit and Meyer’s reflections, together with Mitroff and Silver’s (2009) discussion of decision-makers’ tendency to treat problems connected to ends (What should we fix and why?) as problems connected to
means (How should we fix it?), was my inspiration leading to the notion of the means-end fallacy in the strategy field.

If we take a closer look at how the Classics (cf. Whittington, 2001) formulate the strategic problem, they typically present strategy as a part of the process of strategic management in which the managers are expected i) to define the corporation’s mission and objectives, ii) to conduct external and internal analyses, and iii) to choose, implement and control the best strategy. Thus, the best strategy is the one that can lead to a sustained competitive advantage (see e.g. Barney & Hesterly, 2006; Johnson et al., 2008). Since the first part of the process of strategic management is to define the corporate mission and objectives, this might give the impression that managers are free to define the ends or the purpose of the organization. This sense can be strengthened by the fact that the latest editions of textbooks on strategic management, perhaps as a post-Enron effect, typically offer a chapter devoted to themes like business ethics, stakeholder expectations and corporate social responsibility (CSR). However, it can be argued that there is a foregone conclusion in the mainstream discussions on the process of strategic management, which prohibit an open discussion of the purposes of the organizations and such questions as: “What is of fundamental importance for the organization?” or “Why and for whom does the organization exist?”

The foregone conclusion is that the purpose of the organization is already defined in advance of the process of strategic management, namely, to maximize shareholder value. As described above, the aim of the process of strategic management is to create the strategy that achieves sustained competitive advantage, that is, creating more economic value than rival firms do over time (Porter, 1985). Here the concept economic value is typically measured as return on equity. Hence, this supports Wit and Meyer (2004) who argues that the processes of strategic management boil down to finding the means or the courses of action needed to achieve the ends that are defined in advance, in this case, efficiency and the maximization of profits. This, again, is not only relevant for private, profit-maximizing organizations. Public and civil organizations might also ignore the purpose of the organization in their strategic decision-making processes, and thence also ignore the dimension of responsibility in their formulation of the problem.
Within the Classical approach to strategy it is possible to draw a line between two perspectives that both focus on gaining and sustaining competitive advantage, but differ in their view of how this advantage is achieved. Here we can distinguish between those who explain a firm’s competitiveness by the economic structures of the industry and those who explain it by concentrating on the firm’s internal strengths or weaknesses. The former, externally based view is inspired by Porter (see e.g. 1980; 1985; 1996). The latter, internally resource based view is influenced of authors like Penrose (1959), Wernerfelt (1984), Peteraf (1993) and Barney (1991). Even though they answer these questions differently, both of these lines of research are driven by two fundamental questions. 1) Why do some firms achieve better results over time even if they are competing in the same industries? 2) How can other firms use this knowledge to their advantage? (see e.g. Dierickx & Cool, 1989). Thus, both schools of thought take the purpose of the organization (i.e., profit-maximization) for granted, even though they differ with regards to how sustained competitive advantage is achieved.

Above I have argued that the bottom line of mainstream strategy is to create and sustain a competitive advantage and that this bottom line affects the formulation of the strategic problem and consequently the attempts to solve it. The level of competitive advantage is measured by the return on equity, which is typically based on the maximization of shareholder value. Here the shareowners are perceived as residual claimants (Milgrom and Roberts, 1992), in the sense that they receive the net income after all of the other stakeholders have received their lawful claims. If the company creates sufficient value, the owners of the company will receive large earnings. If the creation of value is small, the employees and the other stakeholders will receive their lawful claims while the owners must bear the loss. Hence, the owners have an incentive to maximize the organization’s creation of value, since they only receive what is left over. Idealistically, to maximize the value creation in the long run, the organization has to be competitive in all of the markets in which they compete. Normally, it is unprofitable to misbehave in the different markets that the organization competes in, whether it is the labor market, the supplier market or the product market. Thus, it is widely accepted that the contracts with the stakeholders in these markets need to be both attractive and voluntary and that, as a consequence, especially in the long run, it is unprofitable to behave unethically in the different markets in which the company competes.
One way that the means-end fallacy has been treated within the mainstream field of strategy has been to focus on a value-based rather than an action-based approach to the process of strategic management. An example of this focus is goal-based leadership (e.g. Hax & Majluf, 1996), which advises strategists to make a hierarchy of goal starting with the core values, the mission, the vision and the main goals of the organization before they choose the measures or courses of action for fulfilling these goals. In other words, goal-based leadership encourages strategists to define the ends of the organization before they choose the means. Yet this line of literature typically defines the ends in the same way as described above: the purpose of the organization is defined as maximizing shareholder value. Arguably this approach to organizational responsibility leads neither to a reformulation of the problem of handling the paradox of responsibility and profitability, nor to a balanced strategy that takes into account the different dimensions of the problem.

Accordingly, following Enron and the other corporate crises, the philosophy of maximizing shareholder value described above has received strong critiques from within the discourse on managerial research (see e.g. Ferraro et al., 2005; Ghoshal, 2005; Mintzberg, 2004). Ghoshal (ibid.) claims that bad managerial theories are destroying good managerial practice. Hence, Ghoshal asserts that these theories are making managers and their organizations blind to organizing principles other than the logics of the market combined with heavy control mechanisms that aim to prevent opportunistic behaviors. And to make matters worse, these control mechanisms may in fact reinforce the opportunism they were intended to dampen. Mintzberg (2004) asserts that the content of the worldwide MBA programs have developed a MBA society that has had negative effects for academia (who supply the non-academic MBA programs), business (which hire managers with MBAs), social institutions (which have adopted the quantitative, one-size-fits-all MBA tools) and society (which must pay the price for all the above). Hence, Mintzberg (ibid.) argues that one of the main problems with the research, teaching and practice of business administration is the glorification of self-interest, where “Greed has been raised to some sort of high calling; corporations are urged to ignore broader social responsibilities in favor of narrow shareholder value…” (p.147).

Still, even if social responsibility meets strong resistance within neo-classical economics and mainstream strategy, there is a growing understanding of the challenges involved in basing an organization’s strategy purely on the economic
bottom line. As a result many strategic researchers try to incorporate responsibility into their strategic theories (Barney & Wright, 1998; Porter & Kramer, 2002; 2006). What these contributions have in common is the argument that it is possible to be both profitable and responsible at the same time. Thus, it is argued that it is possible to do good by doing well. In the following I shall briefly describe three perspectives that to various degrees challenge and use different arguments, and are critical toward this assertion and the formulations of problems that result from these logics.

2.3 Some critical perspectives on the bottom line

I shall briefly describe below three discourses that offer alternative views of the purpose of organizations, namely, corporate social responsibility (CSR), ecological economics and the critical perspectives of CSR. In a problem-formulation perspective one can say that all of these perspectives call for a reformulation of the problem by challenging the perception of the current situation, the ends and the means or strategies of the organization. Accordingly, these perspectives can be used to support my earlier assumption that there is a means-end fallacy in mainstream strategy that prevents organizations’ decision-makers to deal with the paradox of responsibility and profitability. An important question, however, is whether the alternative perspectives I discuss below has led or can lead to balanced strategies. Another question, that I shall return to in chapter 5.1, is whether the problem-reformulation perspective that is explored and elaborated on in this thesis can contribute to a more balanced turn in the creation and implementation of organizational strategies.

2.3.1 CSR – from bottom to triple bottom lines

As I argued above, there is no doubt that the maximization of profit has strong foothold in mainstream strategic theory and practice, and that this may lead strategic decision-makers to ignore the dimension of responsibility in the formulation of the problem. However, it is today commonly recognized that organizations, whether they are private, public or civil, have a responsibility that extends beyond their economic and legal obligations (see e.g. Wood, 1991; McWilliams & Siegel, 2001; Matten & Moon, 2005; Lockett et al., 2006; Porter & Kramer, 2006). However, there is still uncertainty regarding what this responsibility really entails (see e.g. Moir, 2001; McWilliams et al., 2006;
Windsor, 2006). The research, education and practice of business and administration often refer to this responsibility as corporate social responsibility (CSR). Hence, today most business schools offer courses in CSR. But the CSR concept is applied in different contexts and begins to take on different meanings, and, consequently, there is no one universally accepted definition of CSR (see e.g. Carroll, 1999; Moir, 2001). A common theme found in the different understandings of CSR is that it is about a balancing of values. There may be a balancing of instrumental values (the organization’s purpose, e.g., profit or other objectives) and moral values (e.g., justice, care, sustainability). Thus, since the CSR discourse is focused on a balance of values, one may observe that this thesis and CSR share the same objectives, since I aim to contribute to the creation of balanced strategies. However, there is still a need within the CSR discourse for further research on where such a balancing point between the different values might be found and more insight is needed on how the problem-formulation perspective can be used as an approach to the creation of balanced strategies.

In the corporate context, this balancing of values is typically illustrated by the logic of the triple bottom line, which reflects a balancing between economic values, social values and environmental values (see e.g. Elkington, 1998). The general idea is that socially responsible companies have the ability to balance these three types of values in their activities and thereby protect the interests of legitimate stakeholders. Another significant feature of CSR is captured in Carroll’s (1991) CSR pyramid, which distinguishes between different types of responsibilities that are typically viewed as components of CSR. This CSR pyramid includes a distinction between (1) financial responsibility and (2) legal liability, both of which are required by any organization, as well as between (3) ethical responsibility, which is expected, and (4) philanthropic responsibilities, which is desirable. It should be noted that this pyramid regards the core of the concept of responsibility – namely, the ethical responsibility – to be only an expectation, which means that it cannot be imposed on any organization.

As I argued above, the discourse of social responsibility in business ethics can be perceived as a tension between two extreme positions. On the one hand, there is the view that companies’ clearly defined responsibilities include their conducting of profitable operations within the framework of the law in order to create value that benefits society (see e.g. Friedman, 1983). On the other hand, there is the idea that businesses have an unequivocal responsibility to conduct
its business in a manner that is consistent with sustainable social and ecological systems. The central position – that the company has a substantial responsibility for addressing all legitimate stakeholders affected by the organization’s activities (Freeman, 1984) – is now widespread in economic theory and practice. Which level of social responsibility one ascribes to organizations will naturally be related to which of these three positions one accepts – and which of the perspectives one accepts has far-reaching consequences for the formulation of the problem and the attempts to solve it. The important question in a strategic context, therefore, is whether or not the triple bottom line really leads to balanced strategies, or if such a balance requires a fundamental reformulation of the problem based on other understandings of the current situation and the purpose of the organization. In the next section I shall briefly discuss a perspective that entails a deeper reformulation of the problem than what is typically associated with CSR, namely, ecological economics.

2.3.2 Ecological economics – from bottom lines to interdependent systems

Ecological economics (see e.g. Daly, 1996; Daly & Farley, 2004) is a collective term for an interdisciplinary field of research which endeavors to create a deep or strong sustainable alternative to the neo-classical economic theory. Zadek (2001:119) emphasizes the differences between weak and strong sustainability:

The distinction between the two views of sustainable development is profound. The first argues that any action that degrades the environments is necessarily a move away from sustainable development irrespective of its economic and social effects. The environment in its current form is sacred and forms the sole benchmark against which all decisions and actions are assessed. The second offers a permissive approach that argues for a multidimensional set of objectives, of which the protection of the environment is but one.

Weak sustainability, it can be argued, is concurrent with substantial responsibility (i.e., CSR), while ecological economics is a perspective that asserts that business has an extensive or unequivocal responsibility for the ecological and social systems. In line with the problem-formulation perspective, I argue that ecological economics, compared to CSR, advocates a more fundamental reformulation of the business problem. Hence, ecological economics is often illustrated by a model which shows both the economic system and society as subsets of the ecological system, in that neither society nor the economic
system can survive without the ecological system. Moreover, ecological economics replaces the three equal pillars and the triple bottom line of CSR with three interdependent systems in which economy and society are subsystems of the environmental system. Ecological economics asserts that the planetary ecological system is a closed system with fixed levels of natural resources, and this means that the level of natural resources is declining as a result of how the economic system is exploiting these resources. Since it is impossible to achieve unlimited growth within a closed system, ecological economists are exploring non-growth alternatives to neo-classical economic theory. Thus, ecological economists seek to develop theories that exchange quantitative growth (which is impossible to achieve in a finite ecological system) with measurements of qualitative development, such as well-being (see e.g. Gardner & Assadourian, 2004). Furthermore, a common denominator for the discourse of ecological economics is its relationship to deep ecology (Naess, 1995; Ims og Zsolnai, 2006), which is a philosophy that recognizes the intrinsic worth of other beings aside from their instrumental value.

The above description of ecological economy is based on theories on a macro level, but there are also researchers who address these issues on a micro or a business level. An example of this is Ingebritsen and Jakobsen (2006; 2007), who have approached the interplay between the economic, cultural and ecological sectors in a circular and holistic way:

![Figure 3: Economy, nature and culture (Ingebritsen & Jakobsen, 2007)](image-url)
The model in figure 3 transforms the triple bottom line (economy, nature and society) into a cyclical and interdependent interplay between these sectors. In their model, nature and culture (defined as all man-made nature) delivers input factors to the economic sector and the task of the economic sector is to produce goods and services that mankind needs in order to maintain a reasonable level of welfare. Furthermore, they argue that the activity in the economic sector has effects on both ecology and culture. Traditionally, ecological economy has concentrated its efforts on the relationship between nature and economy (Wackernagel & Rees, 1996), but Ingebrigtsen and Jakobsen (op.cit) have extended the focus to the relationship between economy and culture, arguing that both nature and society can be polluted if the economic system and its intrinsic values dominate the two other systems. Overall they claim that the interaction between these three sectors must be balanced, and that an exaggerated focus on any one of the sectors will have a negative effect on the two others. Further they maintain that there are signs today that the economic system is dominating the two others. This, they argue, is creating both ecological and cultural problems, which in turn also has a negative effect on the economic system. Ultimately, such an unbalance between the three sectors undermines sustainability, and when sustainability is threatened it jeopardizes the total welfare in society. Ingebrigtsen and Jakobsen (ibid.) hold that the economic system needs both an independent nature and a cultural sector. In other words, they claim that culture and nature must be given the opportunity to maintain their intrinsic values.

This instrumental and economical dominance can be called economization, a phenomenon that has also been discussed by researchers outside the field of ecological economics and deep ecology. One example is Nyeng (2007) who argues, “That we...have to make sure that we are not hit by the poverty in concepts and perspectives that organising strictly in accordance with economic principles may create” (p. 37). Nyeng also asserts that the role of ethics is to be critical to how we choose to organize our society and that ethics should not only question the rules of the game, but also to question if the game is at all praiseworthy. Nyeng holds that the business economic model, which is based “purely on an efficiency-related argumentation” (p.73) does not always lead to ethically acceptable social practices, and therefore we need alternative logics in different areas and organizations. To underline this point, Nyeng quotes Hellesnes (2004:133):
A modern society needs a diversity of institutions and organisational forms, adjusted to different tasks… The spectrum of organisational forms has to be broad in order to take care of the uniqueness of the different areas. This is precisely what the new liberalists do not see and do not want to see. They are victims of the illusion that a business economical model will fit everywhere.

In short, a balance between profits and responsibility is necessary, because if all social relations were to be reduced to instruments for economical gain, then the trust and creativity needed to create future earnings might be eroded. Furthermore, if the natural system in the same way is reduced to an instrument for gaining and sustaining competitive advantage, this might also have severe consequences for both the environmental system in itself and, ironically, to the future growth opportunities and, thus, for societal welfare.

As illuminated above, CSR and ecological economics formulate and propose different solutions to the paradox of responsibility and profitability. One could argue that while CSR proposes a balance of values, ecological economics asserts that the needs of the ecological and the social systems are more important than the needs of the economic system. In exploring the reformulation of problems and the creation of balanced strategies, an important aspect of this thesis is the attempt to determine where the balancing point between these three systems should be. Another central question is if CSR and the triple bottom lines can achieve the necessary balance or if a turn from substantial to unequivocal responsibility is necessary.

2.3.3 The critical perspective on CSR – CSR as an oxymoron altogether

I have discussed above two critical perspectives, namely, CSR and ecological economy. While the former can be said to be based on an idea of weak sustainability, in which the three bottom lines are equally important, the latter is grounded on strong sustainability in which the social system and the economic system are regarded as subsystems of the ecological system. The third stream of the literature is marked by critical perspectives on CSR, which can be said to be a branch of critical managerial studies, a critique of management, business and organizations that has its roots in sociology (see e.g. Alvesson & Willmott, 1992). In many ways the arguments raised in the critical perspective on CSR have similarities with those put forward by ecological economists. Both, for instance, are critical toward incentives offered by markets and competition, and both claim that business cannot necessarily do well by doing good. Perhaps the
main difference between them is that ecological economics emphasizes the ecological system and deep sustainability, while the critical perspectives on CSR to a larger degree stress the social system. For example, Doane (2005:216) states:

If we are to plot a different future it seems, we must learn from the lessons of the past and find a wholly different approach to managing business in society. The future of the ethical corporation will depend on a more courageous look at the limitation of the markets; and a bold attempt to define what type of society we want; and how best business can serve that end, rather than the other way around.

In other words, she reframes the problem from i) one of achieving profits to ii) one that asks what kind of society do we want and how can business contribute to fulfilling this purpose. Doane (ibid., p.222) elaborates on this reformulation when she claims that “a re-brand of CSR is in order,” and that we must stop asking, “how can business minimize its negative impacts on society and the environment?” and start to ask “what institutions, organisations or actions do we need to deliver a sustainable society?” As we can see, both the social and the environmental systems are included in the understanding of sustainability.

Hanlon (2008) summarizes this perspective when he argues that CSR is not, as suggested by writers like Friedman (1983) and Leavitt (1958), a challenge to traditional and profit-maximizing business practices. Rather, on the contrary, Hanlon claims that (p.157) “CSR represents a further embedding of capitalist social relations and a deeper opening up of social life to the dictates of the marketplace.” In the same way Hanlon and Fleming’s (2009) paper *Updating the Critical Perspective on Corporate Social Responsibility* argues that (p.937) “CSR must be considered critically as more than propaganda; instead, in our view, the critical perspective on CSR must now integrate how CSR is a predatory form of extending corporate power under late capitalism.” These authors insist that the neo-liberal capitalist has nothing to fear because CSR in its traditional form has little or nothing do to with responsible behavior, for it is just another means of gaining and sustaining competitive advantage. The paradox of profitability and responsibility, then, is alive and kicking within this discourse. This is reflected in many other papers within this discourse where it is argued that CSR is an oxymoron (Cloud, 2007). The reason, according to Devinney (2009:44), is that “the notion of a socially responsible corporation is potentially an oxymoron because of the naturally conflicted nature of the corporation.”
In the above section, by briefly reviewing these (more or less) critical perspectives on the mainstream bottom line of strategic management, I have attempted to demonstrate that there are different approaches to the challenge of balancing the relationship between responsibility and profitability. In a problem-formulation perspective and in light of the means-end fallacy, both ecological economics and the critical perspective on CSR argue that CSR is too embedded in the logics of mainstream strategy. Hence, they assert that the balancing point is not to be found, since CSR leans toward profits and either ignores or neglects the dimension of responsibility. This is a key theme in articles I and V, which I shall return to in chapter 4. In chapter 5 I return to the discussion of the present section in my synthesis of the conclusions and the contributions of this study.

2.4 Summing up and moving on

In this chapter I have presented the theoretical background of this thesis by discussing the problem-formulation perspective and the means-end fallacy in the literature of decision-making and the creation of strategy. I wish to emphasize that there is a need for further conceptual and empirical explorations of the problem-formulation perspective itself. This is especially important concerning the questions of what constitutes an appropriate or inappropriate formulation of a problem. Moreover, further research is needed in order to investigate the relationship between the formulation of a problem and the attempts to solve it. I also propose that more research is necessary in order to explore the relationship between organizational formulations of problems and creation of strategies – especially with respect to the paradox of responsibility and profitability and, thus, the creation of balanced strategies. The reason is that the process of strategic management is engrossed in finding the means or courses of action required to achieve the ends that are defined in advance, like efficiency and profit maximization. Moreover, I argue that this leads to imbalanced strategies, that is, strategies that are unable to take into account organizational responsibility. A concomitant of this position is that balanced strategies are dependent on the ability to reformulate the problem.

In the last decades, CSR and the logics of the triple bottom line have challenged the economic bottom line. However, an important question is whether or not CSR can enable organizations to resolve or to find a balance between profitability and responsibility, a question that researchers within ecological economics and the critical perspective on CSR have persistently raised. In
general terms one may say that the discipline of CSR to a certain degree agrees with mainstream strategy in that it is possible to *do well by doing good*. In contrast, ecological economics and the critical perspective on CSR strongly criticize this assumption. In other words, these three perspectives differ in their perceptions of what should be the proper balance between profits and responsibility and, accordingly, they formulate the problems differently and that they advocate different solutions to different problems.

My assertion is that neither CSR, ecological economics nor the critical perspectives on CSR has led to fundamental changes in the way organizations formulate and solve their problems. Therefore, more knowledge is needed on the creation of strategy in order to improve our understanding of the barriers that hinder both reformulations of problems and new approaches to paradox of profitability and responsibility. Hence, by approaching the creation of strategy in a problem-formulation perspective, the purposes of this thesis are both 1) to explore the dysfunctional consequences of the *means-end fallacy* in organizational decision-making and 2) to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. As mentioned above, few attempts have been made to study the relationship between the formulation of problem and the creation of a balanced strategy. Therefore, the first aim of this thesis is to explore and elaborate on the problem-formulation perspective in order to adapt it to the context of organizational creation of strategy. Secondly, I aim to contribute to an exploration of how strategy really is formulated, that is, to see what is going on in the *black box of strategy creation*. Thirdly, I aim to provide strategic practitioners with insight that can help them both avoid the means-end fallacy and come up with balanced strategies. The next chapter discusses how I have gone about achieving the purposes and the aims of this study in the five appended papers.
3 Methodological choices and case description

“It is better to know some of the questions than all of the answers.”
James Thurber (1894-1961)

“If they can get you asking the wrong questions, they don't have to worry about the answers.”
Thomas Pynchon’s Gravity’s Rainbow (1973)

In this chapter I first discuss the methodological stance of this thesis. Secondly, I describe why I chose a case study of the substance-abuse problem to explore the problem-formulation perspective, and I describe how this study evolved. Thirdly, I discuss the methodological choices related to the case study of the substance-abuse problem. Fourthly, I discuss issues of validity and reliability that relate to this study. Lastly, I present a broader description of the case, since each of the appended papers only deals with fractions of the comprehensive case study.

3.1 Methodological reflections

In the previous chapters I have described and discussed the background of the purpose and three research aims of this thesis. The overall purpose of this thesis is to explore the dysfunctional consequences of the means-end fallacy in organizational decision-making and creation of strategy, and to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. To do so I have developed three research aims: 1) to explore and elaborate on the problem-formulation perspective and to adapt it to the context of organizational creation of strategies; 2) to contribute to an exploration of the black box of strategy creation by approaching it as a process of finding, formulating and attempting to solve problems; and 3) to provide practitioners with insights that can help them avoid the means-end fallacy and encourage the creation of balanced strategies. Moreover, to explore these three aims, I have studied the phenomenon of problem-formulation both conceptually and empirically in two conceptual papers (I and V) and three empirical papers (II, III and IV). Empirically, I have explored both the formulation of problems and the creation of strategy by means of a case study of the substance-abuse problem, which was initiated, planned and performed.
together with Tynes Pedersen. I shall return to the case study in chapter 3.2, but before I do so I shall discuss the methodological foundation of this thesis.

Within the field of science, and especially within philosophy of science, there is an almost perpetual discussion about what knowledge is and if and how it can be created. An important question in this debate is “How do you know that something is true?” (Grennes, 2004). Knowledge can be defined as true, justified beliefs (Nyeng, 2004:18). However, knowledge can also be understood differently. According to Morgan and Smircich (1980) the view of what knowledge is and which research methods should be used to acquire new knowledge “are linked directly to assumptions about ontology, epistemology, and human nature”. Morgan and Smircich (ibid.) make a distinction between two core ontological assumptions: reality as a social construction and reality as a concrete process or structure. Within these two extremes they propose several intervening perspectives that lie between the subjectivist and the objectivist approaches to social science. At the subjectivist side of the continuum, reality is defined as a projection of human imagination; on the other, reality is understood as a concrete structure. These two positions have two different assumptions about human nature, where human beings are social constructors, adaptors or responders.

The problem-formulation perspective in itself and, hence, this research project’s core ontological assumption, leans more to the subjective side than the objective side of the continuum. As described in chapter 2 it follows from the reconstructive view of strategy (cf. Kim & Mauborgne, 2005) that the decision-maker is not necessarily only dependent on the structure of the industry in creating the organization’s strategy. This means that she does not have to be a passive responder who only adapts to the environment. She can actively reconstruct the problems that the organization faces. I do not argue, however, that the decision-maker can do so independently of the structure. For instance, the decision-maker in a publicly listed company must behave in accordance both to the expectations of important stakeholders and to the legal boundaries. Methodologically, then, this thesis is positioned somewhere in between the subjectivist and the objectivist approaches to social science and to social behavior in general. My more precise methodological stance is inspired by

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6 Lars Jacob Tynes Pedersen defended his doctoral thesis in 2009 at the Norwegian School of Economics and Business Administration (Pedersen, 2009a). The theme of his thesis was moral sensitivity and the formulation of problems. None of the papers that this thesis builds upon were used in Pedersen’s thesis.
Alvesson and Sköldberg’s (2008) notion of reflexive research and their assertion that reflexive research needs to be based on interpretation and reflection (ibid., p. 20). The aspect of interpretation recognizes that all empirical results are based on and mediated by interpretations made by the researcher. The notion of reflection reflects the need for an interpretation of the initial interpretations, whereby the researcher takes a step back and critically evaluates the initial conclusions. I propose that the sound creation of knowledge needs to be based on intersubjectivity, whereby the questions that I ask, the analyses that I do and the results that I suggest are a function of an interaction between subjects, including myself as a re-searcher. In sum, this stance implies that I as a researcher must adopt a reflexive attitude toward my own position and viewpoint, the research question that I ask, and the conclusions that I draw. Alvesson and Sköldberg’s (pp. 22-23) point out four elements that are present in reflexive research: 1) systemic techniques in research procedures, 2) the clarification of the primacy of interpretation, 3) the awareness of the political-ideological character of research, and 4) a reflection of the problem of representation and authority. Hence, reflexive research is based on the premise that the creation of knowledge does not occur in a vacuum, and claims that it is important to be aware of the political, social and theoretical contexts involved in the creation of knowledge.

Thus, my proposal that strategic decision-making should be an art of balance – not an art of maximization – is a reflection of my own struggles with regard to the many paradoxes we face in our lives. In the above chapters I have discussed the paradox of profitability and responsibility. This paradox became very real to me when I finished my studies at the Norwegian School of Business and Administration in 2004 and when I started to teach mainstream, profit-maximizing corporate strategy to students at Lillehammer University College. In this period I came across and began to read literature written by Ingebrigtsen and Jakobsen (2006) and Nyeng (2004). This literature posed a serious challenge against the core assumptions of the education that I just had received, and, not least, it challenged me with regard to what I could pass on to the next generation of students. Hence, it is important for me to underline this tension or cognitive dissonance between responsibility and profitability that I experienced, for it is the driving force that led me to begin this research project in the first place. I should add that I still teach mainstream strategy. I take on assignments as a strategic sparring partner for organizations that need to be more efficient or profitable in order to survive and grow, and I also study cases
of profit maximization (Jørgensen et al., 2011). On the other hand, as this thesis indicates, I am also drawn toward issues of organizational responsibility and the challenges involved in finding a balance between profitability and responsibility, and to increasing degrees I am incorporating these critical issues in my classes on strategy.

This thesis is also inspired by Flyvbjerg’s progressive phronetic research (1991; 2001). He argues that social science is plagued by positivistic physics envy, and that this leads to social scientists using positivist approaches to social science. Yet these approaches have their strengths in natural science. Thus, in describing the role of the researcher, Flyvbjerg argues that the scientist should be the “nose, eyes and ears of the society” (2001:60) and not a developer of explanatory and predicitive theories that are derived from the natural sciences. By elaborating on Aristotle’s notion of phronésis or practical wisdom, Flyvbjerg endeavors to balance the instrumental rationality in positive science with value-rationality: “The goal is to help restore social science to its classical position as a practical, intellectual activity aimed at clarifying the problems, risks, and possibilities we face as humans and societies, and at contributing to social and political praxis” (Flyvbjerg, 2001:4). Flyvbjerg (1991, pp. 82-86) outlines eleven heuristics for progressive phronetic research; for instance, he emphasizes issues like values, power, nearness, small things, praxis, real case, context, narratives/history, actor/structure and dialogue. Not of all these themes are relevant for the present study, and in retrospect the issue of power should perhaps have been more fully treated in the empirical papers. It is important to emphasize that this thesis is not an instance phronetic research. Rather, the general ideas behind the approach of phronetic research have played an important role in the selection of the substance-abuse problem as an object of study and in the selection of the case-study method as means of studying this problem and the different actors’ divergent formulations of the drug problem. In the following sections I shall describe the case study and why the drug issue was chosen in more detail.

3.2 The choice of and the evolution of the case study

As introduced above, in 2007, as students of the problem-formulation perspective, Lars Jacob Tynes Pedersen and I began a process of finding a complex problem that was formulated and addressed differently by different actors, and we inspected such issues as global warming, child labor and whistle-blowing. However, at that time, we witnessed several changes in the Norwegian
drug sector occurring owing to the drug-policy reform, and we decided that the substance-abuse problem was a suitable issue for a case study. In line with Flyvbjerg’s (1991) methodological arguments, we conducted a case study (Eisenhardt, 1989; Yin, 2001) in order to clarify the problem. Moreover, we chose it in order to contribute to social and political praxis by inquiring into how and why the hospitals and the rehabilitation facility Tyrilistiftelsen (Tyrili)7 pursued different strategies, how these differences related to the differences in how they formulated the problem, and the consequences for society as a whole.

There were several reasons for why we chose Tyrili and the Norwegian drug-policy reform as the initial study object. First, the substance-abuse issue is a highly complex problem, and we therefore found it suitable for studying the problem-formulation phenomenon. Secondly, the substance-abuse reform was implemented shortly before the inquiry began, and therefore the reform had received much attention in the media, which made secondary data easily available. Thirdly, I had a special interest and knowledge about substance abuse since I worked at Tyrili from 1995 to 1998. Fourthly, the issues related to organizational purpose and responsibility were highly relevant, both for the organizations involved and for society as a whole.

It should be mentioned that in the start of this research project the plan was only to conduct a case study of Tyrili and the drug-policy reform. However, as the examination of the substance-abuse problem evolved, other actors and other aspects of the problem revealed themselves to be integral to the inquiry. As the study progressed, CSR also became relevant as the case study expanded from Tyrili and the drug-policy reform to include the pharmaceutical industry and the pharmaceutical company Reckitt Benckiser (RB). An important event in this learning process was the discussions at a conference arranged by Samarbeidsforum for norske kollektiv (Collaborative Forum for Norwegian Cooperatives)8 in 2008. Here we were invited to present the findings which are in the appended paper II. To study how the other facilities in the Norwegian substance-abuse sector were affected by the reform and to inquire into how the other substance-abuse facilities formulate the drug problem, we distributed a quantitative survey study to 11 different substance-abuse facilities in the Norwegian drug sector (cf. the appended paper III). In the learning process

7 See www.tyrili.no.
8 “Samarbeidsforum for norske kollektiv” is a collaborative forum for the Norwegian substance-abuse communities: www.samarbeidsforum.org. From here on: Collaborative Forum for Norwegian Cooperatives.
that this research project has been, it also became apparent that the pharmaceutical companies played an important role in how the substance-abuse problem is formulated. This again led to an exploration of RB’s strategies, a company licensed to distribute and sell Suboxone, a medicine which is used in the Norwegian drug-rehabilitation sector (see appended paper IV). Between 2007 and 2011 the initial case study of Tyrili and the drug-policy reform evolved into a comprehensive case study which has involved different actors with different formulations of the problem and, accordingly, with different means or strategies to deal with the substance-abuse problem.

3.3 Delimitations

Even an in-depth case study of a complex issue needs to be delimited. When I employ the notion the substance-abuse or drug problem, this primarily relates to i) how the abuse of narcotic substances should be addressed and to ii) how the rehabilitation sector should be organized. This means, for example, that the difficult situation for the poor opium farmers in Afghanistan is not included in the study. Nor does the case study include anything about how the illegal drug market is organized. Nor have we treated the fact that drugs – whether it is alcohol or other substances – are both a highly valued part of our culture and a terrible burden for those who are unable to control it.

It is also important to underline that the case study of Tyrili and the drug-policy reform was chosen as a means to explore the problem-formulation perspective and not the other way round. However, as the case study evolved, the interest and knowledge about the substance-abuse problem increased. Since both Pedersen and I have our educational background in business schools, we are neither experts in drug abuse nor medicine. Furthermore, we are not political scientists, which means that our knowledge on public reforms also is perhaps also beyond our areas of competence. Therefore, it is important to emphasize that the purpose of this case study and this thesis has been to deepen the knowledge on the formulation of problems, the creation of strategy and organizational purpose and responsibility; it was not to study the substance-abuse problem from a medical or social-pedagogical perspective. However, as the case study evolved and especially owing to the process of writing and having paper II accepted in the European Journal of Social Work, our knowledge

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9 See also Jørgensen (2010), in which the substance-abuse problem, the reform and the pharmaceutical industry are analyzed in light of the problem-formulation perspective and ecological economics.
on drug rehabilitation increased. This is, for instance, evident in paper III, which developed in another direction than initially planned. This turn toward other parts of the problem other than the dimension of efficiency is the result of the empirical investigations in paper II. Regardless, in line with the main assumptions in the problem-formulation perspective, neither the substance-abuse problem nor the problem of organizing the drug sector is an issue that is monopolized by any one field of knowledge. Thus, an exploration of the complex substance-abuse problem requires multidisciplinary (Mitroff & Silvers, 2009:33). This demand does not mean that a multidisciplinary and holistically inspired study does not have its limitations, and as the methodological section below presents, the case study and the appended papers that rest upon this study take a dualistic approach toward the problems that are discussed.

Thus, given the case study’s holistic ambition, it can absolutely be criticized for not being able to capture the different actors’ complex formulations of the problem. Given the systemic ambition of this thesis I have exposed myself to the criticism of reductionism, in that I have not been able to capture the richness of the different actors’ formulations. In a sense, one can say that I have been caught in my own trap. This is for instance the case in paper III, which shows how the different actors in the drug rehabilitation field in many ways have overlapping formulations of the drug problem. Another important limitation is that the empirical study that I describe below does not address the political and other structural dimensions that the decision-makers have to consider in the formulations of their problems. Hence, the case study focuses on organizations at a micro and perhaps a meso level, but not on a political macro level. Moreover, since, for instance, the theme of power is not addressed in the case study, it might have overlooked important features of how and why the different actors formulate the substance-abuse problem and attempt to solve it.

### 3.4 Methods

I begin the discussion in the present section with the methodological choices related to initial single-case study of Tyrili and the reform (paper II), and I introduce the complementary case study of the pharmaceutical company RB (paper IV). I then describe the quantitative follow-up study of a larger part of the sector (paper III).
3.4.1 The qualitative case study including the study of the pharmaceutical industry

The unit of analysis in the initial single-case study that paper II is based upon, which is studied further in papers III and IV, is the drug-rehabilitation facility Tyrili. In order to explore the implications of the public-policy reforms for the conditions of drug rehabilitation, a single-case study of Tyrili and the drug-policy reform was conducted. The case study was embedded, that is, a number of subunits in the case were identified, and longitudinal, meaning that it was studied at two different points in time (cf. Yin, 2001), before \( t_0 \) and after \( t_1 \) the implementation of the public-policy reforms \( R \). These conditions justify the single-case design, because it makes possible the study of how certain aspects of the case have changed over time (Yin, ibid.) and it provides rich and detailed information about the conditions within the organization prior to and after the implementation of the reforms.

The interest of this study, then, relates to the inter-temporal dynamics within the single setting of Tyrili (cf. Eisenhardt, 1989). In other words it compares the situations in one organization at two different points in time. Instead of pursuing causal relations and formally generalizable results (i.e., internal and external validity), the study has attempted to contribute to an accumulation of knowledge by analyzing in detail how the conditions within a single organization had changed during the course of the implementation of reforms that had significant implications for the organization’s activities. Hence, the case is selected for theoretical, rather than statistical, reasons (Silverman, 2005). Insights from the investigation of how the organization developed after the implementation of the reforms may, however, to some extent be generalized. One may consider, for instance, if it is inconsistent with the theoretical propositions or predictions about how the reform were to influence the organization. In this way, the single-case study can in some circumstances falsify theoretical propositions, and thereby produce generalizable knowledge (cf. Flyvbjerg, 2006). Thus, the selection of Tyrili as the single case in the study is a result of deliberate and strategic choice. The case may serve as a paradigmatic case that highlights important characteristics of the society in question, namely, the society of drug-rehabilitation institutions. Furthermore, a paradigmatic case operates as a prototype with respect to revealing the underlying assumptions and value rationalities of the particular society. As pointed out by Ims and Jakobsen (2006:24), in an economic context, the paradigmatic case “is a model that stimulates [the] rethinking of business principles and presuppositions”. The
rationale for the selection of the Tyrili case reflects the judgment that we made of Tyrili (at $t_0$) as being the clearest contrast to the rationality on which the reforms were primarily grounded. The value rationality represented by Tyrili (at $t_0$) transcended technical and economic rationality in the sense that the organization to some extent was managed in line with economic principles, but this rationality was strictly ancillary to the overarching values that guided their activities. Thus, the dimension of comparison in this case study was not across cases, but rather between two separate perspectives: that of the Tyrili organization and that of the public-policy reforms that govern its activities.

This case study has combined various sources of data that were collected by means of a combination of data-collection methods at different points in time. The data collection at $t_1$ was more structured than the data collection at $t_0$, and data collected at $t_0$ was organized and coded *a posteriori*. This is due to the fact that the theoretical perspective and research design were not in place at $t_0$, and – compared to the theory-driven (Flyvbjerg, 2006) study that was conducted at $t_1$ and of R – one can perhaps say that the data collection at $t_0$ was conducted more in a grounded-theory perspective (cf. Glaser, 1992). Hence, at $t_0$, the data was collected through participant observation while I was working and living at Tyrili from 1995 to 1998. However, it is important to emphasize that I did not collect this data systematically. Furthermore, I neither took notes nor conducted formal interviews. At $t_1$, however, I collected data through semi-structured and unstructured interviews with the management (1 respondent), the staff (4 respondents) and the drug abusers undergoing rehabilitation at Tyrili (4 respondents). In addition I conducted one semi-structured interview with a high-ranking manager in the regional health enterprise, Health South-East. The interviews with the staff and the drug abusers were conducted at Tyrilitunet, while the interview with the manager at the regional health enterprise was held at Health South-East’s offices at Hamar. All of the interviews lasted for about an hour, and all of them were recorded and later transcribed.

We also carried out informal talks with other representatives of the Norwegian health secretariat. Furthermore, secondary data from various sources were also collected. The data collection of the reform at $t_1$ mainly consists of textual studies. This could be done since data on the reform and the formulation of the problem by Health South-East was articulated and manifested in public-policy documents, in the tendering documents in which the premises for the hospitals
purchases were spelled out, in press releases, and other sources. To organize this vast amount of qualitative data, including the transcribed versions of the interviews conducted at Tyrili and the health enterprise, we developed a case-study protocol in the exploratory phase of the study (cf. Yin, 2001). In order to investigate the relationship between values and the formulation of the problem empirically, we also conducted a theory-driven case study to compare Tyrili and RB (see paper IV). The additional data needed to compare Tyrili’s and RB’s formulations of the problem was collected in publicly available data sources about RB and of developments in drug rehabilitation in general. We also included this data in the case-study protocol.

In both papers II and IV, we conducted what can be called a theory-driven case study. The term *theory-driven* (see e.g. Flyvbjerg, 2006) here relates to how the data collection and the questions asked in the interviews were influenced by the theory, in this case the problem-formulation perspective. Hence, the case study was not conducted with reference to a grounded-theory perspective (cf. Glaser, 1992); rather, the case study developed in interplay between theory and the empirical data. First, such a case study is fitting for understanding a complex social phenomenon while retaining the holistic characteristics of the phenomenon under investigation (Yin, 2001). Thus, the problem-solving process was approached holistically – by viewing the flow from values through problem-formulation, via solutions to the consequences of those solutions for stakeholders – rather than studying single relationships between two variables. As asserted by Yin (ibid., p. 9), case studies are suitable when the researcher asks *how* questions – in this case how values relate to the formulations of a problem. Moreover, there was little control over the events, and the case study of Tyrili and RB aimed to investigate the relationship between operational links over time, which implies that the case study is explanatory. An embedded, multiple-case study (ibid.) was conducted. Hence, the objective was to search for cross-case patterns in order to identify within-group similarities coupled with intergroup differences (Eisenhardt, 1989:540). This enabled us to reveal similar relationships between variables in different contexts. In order to maximize the utility of information from the small samples, we employed information-oriented sampling – specifically, paradigmatic-case sampling (Flyvbjerg, 2006). (Note also the discussion above regarding the initial case study of Tyrili and the drug-policy reform.)
3.4.2 The quantitative part of the case study

The initial case study of Tyrili and the drug-policy reform (see paper II) indicated several differences between Tyrili and the reform’s understandings of and approaches to the substance-abuse problem. Thus, the case study suggested that the strategies proposed by the drug-policy reform were based on the health-care orientation toward the treatment of abusers, not on the socio-pedagogical idea of rehabilitation (see chapter 3.6 for a discussion of these differences). Thus, to examine empirically how a larger part of the drug sector formulated the substance-abuse problem, we constructed a survey and distributed it among stakeholders representing (i) the rehabilitation facilities that belong to the cooperative-based approach, including Tyrili, and (ii) the hospital-based treatment units that belong to the medical-treatment approach. This survey study sought to triangulate by collecting and analyzing both qualitative and quantitative data.

To test the findings from paper II, we developed a set of propositions to render the summarized divergences testable. The questionnaire comprised 19 items that aimed to capture (1) the rival formulations of the substance-abuse problem, as well as the divergent beliefs about (2) how drug abuse should be treated, and (3) how the drug sector should be organized. An earlier version of the questionnaire was tested in a pilot study in the fall of 2008 at a conference for Collaborative Forum for Norwegian Cooperatives, and on the basis of the results from this case study, we revised the survey. The final questionnaire was handed out to and answered by the staff at the different institutions that agreed to participate in the study.

For each statement the respondents were asked to mark the alternative “that best coincides with your opinion” on a seven-point Likert scale with the end points “completely disagree” (=1) and “completely agree” (=7). In addition the respondents were given the opportunity to mark the alternative “no opinion” (=8). The questionnaire was completed by 196 respondents in the 11 institutions that participated in the study. This represents approximately 18 respondents from each of the facilities, and based on the average size of treatment units and rehabilitation facilities in the Norwegian drug sector, this is a reasonably representative sample. Five of the 11 institutions are a part of the health-care system and here 76 respondents answered the questionnaire. The other institutions (six) are all members of the organization Collaborative Forum for Norwegian Cooperatives.
The empirical test aimed to identify patterns among the reported responses that coincide with divergent ways of formulating and solving the drug problem. In this part of the analysis we searched for patterns in the responses by conducting an exploratory factor analysis, in which the number and nature of factors necessary to account for correlations are determined (Kinnear & Gray, 2009). We chose exploratory factor analysis owing to the explanatory nature of the research. In addition, the study hypothesized that there were differences between these two groups. Accordingly, this search for patterns in the respondents’ answers was followed up by our conducting a test of whether or not there are group differences between the opinions in the various groups. This test set the observed findings (the factors – mean = 0) against the null hypothesis (i.e., there is no significant difference between the hospital units (N=76) and the cooperatives (N=120)).

3.5 Validation and reliability issues

There is a set of issues of validity and reliability associated with the case study as a research method in general and with the single-case study in particular. In addition, the study in question had some idiosyncratic challenges of validity because of my being a former member of the staff at the Tyrili Foundation.

First, the case study’s aim of investigating how the conditions for the drug-rehabilitation facility changed involved the operationalization of these conditions in order to ensure construct validity (cf. Yin, 2001). These conditions are specified in the case description and analysis below, and they made possible a focused collection of data relating to these specific features. Construct validity is also bolstered by the report of the chain of evidence (ibid.), from the research purpose and questions via the case descriptions and accounts of data-analysis methods and, finally, the analysis of interviews and other sources of data. The study’s construct validity is also promoted by the utilization of multiple data sources, including interviews, participant observation and documents. Secondly, external validity was strengthened by the study’s theoretically driven nature, whereby the fallacy of the public decision-makers’ formulation of the problem is explored. Hence, by analytical generalization, the findings from the case study may extend to similar instances of attempts to solve complex social problems (ibid.). As asserted by Flyvbjerg (2006), the generalizability of case studies can also be increased by the strategic selection of cases, which this study exemplifies.
With regard to reliability, we took several measures. As mentioned in chapter 3.4.1, we developed a case-study protocol in the exploratory phase of the study (cf. Yin, 2001). The authors jointly developed the protocol at two sessions and subsequently revised it multiple times as the study progressed, especially when new opportunities for access to key informants arose. We also developed as the study progressed a comprehensive case-study database comprising historical data, media clips, interviews, official documents as well as detailed documentation of the authors’ activities in relation to the preparation and execution of data collection.

Also, owing to the sheer volume of official documents and media coverage on the Health and Drug reforms, as well as owing to the development of the drug problem and rehabilitation measures in Norway and of RB, we paid a lot of attention to balancing the material included in order to avoid a lopsided extract from the massive data sources. Such measures are by no means exact, and we performed a secondary data collection in a manner where it seemed plausible that other scholars would also be able to follow.

Drug rehabilitation is a delicate topic for research, particularly since the study included on-site interviews with drug abusers at the rehabilitation facility. The decision to pursue these interviews was made in dialogue with the management at the facility, and permission – on ethical and legal grounds – was granted by the Norwegian Privacy Ombudsman for Research. Particular care was taken in briefing and debriefing this group of informants and their right to withdraw from the project at any point was emphasized.

In the survey study (see paper III) the sample consisted of health-care facilities and rehabilitation cooperatives. In total 11 institutions participated in the study. Five of these institutions are part of the health-care system, and they were recruited through the regional health enterprise (RHE), *Health South East*, which is the largest RHE in Norway. The remaining six institutions are members of the organization *Collaborative Forum for Norwegian Cooperatives*. This means that about half of the sample represents each of the two groups that our propositions suggest are substantially different. The questionnaires were distributed by contacting managers or administrators in the various organizations, and they further distributed them to all employees. The contact persons were also followed up in order to improve the response rate.
3.6 Case description – illuminating different problem-formulations and strategies

Since the appended papers only describe the case to a certain extent, I have chosen to include a broader description and discussion of the case study in the following section. Here I discuss how different organizations formulate and thus attempt to solve the substance-abuse problem differently by using different organizational strategies. I start out with a description of Tyrili and the public health care and follow up by describing the strategies of the pharmaceutical company Reckitt Benckiser.

3.6.1 The Tyrili Foundation and the reforms in public health care

The initial inquiry of the substance-abuse problem was based on the general development in the Norwegian health sector, of which different types of drug-rehabilitation facilities are a part. This development is marked by reforms that have aimed at (1) increasing the efficiency of health-care organizations, (2) strengthening these organizations’ ability to create patient satisfaction, and (3) expanding the patients’ right to choose (Johnsen & Østergren, 2003). These reforms rest upon the assumption that health-care organizations were not efficient enough, and that patients required better health care and a wider range of options on how and where to receive health-care services. Among the measures institutionalized in Norwegian public policies for addressing these issues was the introduction of regional health enterprises, a performance-based financing system based on the DRG (diagnosis-related groups) system for patient classification and free hospital choice.

Two recent Norwegian reforms that have been central in this regard are the Health Reform of 2002 and the Drug Reform of 2004. Two of the main aspects that the Health Reform implemented were (1) the transfer of responsibility for the hospitals from the counties to the central state, and (2) the transformation of the relationship between the state and the regional hospitals into an enterprise- or corporate-inspired model where the five health regions became Health Enterprises with decentralized authority and, at least partly, with goal- and profit-based mechanisms of control. The Drug Reform transferred the responsibility of the drug-rehabilitation sector both from the county level to the state level and from the social-care sector to medical-care sector. Most notably, it implied that the legal governance of drug rehabilitation was transferred from the Act Relating to Social Services to the Specialist Health Care Act and the
Patients’ Rights Act. In practice the responsibility was handed over to the regional health enterprises, which implied that the regional health enterprises began to purchase rehabilitation services from various private providers (often non-profit foundations).

The case description outlined below focuses on the factors summarized in Figure 4:

Furuholmen and Andresen (2007) claim that until 1970 the population of drug abusers in Norway was primarily self-medicating medical doctors and patients in pain who received hospital-based treatment by psychiatry, tranquility and rest. The characteristics and the size of the drug-abuser population changed dramatically during the “hippie” era in the 1970s. The changes called for alternative approaches for treating drug abusers, and arrow A in Figure 4 illustrates the initiation of the Tyrili Foundation by the Ministry of Health and Social Affairs in 1980. It was meant to provide a facility based on rehabilitation of pupils, instead of on the treatment of patients (Tjersland et al., 1998). In 1980, six adults (called leaders), one child and six clients (called pupils) moved into the Tyrili community. Thus, arrow A indicates that Tyrili and the other facilities that approached the substance-abuse problem in a socio-pedagogical manner reformulated the problem. This reformulation of the drug problem led to new solutions and thence to new organizational strategies. At Tyrili the leaders and their families worked and lived with the pupils in rotations in an eight-weeks-
on, two-weeks-off system. The weekdays comprised common meals and work, as well as leisure activities. I lived and worked at one of Tyrili’s facilities from 1995 to 1998. My role there was to be a part of the leader group, which involved my taking part in the daily working routines in the community and participating in group sessions, and more. Until 2004, Tyrili had expanded into several units and achieved good results (e.g. Tjersland, 1995; Rokkan & Brandsberg-Dahl, 2003; Helgeland, 2007; Ravndal, 2007). Today, Tyrili offers help to over 200 drug abusers per year.

Arrow B in Figure 4 indicates the threat posed to Tyrili by the reforms and by the content of the tenders issued by the health enterprises. When the five health regions became health enterprises with goal- and profit-based control mechanisms and decentralized authority, the hospitals were no longer part of the public administrative agency, but became state-owned enterprises governed by professional boards of directors (Stigen & Opedal, 2005). Laegreid et al. (2005:1029) argue that public-policy reforms are based on the idea “…that the executive leadership can deliberately design and implement the reform measures based on market, management, and efficiency.” Since the reforms, the regional health enterprises now purchase services from the different private providers, such as Tyrili, and also offer treatment in their own facilities (cf. Alver et al., 2004; Lie & Nesvåg, 2006). Arrow B suggests that the reform lead to strategic changes for Tyrili, where they have had to transform their formulation of the problem in order to adapt to the content of the drug-policy reform. As argued in paper II, the staff at Tyrili admits that there were also many positive elements in the reform. However, the case study also suggests that the reform has led to many challenges for Tyrili.

In order to understand the nature of these challenges, some background knowledge about Tyrili is necessary. The community model, where leaders lived together with pupils, is no longer prevalent at the Tyrili units. However, the four pillars upon which Tyrili – despite the changing conditions – still try to base its rehabilitative activities are (1) solidarity, equality and community, (2) relationship, (3) commitment and (4) structure (Tjernsland et al., 1998). Tyrili’s genesis was an act of solidarity with one of the weakest groups in society, which is the background for the values (1) solidarity, equality and community. For Tyrili, these values also represent a contrast to the destructive and egoistic values in the drug culture, a culture from which the pupils must break free in order to become clean. Tyrili’s view of human life is expressed in their slogans All people...
carry the possibility of change, and There are no hopeless people, only situations that seem hopeless. These statements insist that everyone, independent of their background and current situation, has a possibility of making positive changes in his or her life. However, in order to learn, the pupils are dependent on adults who engage themselves in relationships characterized by care, attentiveness, fantasy and endurance. This kind of relationship is, according to Tyrili, impossible if the adults are not committed. In order to build strong relations with the pupils, they must therefore have a personal interest in their work, values grounded in solidarity, equality and community, and a passion for one or more activities that can be shared with pupils. The last pillar, structure, indicates that the above elements must coexist in a predictable environment where the adults and the daily routines are reliable guardrails along the pupil’s new path. Tyrili hold that these four pillars co-create the context in which change and learning are possible. However, these processes of change require time, and if the pupils are not given the necessary time, it is difficult – if not impossible – to change hopeless situations into hopeful ones (Helgeland, 2007; Ravndal, 2007).

Since the reform, as concluded in paper II, the health enterprises have reduced the time assigned to rehabilitation by redefining long-term treatment from two years in the 2004 tendering documents to one year in 2007. Also, in the same tendering documents, the number of long-term rehabilitation places has decreased by 20 percent from 2004 to 2007 and the use of polyclinical treatment has increased proportionately. In 2008, Health Enterprise South-East reported that medically assisted rehabilitation by Methadone and Subutex, for instance, has dominated drug rehabilitation since the reform, and has increased by 73 percent from 2003 to 2007 in the South-East region alone. In general, there has been a decrease in long-term treatment and an increase in medically supported, polyclinical and individual treatment, as well as competition between the providers of drug-rehabilitation services. These adjustments in the drug-rehabilitation sector are in continuous development as new tendering documents that serve as the basis for the competition between service providers are produced.

3.6.2 The pharmaceutical industry – medicalizing and economizing the problem?

The above case description demonstrates the growth of medically assisted treatment following the drug-policy reform. Thus, as the case study evolved it became evident that an investigation of the pharmaceutical industry’s
formulation of the substance-abuse problem was imperative. An example of a prominent actor in the drug sector is the pharmaceutical company Reckitt Benckiser (RB), which is licensed to distribute the prescription drug Suboxone – a narcotic medication intended for the treatment of opioid dependence. RB is a profit-maximizing actor that advocates a medicalized formulation of the problem. Moreover it can be asserted that RB’s strategies interfere with other organizations’ strategies and, consequently, its strategies reduce other facilities’ possibilities to formulate and solve the problem in a multidisciplinary fashion.

According to the company’s annual reports in 2007 and 2009, RB’s future profit depends on the further deregulation of and doctors’ acceptance of Suboxone. One of the ways in which RB promotes Suboxone is the web site www.suboxone.com. On the web site, patients, their relatives and doctors can learn how to conceive of the drug issue as a disease, in the same category as, say, diabetes or high blood pressure, and consequently it can be treated with medicine. For instance, they offer a dictionary that asserts that traditional concepts like drug abuser, drug abuse and drug problem should be avoided, and that one should rather use the concepts dependence, addiction, misuse and patient in order to underline that the drug issue should be treated as a medical problem, and not as a behavioral problem related to choice, habits or culture.10 Furthermore, it is argued that Suboxone can be used in an office-based or polyclinical setting, and that it is well suited for take-home use. Patients do not need, therefore, expensive stays at rehabilitation facilities. In order to support the patients in their recovery, RB has also made a web-based program called Here to Help,11 where there are videos and stories about patients that communicate the effectiveness of the Suboxone medicine. An example is the online narrative about Jessica, whose “misuse of opioids started in high school and soon spun out of control. Today – married and a stay-at-home mom – Jessica combines SUBOXONE® (…), counseling, and Here to Help® to keep herself on track.”

RB’s approach to solving the drug problem is based on medical treatment, but more profoundly it rests on a conception of the drug problem itself as a medical one. By formulating the drug problem in a manner that emphasizes physical addiction as the primary aspect of the drug problem, it

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10 See www.suboxone.com.
follows naturally that solutions that remove or heal addiction are preferable. The Norwegian drug-policy reform emphasized the medical aspect of the substance-abuse problem, which has made the working conditions increasingly difficult for alternative facilities that approach the drug issue in a socio-cultural manner and consequently emphasize the importance of lengthy rehabilitative efforts based on the building of relationships, self-confidence and a sense of purpose. In the following chapter I shortly present the five papers, in which three of them (II, III and IV) are based on the case study described above.
4 The empirical and conceptual studies

“A ship is safe in harbor, but that’s not what ships are for.”
William Shedd (1820-1894)

“A problem well stated is a problem half solved.”
Charles F. Kettering (1876-1958)

In this chapter I first give an overview of the five appended papers. Secondly I shortly summarize each of the papers.

4.1 A list of the appended papers

As mentioned in chapter 3, the five appended papers are written to fit into different discourses and different scientific journals. Moreover, they are a result of a learning process that has not been linear and of a process in which the reviewers’ and the editors’ opinions have affected the outcome. Furthermore, because of the multidisciplinary nature of this research project, the papers have been published in journals spanning from social work to ethics and business research. It should also be noted that in addition to the five appended papers I have also written four other papers as a part of this research project. In many ways these papers are also relevant for this thesis, but I have chosen to include the five papers listed below because they fit best into the purposes and aims of this thesis. Please note that the authors are listed alphabetically, and papers II, III, IV and V are a result of the equal cooperation between me and Lars Jacob Tynes Pedersen and we stand equally responsible for its content.


4.2 Paper I: Business as Usual vs. Business Redefined

In this conceptual paper I explore the barriers that hinder fundamental reformulations of business problems – from the orientation of profitability and weak sustainability (Business as Usual) to that of strong sustainability and non-growth (Business Redefined). Hence, it explores the barriers of creating and implementing deeply responsible organizational strategies. I outline two business paradigms – Business as Usual and Business Redefined – with corresponding formulations of problems and I explore the mechanisms that lead decision-makers of mainstream business and administration to reject sustainable ideas proposed by such radical ethical perspectives on business as circulation economics (Ingebrigtsen & Jakobsen, 2006; 2007) and non-growth, ecological economics (Daly & Farley, 2004). I claim that the first step needed for breaking down the barriers to fundamental change is understanding the nature of these obstructions, and the paper aim to contribute to a deeper understanding of these barriers by employing a conceptual framework of problem-formation (Mitroff, 1998), rationality as lenses and creativity in a systems perspective (Csikszentmihályi, 1999).

The paper takes rationality to be, as it were, *lenses behind the eyes*, and I propose that the agents within Business as Usual and Business Redefined are dominated
by different sets of rationalities that provide them with different preanalytic visions (Schumpeter, 1954) that lead to different perceptions, formulations, and solutions to business problems. I argue that Business as Usual is placed within the rational-choice paradigm where the maximization of shareholder value has a received position as a scientific truth. In contrast, strong or real sustainability grounds the rationality of Business Redefined and this rationality, I argue, leads to a different formulation of business problems compared to that offered by business as usual.

In the paper I claim that Business as Usual and Business Redefined are incommensurable (Kuhn, 1962) because they are based on different rationalities. This means that their respective world views or preanalytic visions cannot merge. I have chosen to call CSR an Intervening Perspective. Thus, I do not regard CSR to be a paradigm. Rather I argue that it fits very well with Business as Usual and that it does not lead to a redefinition of the business paradigm. To discuss the difficulties involved in changing business paradigms from Business as Usual to Business Redefined, I employ Csíkszentmihályi’s (1999; 2006) framework of creativity in a systems perspective in which creativity is understood as an interplay between the creative person and the environment. In this perspective the creative person, or a group of creative persons, needs acceptance for the new ideas from the gatekeepers of the existing knowledge. However, since a shift of business paradigms may require the gatekeepers of the business field to adopt a new set of lenses, and if the existing lenses are located behind the eyes, this means that a shift of paradigm is nearly impossible because the existing rationality and business paradigm are nearly taken for granted.

4.3 Paper II: What's the Problem?

The second paper explores how the formulation of problems determines the scope of solutions to complex problems, including organizational strategies. In chapter 3 I have discussed the empirical basis for the paper and the rationale for choosing the substance-abuse problem, Tyrili and the Norwegian drug-policy reform as an object of study. To analyze the divergent approaches to drug rehabilitation and the different organizational strategies, we developed a theoretical problem-formulation framework that distinguishes between (1) the four value dimensions of complex problems (Mitroff, 1998): the social, technical, existential and systemic dimensions of value. Moreover this framework distinguishes between (2) the four phases involved in the
formulation of problems and the creation of strategy in which the decision-makers: (i) formulate the problem, (ii) search for alternative solutions, (iii) evaluate the alternative solutions with reference to the key aspects, and (iv) choose an organizational strategy and regime. This framework, then, focuses on the problem-formulation process and strategy-creation process, in which one attempts to conceive of and formulate a problem out of the messy reality with which one faces. Thus, we hold that any problem-solving process is carried out within some value perspectives that affects the the boundaries for what is deemed relevant and valuable, and which means or procedures are feasible and appropriate. A fundamental assertion in this paper is that a formulation based on a reductionist representation of the values involved in the problem may lead to the displacement of important dimensions of complex problems. Further, in the face of any problem, there are several ways the problem can be formulated. Complex problems, then, require holistic conceptualizations to be in place before there can be a proper understanding and managing of the systemic aspects.

Furthermore, (3) metaphors from medical problem-solving approach are employed in order to illustrate the structure of the problem-formulation environment (Eierman & Philip, 2003, pp. 359-360). Accordingly, the paper's conceptual framework is divided between the (i) symptoms (the observable manifestations and indicators of the problem), (ii) the pathology (the malfunction that produces the symptoms), and (iii) the etiology (the cause of the pathology). Hence, in order to formulate the problem appropriately, all three layers of the problem need to be taken into consideration. Attending to the symptoms alone will tend to produce suboptimal solutions or organizational strategies.

In the context of the empirical study of the substance-abuse problem, we argue that how the stakeholder conceives of the problem influences the stakeholder's preferred solution or strategies, which features of the substance-abuse problem are emphasized in rehabilitation, and the manner in which the stakeholder prefers to organize the interaction between various actors in the drug-rehabilitation sector. This paper contributes to existing knowledge by the investigation of possible adverse effects of an inadequate formulation of complex social problems. Moreover, it arrives at theoretically and empirically grounded propositions on the relationship between the formulations and their value dimensions and the subsequent problem-solving activities and philosophies. This paper particularly contributes to the understanding of the
limitations of reductionist, technical solutions, in other words, strategies, to complex problems.

4.4 Paper III: Through Different Eyes

The purpose of paper III is to investigate empirically some of the main assertions put forward in paper II (see chapter 4.3). Paper III explores whether the two divergent problem-formulations and strategies proposed in paper II are prevalent in the broader population of the Norwegian drug sector. Methodologically, as I described in chapter 3, this was achieved by developing a survey that captures several dimensions of the substance-abuse problem. The survey was completed by 196 respondents (39% at health-care units, 61% in social-care facilities) at 11 different institutions in the Norwegian drug sector. The survey was based on a set of propositions outlined from the former study, and it concentrated on the findings that relate to the formulations of and solutions to the substance-abuse problem, as well as the key aspects in rehabilitation.

The two first propositions relate to the conception of the substance-abuse problem and the differences in the beliefs about the causes of the problem:

P1: The respondents from health-care organizations will conceive of the substance-abuse problem as a medical problem.
P2: The respondents from social-care facilities will conceive of the substance-abuse problem as a socio-cultural problem.

Propositions P3 and P4 refer to the solution of the substance-abuse problem and the differences in the beliefs about the nature of the problem:

P3: The respondents from health-care organizations will conceive of the aim of treatment as involving the removal of addiction.
P4: The respondents from social-care facilities will conceive of the aim of rehabilitation as not only involving the removal of addiction, but also helping abusers to unlearn drug-related cultural habits and to become resocialized.

Propositions P5 and P6 deal with the key aspects of rehabilitation and the differences in the beliefs about the solutions to the substance-abuse problem:
P5: The respondents from health-care organizations will prefer unidimensional treatments that are oriented toward addiction.

P6: The respondents from social-care facilities will prefer rehabilitative measures that are oriented toward abuse and its socio-existential context.

We investigated these propositions empirically by creating a set of items developed to operationalize these six propositions. To examine whether the statements reflect a set of underlying dimensions, we conducted an exploratory factor analysis through a principal-components analysis with SPSS. This revealed three underlying factors which highlight the dimensions of the formulation of the problem where the group differs with respect to the beliefs about, the nature of and the solutions to the substance-abuse problem. These three factors were labeled medicalization, objectives and embeddedness. Medicalization points to how a major source of divergence in the formulations of the problem lies in the question of whether or not the substance-abuse problem is a medical one. Objectives captures the differences related to whether the goals of rehabilitation or treatment are multidimensional (resocialization and rebuilding of self image and unlearning) or unidimensional (those respondents who disagree with this view). Embeddedness reflects whether or not the respondents believe that the substance-abuse problem is rooted in the broader social arena of which the individual abuser is part, and that his or her acquired norms, habits and cultural mores are inextricably intertwined with the problem of substance abuse.

We conducted an independent-samples t-test to compare the factor scores for the hospital and the cooperative group. There were differences in scores between the two groups on all of the three factors extracted, but these differences were only significant for factor 1 (medicalization) and factor 3 (embeddedness). The results indicate that there are differences between the two groups, and these lead to different formulation of the substance-abuse problem and unlike attempts to solve it (i.e., strategies). This difference is suggested both with regard to (1) the question of whether or not substance-abuse abuse can be conceived as a medical problem, and (2) the question of whether or not the embeddedness of the substance-abuse problem in a broader socio-existential context is salient for the understanding of and solution to the problem.
4.5 Paper IV: Not Your Problem?

This paper elaborates on the framework developed in paper II and uses it to explore how organizational formulations of problems (1) determine the manner in which the organization attempts to solve the problem, and (2) involve the ascription of significance to a group of stakeholders who are seen as relevant for the organization. The main argument of this paper can be summarized as follows. The formulation of a problem assumed by an organization frames the problem space (or decision space) of that organization, and how the problem is formulated affects which strategies that the organization chooses to implement. This process involves the determination of the goals of the organization, the norms that constrain the attainment of goals, and the inclusion of stakeholders in the problem space (cf. Zsolnai, 2009). Therefore, the formulation of the problem assumed by the organization affects the degree to which the organization’s activities take into account the organization’s responsibility for important stakeholders.

In order to explore these assertions a case from the drug sector is presented and discussed. In this study, the two approaches – medical treatment and social rehabilitation – are represented by the pharmaceutical company Reckitt Benckiser (RB) and Tyrili, respectively. This case illustrates how two rival formulations of the substance-abuse problem coexist in the same sector. The paper explores key similarities and differences between the two organizations’ formulations of the substance-abuse problem, as well as how they try to solve the problem accordingly. The rival formulations represented by the two organizations reflect a conflicting understanding of the substance-abuse problem that is salient in the sector. It is argued that the divergence involves a difference in the degree to which they balance the different values at stake in their problem-formulations. This paper, then, deals with the inclusion of stakeholders’ interests in practical decision-making, and consequently with the social responsibility of the two case organizations. The paper contributes to the CSR literature by illuminating how organizational formulations of problems are important for the organization’s abilities to identify the relevant stakeholders and to take their interests into account.

The problem-solving measures of Tyrili and RB are different, which reflect their divergent formulations of the substance-abuse problem. While the most widespread problem-formulation is that the problem is a medical one, and that medical treatment must be facilitated, the alternative formulation conceives of
the problem as being multidimensional, and it integrates medical, social and existential issues. The norms that constrain the organizations’ activities and the values they express point toward the outcomes, namely, the stakeholder value (i.e., that stakeholders’ interests are attended to in practical decision-making) for a number of different stakeholders directly or indirectly influenced by the organizations’ activities. Hence, this paper presents the manner in which the two approaches or strategies both take into account various important stakeholders differently and include their interests in the formulation and solution of the problem. Moreover, this paper indicates how organizations’ conceptions of norms to some extent are reflected in their expressed values.

4.6 Paper V: The Why and How of CSR

This paper explores the nature and practice of corporate social responsibility (CSR). This paper employs a problem-formulation perspective on alternative approaches to CSR, and argues against reducing CSR to an instrument or a tool for achieving desirable organizational outcomes. The purpose of the paper is twofold. First, it aims to illuminate the conceptual misunderstanding that underpins an instrumental approach to CSR and the dysfunctional consequences that it gives rise to for organizations and their stakeholders. Secondly, it has developed a typology of approaches to CSR on the basis of the two dimensions of CSR in organizations: (1) motivation for attending to social responsibility (The Why of CSR), and (2) integration of social responsibility in organizational strategies (The How of CSR). A central argument here is that responsibility involves both organizations’ acknowledging that organizations have binding relationships with various stakeholders and their allowing these claims to influence organizational activities. Moreover, we propose that the differences in the perception of social responsibility are linked to the answers of these questions:

1. To whom is the organization responsible?
2. For what is the organization responsible?
3. What are the limits of the organization’s responsibility?

The first question corresponds to the identification of the organization’s stakeholders. The second question deals with what ways and to what extent the organization is accountable to these stakeholders. The third question – and perhaps the most difficult – is about considering the limits of responsibility of the organization, and is thus a question about an assessment of what may
reasonably be expected of an organization (see e.g., Messner, 2009). Following this logic, we introduce the two distinctions mentioned above: (1) between extrinsically and intrinsically motivated CSR initiatives and (2) between CSR initiatives that influence organizational core activities and those that do not. On the basis of these two dimensions, we derive four approaches to social responsibility, and argue that they represent four fundamentally different approaches to CSR. I have summarized these four approaches in Table II below:

<table>
<thead>
<tr>
<th>Do not affect the organization’s core activities</th>
<th>Extrinsically motivated</th>
<th>Intrinsically motivated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) CSR AS WINDOW DRESSING</td>
<td></td>
<td>2) IMPOTENT CSR</td>
</tr>
<tr>
<td>Affect the organization’s core activities</td>
<td>3) STRATEGIC CSR</td>
<td>4) GENUINE CSR</td>
</tr>
</tbody>
</table>

Table II: Four approaches to CSR

1) *CSR as window dressing* covers those cases where social responsibility is represented in the formal structure of the organization (plans, procedures, homepages, etc.), but it does not affect the activities of the organization (cf. Brunsson, 1989). 2) *Impotent CSR* is internally motivated, but the CSR initiatives do not affect the organization’s core activities. 3) *Strategic CSR* is perhaps today the most prominent form of social responsibility, both in theory and practice (see e.g. Porter & Kramer, 2006). This type of accountability is thus a kind of “calculated accountability,” which means that Strategic CSR implies that an organization adopts CSR because of external pressures, but not because of conviction. This paper highlights that strategic CSR has the potential to be a powerful and influential approach to CSR. Moreover it is argued that it is
perhaps the most realistic manner in which to coax business organizations into responsible action, because it appeals to their enlightened self-interest. But the paper also argues that the chief drawback of this approach is its instability: the moment it is no longer economically rational to act in socially responsible manner, the organization will have incentives to change in an irresponsible direction.

4) Genuine CSR is a type of social action characterized by (i) the performing of CSR activities for their own sake, and (ii) the presence of substantive implications for how the organization designs and carries out its core activities. We argue that the decision-makers in these kinds of organizations have identified significant relations of responsibility, have regarded them as being important enough to prioritize them, and have assented to these relations shaping the organization's core activities. Genuine CSR is thus an approach where the idea of responsibility is at the center, and it can lead to positive organizational outcomes that could not otherwise be achieved. These outcomes cannot, however, be achieved without formulating the business problem in accordance with the organizations responsibilities.
5 Conclusions and contributions

“We can’t solve problems by using the same kind of thinking we used when we created them.”
Albert Einstein (1879-1955)

“If one man can show this much hate, think how much love we can show together.”
(Helle Gannestad, 2011 – Utøya Survivor)

In this final chapter I show how this thesis has sought to fulfill the purposes and aims introduced in chapter 1 and elaborated on in chapter 2. First, I draw the main conclusions and discuss the thesis’s theoretical contributions. Secondly, in light of the theoretical contributions, I discuss some of the thesis’s practical implications. Lastly, I make some concluding remarks, including some critical reflections related to this thesis, and I suggest avenues for future studies.

5.1 Theoretical contributions

In the introduction I outlined the twofold purpose of this thesis, namely, to explore the dysfunctional consequences of the *means-end fallacy* in organizational decision-making and to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. Accordingly, I have defined three research aims: 1) to explore and elaborate on the problem-formulation perspective in order to adapt it to the context of organizational creation of strategy, 2) to contribute to our understanding of the black box of strategy creation and 3) to provide strategic practitioners with an insight that can help them avoid the means-end fallacy and, hence, help them to create balanced strategies. In this thesis I have explored these research aims by elaborating on the problem-formulation perspective and by studying the formulation of problems in the context of the creation of strategy, organizational purpose and responsibility.

In the following sections I take the conclusions of the papers one step further by synthesizing the findings. I shall structure this discussion of my findings on the basis of figure 5, which illustrates the three main aims and the contributions of the thesis.
The model consists of three levels. The middle part represents the first research aim, the upper part illustrates the second research aim, and the bottom part demonstrates the third research aim. The metaphor of rewinding is used to describe how one can look back or take a step back in the strategic decision-making process of an organization. The metaphor of forwarding is used to describe how decision-makers can create balanced strategies if they reconsider their inceptive objectives and reformulate their problem.

The first aim constitutes the middle part of the figure, that is, the exploration of the relationship between the formulation of a problem and the attempts to solve it. A problem can be defined as the gap between a present and the ideal state (Eierman & Philip, 2003), and the gap between the present and the ideal state needs to be clarified. A real problem can be perceived in a multitude of ways because both the present and the desired state may be envisioned differently (Rittel & Webber, 1973; Mitroff & Silvers, 2009). Mitroff (1998:18) asserts that “how we initially formulate or define a problem, the actions we take, and the arguments we use to justify those actions are all inextricably intertwined.” Hence, i) problems need to be formulated before there can be attempts to solve them, and ii) how decision-makers formulate their problem
affects which means they choose to reduce the gap between the current and the ideal state.

In figure 5 I use the concepts ends and means to illustrate the means-ends fallacy. The question *What’s the problem?* is placed in between the ends and means because the decision-makers’ formulation of a problem entails both the decision-makers’ understanding of the organization’s current situation and its ideal situation. Hence, the decision-makers’ formulation of the problem frames and determines the boundaries for the solution to the problem, which implies that the formulation of the problem is crucial for understanding how differences arise between actors who are approaching the same problem. In chapter 5.1.1, I discuss how the appended papers contribute to the problem-formulation perspective, and consequently to the process of finding, formulating and solving a problem.

The second aim, namely, to investigate the black box of strategy creation, is illustrated at the top of figure 5. The fundamental idea here is that one way of exploring this black box is to regard the creation of strategy as a decision-making process where the strategists find, formulate and attempt to solve problems. Hence, as figure 5 illustrates, I argue that by rewinding or looking back from the means (the implemented strategies) to the unobservable ends and the formulation of the problem of the organization, one can shed light on the black box of strategy creation. This will be further discussed in chapter 5.1.2.

The third aim of drawing the contours of a theory of a balanced strategy creation is represented at the bottom of the figure. I explained above how the black box of strategy creation can be illuminated by rewinding from the means (the observed strategies) to the ends and the organization’s formulation of the problem. In chapter 5.1.3 I shall discuss how this thesis contributes to an outline of the contours of a theory of balanced-strategy creation by forwarding from a broad discussion of the different purposes of the organization, to the appropriate formulation of the problem, and thus, to a balanced strategy. I argue that by forwarding the decision-makers can, potentially, avoid the means-end fallacy and the error of the third kind (E3) by moving beyond the means. Thus, I argue that in this way, by reformulation their problems, they can find new and perhaps creative ways of resolving the paradox of profitability and responsibility.
5.1.1 Contributions to the problem-formulation perspective

In chapter 2 I quote Mitroff and Silvers (2009), who claim that it would be incredibly naive to think that a single book is sufficient to change how we formulate and solve our key problems. Likewise, it would be naive for me to think that this thesis will introduce fundamental changes in our understanding of how we formulate and solve the problems that we face. Still, I hold that this thesis has provided several contributions to the problem-formulation perspective. As I asserted earlier, only a very few attempts have been made to explore empirically and conceptually the relationship between the formulation of a problem and the attempts to solve it (Pedersen, 2009; Mykland, 2011). This applies particularly to the context of creation of strategy (Mitroff & Silvers, 2009) and to what I call the means-end fallacy, which relates to mainstream strategy and the paradox of responsibility and profitability. In addition, few attempts have been made to clarify the concepts of wrong and right formulations of a problem (Mitroff, 1998).

To develop further the understanding of finding, formulating and solving problems in a strategic context, papers I and II have developed a conceptual framework that sheds light on the relationship between how the values and rationality of organizational ends affect how a problem is formulated and how the formulation of a problem influences the attempts to solve it. In sum, I argue that complex problems require holistic conceptualizations in order to achieve a proper understanding and management of systemic aspects. This involves recognizing the multiple parts of the whole as being interwoven (Ims & Jakobsen, 2006), and refusing to break down or to reduce the problem into separate parts, as though the sum of the parts were equal to the whole. At the same time I have problematized the difficulties involved in balancing the different dimensions inherent in a problem.

I shall return to the conceptual framework, but first I shall comment on another contribution from paper I. This paper demonstrates how advocates of divergent formulations of the problem, in this case strong sustainability, are dependent on the acceptance by the gatekeepers of the reigning formulation of the problem. Paper I illustrated this point by the challenges involved in reformulating the business problem from Business as Usual to Business Redefined. This finding may be generalized to other reformulations, and arguably a creative reformulation of a problem is not only dependent on the quality of the idea or the problem-formulation in itself, but it is also dependent
on convincing the gatekeepers of the existing problem-formulation in the particular social field to see the problem anew. In some cases, however, this can be difficult, if not impossible, to achieve because the existing formulation of the problem may be based on a type of rationality that is unconsciously taken for granted by the current gatekeepers. It is important to stress that more research is needed to explore these assertions. However, while Mitroff (e.g. 1998) discusses wrong or right problem-formulations, this paper, based on Csikszentmihályi’s (1999; 2006) framework of creativity in a systems perspective, suggests that not only does a problem-formulation need to be right, it must also be formulated in a way that can be acceptable to the gatekeepers of the wrong formulation. In other words, there is a great difference between being right and getting acceptance for the right formulation of the problem. In the context of the means-end fallacy, organizational purpose and responsibility, this conclusion is important, and, as I shall return to in chapter 5.2.3, this finding has consequences for the legitimacy of the organization’s purpose or ends. Thus, organizational decision-makers that seek to rebalance the relationship between profits and responsibility must also convince the relevant gatekeepers before they can apply the reformulation of the problem to new means and strategies. This can indeed be a challenging task, and this may also be one of the most important obstacles for the integration of responsibility in organizational strategies. Therefore, the question of how actors should go about to get acceptance for responsibility needs further research.

This discussion about gaining acceptance for alternative ends and formulations of problems leads us to the conceptual framework that was developed in paper I and elaborated on and investigated empirically in papers II, III and IV. Together, these four papers contribute both conceptually and empirically to the problem-formulation perspective and, thus, to the middle band of figure 5. Conceptually, this thesis contributes to problem-formulation research by developing a theoretical problem-formulation framework which distinguishes between (1) the four value dimensions of complex problems, (2) the four phases of problem-solving and (3) the three layers of the problem.13 This framework elaborates on the knowledge in the problem-formulation perspective by illuminating further aspects of the problem-formulation process (cf. Mitroff’s (1998) four steps in chapter 2.1.2). Hence, it contributes to a more nuanced understanding of the relationship between how and why a problem is

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13 I have chosen not to repeat this framework here. Please see chapter 4.3 or the appended paper II for a closer description of these concepts and the relationship between them.
formulated in a particular way, and on the relationship between the formulation of a problem and the attempts to solve it by the strategic decision-makers.

Moreover, the framework contextualizes the problem-formulation perspective in an organizational setting and in relation to strategic decision-making. This was done by employing this framework to investigate the substance-abuse problem and how different organizations formulate and attempt to solve it in divergent ways. Paper II suggested that the health-based and the social-care-based solutions are based on different formulations of the problem. Furthermore, it proposed that the different problem-formulations were founded on a different set of value dimensions and that the formulations to various degrees were able to conceive of the different layers of the problem. These assertions were supported by the empirical investigation in paper III, and together papers II and III reveal how two different formulations of the substance-abuse problem exist in the drug sector. More importantly, paper III suggested that the differences in the formulations of the problem reveal variances in the underlying values, and that the differences in the formulations of the problem lead the organizations to pursue divergent solutions to the same problem. This observation relates to the theoretical framework and the conclusion in paper I, which held that the differences in problem-formulations were explained by the differences in rationality and values. Again, more research is needed to explore these assertions further, both with regard to the substance-abuse problem and with regard to complex problems in general.

Papers II and IV make another important contribution to the problem-formulation perspective in that they challenge the content of the concepts of right and wrong formulations of a problem (Mitroff, 1998, Mitroff & Silvers, 2009). Instead of right and wrong (see chapter 2.1), these papers stress the appropriate formulation of problems. Furthermore, the level of appropriateness is a function of whether or not the formulation of a complex problem is able to capture the different value dimensions and the different layers of the problem. This is done by distinguishing between reductionistic (inappropriate) and a multidimensional (appropriate) formulations of problems, which again leads to more or less appropriate means or strategies for solving the problem. On the basis of this inquiry these papers suggested that the drug-policy reform pursued increased efficiency as a solution to a reductionist formulation of the problem, and this impinged on Tyrili’s opportunity to solve the problem in the multidimensional manner in which they conceived it. Hence, returning to the
conclusion in paper I, one can say that within a social field (cf. creativity in a systems perspective, Csikszentmihalyi, 1999; 2006) different formulations of a given problem compete for the gatekeepers’ acceptance. As a consequence of the public drug-policy reform, Tyrili’s conception of the substance-abuse problem was challenged by the health-care system’s formulation of the problem. Thus, paper II concludes that the differences in Tyrili and the health-care system’s ends or values lead them to formulate the substance-abuse problem differently, which in turn makes them emphasize different means or solutions to the problem. However, since the reform, Tyrili’s opportunity to approach the problem in accordance to their initial perception of the substance-abuse problem was seriously challenged.

Paper IV contributes to the problem-formulation perspective and to the middle section of figure 5 by elaborating on the conceptual framework developed in papers I, II and III. Moreover, it employs this framework of finding, formulating and solving problems to explore how organizational formulations of problems determine the manner in which the organization attempts to solve them, and how the formulation involves the ascription of significance to a group of stakeholders who are seen as relevant. Hence, paper IV contributes with knowledge on the means-end fallacy and the relationship between the formulation of problems and social responsibility by shedding light on how organizational formulations of problems are important for organizational decision-makers ability to identify relevant stakeholders and to take their interests into account. In this way paper IV contributes both to the problem-formulation perspective and to the understanding of organizational purpose and responsibility.

The main purpose of this thesis is to explore the means-end fallacy in individual and organizational decision-making. Hence, figure 5 highlights these two concepts. Paper V contributes to the understanding of the dysfunctional consequences of jumping straight to the means and asking “How should we fix it?” instead of asking “What should we fix and why?” This paper addresses this issue by discussing the relationship between ethics and reputation, and it contributes both to the problem-formulation literature and to the CSR literature by outlining four different perspectives on CSR which differ in their formulation of the problem. This paper concludes that the problem of social responsibility is about identifying and dealing with values at stake in the organizations’ activities. This means that CSR initiatives that are extrinsically
motivated and do not affect the organization’s core activities are not solving the problem of responsibility. Rather, if the intention of the organization’s CSR initiatives is to be socially responsible, then these initiatives are solving the inappropriate problems. In other words, they are committing an error of the third kind (E3) by ignoring the dimension of responsibility in their formulation of the problem. I shall return to this discussion in chapter 5.1.3. In the following section I discuss how the conceptual framework outlined above can be used to illuminate the processes that occur in the black box of strategy creation.

5.1.2 Contributions to the illumination of the black box of strategy creation

The strategies of nations, organizations and individuals are easily observable. A quick glance at a newspaper reveals no shortage of stories about coalitions of nations going to war, civil organizations fighting poverty, reforms in the public-welfare system, private organizations launching new products and services, and more. However, the processes that lie behind these manifested strategies are difficult to grasp. Hence, the second research aim of this thesis was to attempt to uncover the black box of strategy creation (Mintzberg, 1978) both by perceiving organizations as problem-solving systems (Blau & Scott, 1962) and by approaching the creation of strategy as a process of finding, formulating and attempting to solve problems. This is illustrated at the top of figure 5, where it is described how one can rewind from the means or strategy of an organization to the decision-makers’ ends and formulations of problems. Thus, by employing and the framework outlined in chapter 5.1.1, I propose that researchers may receive greater insight in hidden processes upon which the observable organizational strategies are grounded.

In general I argue that this thesis and the five appended papers shed further light on the black box of strategy creation by rewinding from the means, solutions or strategies that an organization has implemented, to the problem-formulation and the ends of the organization. Paper I offers a conceptual framework that can be used to explore and understand the relationship between rationality, the formulation of problems and the consequences of different approaches to organizational responsibility. Thus, the framework in paper I is the predecessor of the more refined conceptual model presented and employed in paper II, which is further elaborated on and empirically investigated in paper III and IV. Moreover, the CSR framework in paper V is also grounded on the
insights generated from the four other papers. In sum I argue that this framework can be used both to rewind from the manifested strategies and to forward from a reformulation of the problem to a balanced strategy. I shall return to the process of forwarding in the next section, but since forwarding and rewinding has many similarities, some of the aspects that I discuss in the rewinding section also has implications for the understanding of the forwarding process. Accordingly, if we look at an organizational strategy as the means that are chosen in order to reduce the gap between the present and the desired state, we can use the framework developed in this thesis to rewind from:

iv) the organizational regime, to
iii) the alternative solutions or strategies, to
ii) the alternative solutions within a problem space, and to
i) the organization’s problem-formulation.

Moreover, i) the organization’s formulation of the problem can be traced to which value dimensions the decision-makers’ have prioritized. Here, the ends or the purpose of the organization is an expression for the organization’s values. In short, this means that by perceiving the strategy-creation process as acts of formulating and solving problems, one can explore the black box of strategy by rewinding from the implemented and observable strategy to the decision-makers’ perception of the organization’s purpose.

Thus, I suggest that by employing and elaborating on the problem-formulation perspective, this thesis sheds light on the hidden processes that lie behind several observable strategies. At a general level, paper I contributes to an understanding of why the two different business paradigms, namely, Business Redefined and Business as Usual, propose fundamentally different solutions or strategies (means). This is because they are grounded on different sets of rationalities which lead them to formulate the business problem differently. Hence, their ends differ dramatically, and I argue that this leads them to formulate and attempt to solve the problem differently. Moreover, I argue that Business as Usual has a tendency to take for granted that profitability is the only valid purpose, and that this fixation on profit may lead the decision-makers unconsciously to perceive, formulate and solve the business problem as one of profitability. Again, at a general level, this thesis suggests that actors within the paradigm of Business as Usual fail to address the dimension of responsibility in their formulation of the problem. Paper I also concludes that because
profitability is taken for granted, it is almost impossible to receive acceptance for formulations of problems that rest upon a broader set of ends. Hence, somewhere in the black box of strategy creation, the advocates of Business Redefined are not taken into account. Thus, paper I contributes to an understanding of the strategy-creation process by indicating the forces the advocates of alternative strategies must overcome. Based on these reflections, there could be several interesting potential studies of the hidden black box of strategy creation. As mentioned in chapter 2.2.1, there is an emerging research field called Strategy-as-Practice (S-as-P) (Whittington, 2006; Golsorkhi et al., 2010). Perhaps future studies within S-as-P could employ the problem-formulation perspective and study both the kinds of strategies that succeed and the kind of formulations of problems that fails to be accepted. Hence, future studies on the creation of strategy should focus not only on why an organization chooses a particular strategy, but also on which formulations of problems that failed to succeed, which values these formulations were based upon and why the gatekeepers of the reigning strategy did not accept the alternative formulations of problems and strategies.

Moving from a general, conceptual level to an empirical level, this thesis also contributes to a deeper understanding of how the substance-abuse problem is formulated and solved differently by different actors in the sector. Hence, this thesis employed the problem-formulation perspective in order to rewind from the manifested formulations of the problem underlying the approaches employed by Tyrili and the other cooperatives, the drug-policy reform and Reckitt Benckiser’s observable strategies. These empirical investigations support the assertion that it is possible to gain greater insight into strategic decision-making by rewind from the different organizations’ preferred solutions (i.e., How should we fix it?) of the substance-abuse problem to their formulation of the problem, including their ends (i.e., What should we fix and why?). For instance, paper IV specifically explores the relationship between the formulation of problems and social responsibility. This paper is an example of how one can study the black box of strategy by rewind from an organization’s problem-solving measures or strategy to its formulation of the problem and its ends. This paper concludes that the rival formulations represented by the two organizations reflect conflicting understandings of the substance-abuse problem that is salient in the sector. Thus, it is argued that the divergence involves a difference in the degree to which the organizations are able to balance the different values that are at stake for different stakeholders. In relation to the
black box of strategy, the insights from paper IV can be used to explore the relationship between how an organization solves and formulates their key problems.

Together, papers II, III and IV conclude that the representatives of these different organizations differ with respect to the beliefs about, nature of and solutions to the substance-abuse problem – and that these differences may help us to understand why these organizations choose different strategies in their attempts to solve the problem. Once again, it is important to emphasize that more research is needed in order to grasp more fully the relationships proposed in this thesis. In other words I have by no means fully exposed light into the black box of strategy creation. Further study is necessary in order to gain a richer understanding of why and how organizational problems are formulated, and how and if these formulations affect which strategies are implemented by the organization.

Paper V does not explore the substance-abuse problem, but it suggests that only one of the four solutions to the problem of social responsibility, namely, genuine CSR, is suitable for solving this problem. The other three solutions may solve other problems, but not the problem of integrating responsibility in organizational decisions and practices. Paper V, then, also illustrates how one can use the problem-formulation perspective to address the black box of strategy creation by rewinding from the means (e.g., CSR as window dressing) to the organization’s initial formulation of the problem (e.g. we need to act responsibly if we are to enhance our reputation). Also in this case more empirical research is necessary, and in chapter 5.3 I shall briefly comment on how I intend to conduct an empirical follow-up study of the four different approaches to CSR proposed in paper V.

As a final comment to my explorations of the black box of strategy, I would like to state that in many circumstances organizations are not conscious of the problem they actually are trying to solve, meaning that they are not deliberately formulating and solving the inappropriate problem. However, as earlier asserted, the means-end fallacy may lead the individual and organizational decision-makers to be means- and solution oriented instead of ends- and problem-oriented. In the following section I shall therefore use the framework proposed in this thesis to show how decision-makers can go about critically
examining the purposes of the organization and reformulating their problems in order to create balanced strategies.

5.1.3 Contributions to balanced-strategy creation

In chapter 1 and 2 I discussed how March (1991) has argued that strategy is captured in a rational-analytical way of thinking, and that this logic only leads to the exploitation of existing ideas, but not to innovative explorations. Likewise, I outlined how Kim and Mauborgne (2005; 2009) promote a reconstructive Blue Ocean Strategy (BOS) in contrast to the structural Red Ocean strategy. Hence, BOS is about reformulating problems instead of trying to solve the same problems as the other actors in the industry do. Moreover, in chapter 1.2 and 2.2 I proposed that the Classic strategy research (Whittington, 2001), or in other word the mainstream strategy, commits the means-end fallacy because there is a foregone conclusion in the strategic-management process. As a consequence, the purpose of the organization is taken for granted (Wit & Meyer, 2004). Following these assertions, the third aim of this thesis was to contribute to a reconstructive and explorative approach to strategy, especially as it relates to the treatment of the paradox of profitability and responsibility. Thus, this thesis aimed to contribute to the creation of balanced strategies by employing and elaborating on the problem-formulation perspective (cf. Mitroff & Silvers, 2009) and the literature on problem-based creativity (cf. Getzels & Csikszentmihályi, 1976; Puccio & Cabra, 2009).

In this section I shall discuss how this thesis contributes to a theory on the creation of balanced strategies. More specifically I shall demonstrate how this thesis has contributed with knowledge on how strategic decision-makers can avoid the means-end fallacy by applying a balanced formulation of the problem and by forwarding to a strategy that can address the dimensions of profitability and responsibility. The bottom section of figure 5 and the discussion above illustrate how the insight from the exploration of the means-end fallacy (5.1.1) and the black box of strategy creation (5.1.2) can contribute to a theory of balanced-strategy creation. The lower part of figure 5 is a mirror image of the exploration of the black box of strategy creation. Thus, instead of starting the decision-making process by finding the means to solve a problem by asking “How should we fix it?” one’s attention should first be drawn to what the problem is and to the question “What should we fix and why?”
As with the two research aims discussed above, the assertions put forward in this section would also be a fruitful subject for further research. Thus, becoming more problem- and end-orientated and less solution- and means-oriented is by no means a guarantee that the decision-makers will avoid committing errors of the third kind (E3). Nor is there a guarantee that a reformulation of the problem will lead to creative solutions to the intriguing paradox of profitability and responsibility. However, I argue that since complex problems have more than one solution, because it can be formulated in more than one way, complex problems should be formulated in at least two different ways before attempts are made to solve it. Therefore, because organizational strategies can be perceived as means to (re)solve complex problems, the same logics should be applied to strategic decision-making. Nevertheless, even ends- and problem-oriented decision-makers may end up formulating and attempting to solve the inappropriate problem because they have failed to formulate the problem in an appropriate manner. Still, I argue that by forwarding from the purpose of the organization and by balancing – and not maximizing – the different dimensions inherent in complex problems, a decision-maker might increase the organization’s potential to do the right thing, and not only doing things right.\textsuperscript{14}

By writing “doing the right thing,” I am making a normative claim that strategic decision-making is an art of balance, not an art of maximization of one of the dimensions inherent in a problem. Hence, this thesis argues that imbalanced strategies that rest upon unidimensional and reductionistic formulations of a problem can lead the decision-makers to ignore critical aspects of a problem. This in turn can lead them solve the inappropriate or wrong problem (Mitroff, 1998) by committing an error of the third kind (Kimball, 1957; Mitroff & Featheringham, 1974). In this thesis I have empirically studied the substance-abuse problem, but I also argue that this insight can be transferred to organizations that are torn between the need to be responsible and the need to be profitable (Davis et al. 2008; Wit & Meyer, 2004) – in other words the demand to be both responsible and efficient. However, more empirical studies are necessary in order to understand the relationship between appropriate and inappropriate formulations of the problem in the context of the paradox of profitability and responsibility (Jørgensen & Pedersen, 2011d).

\textsuperscript{14} Cf. Peter Drucker’s (1909-2005) famous quotation: “Management is doing things right; leadership is doing the right things.”
When I argue that this thesis contributes to a theory of a balanced-strategy creation, it is important to underline that this is only the case if the decision-makers recognize the dimension of responsibility in their definition of the purpose of the organization. In other words, a reformulation of the problem so that it takes a responsible direction requires that the decision-makers are sensitive to the moral dimensions of a problem in the first place (Pedersen, 2009b). Accordingly, the problem-formulation approach to the strategy-creation process is not in itself a guarantee of achieving a balanced strategy. Paper I emphasizes this point by concluding that the mainstream field of strategy rejects formulations of problems that are based on a radical reformulation of the purpose of the organization. Hence, this thesis only contributes to a theory of a balanced-strategy creation in those cases where the decision-makers are actually sensitive toward and want to address the dimension of responsibility in the problems they face.

However, as concluded in paper V, decision-makers who want to behave in a responsible manner can apply the problem-formulation perspective and forward from the purpose of the organization to a formulation of the problem that incorporates the dimension of responsibility. Following this logic, paper V concludes that only genuine CSR can solve the problem of responsibility, meaning for instance that profit- or reputation-driven (extrinsically motivated) CSR initiatives are incapable of solving the right problem. This paper concludes that genuine CSR is the approach that most directly responds to the question “what are we responsible for?” The other three approaches to the problem of responsibility do not capture this important dimension of organizational purpose and responsibility, and for this reason they are inadequate solutions to the social problem. CSR as window dressing seems to be a solution to the problem “how can we improve the organization’s reputation?” and the solutions will thus be low-impact initiatives. Strategic CSR can be seen as a solution to the problem “how we can use CSR to achieve competitive advantage over our competitors?” and the solution is therefore characterized by an understanding of CSR as a tool that can be exploited for economic gain. It should be said that paper V also concludes that strategic CSR may have the beneficial characteristic of being a stepping stone on the way to genuine CSR, but that this is a relationship that needs further research. Impotent CSR is the approach that is difficult to distinguish from genuine CSR because motivations are the same but the integration has failed. Thus, this approach is understood as
an attempt to solve the social problem, but the organization does not succeed in doing so either because of a lack of knowledge or an inability to perform.

Following the argument above, I claim that the decision-makers who want to be responsible can use the insights developed in this thesis as a guide in formulating and implementing strategies by forwarding from the purpose of the organization to a formulation of the problem. Moreover, this problem formulation perspective can be used to search for alternative solutions, to evaluate the alternative solutions with reference to key aspects, and to choose an organizational regime that might be able to address the paradox of profitability and responsibility. In the next section I shall elaborate on these assertions by briefly discussing the practical implications of this thesis.

5.2 Practical implications of the thesis: What’s your problem?

Recently, the following message was posted on the web page of Lillehammer University College (HiL): “HiL has problems with incoming and outgoing e-mail this morning, but the IT department is working to solve the problem.” However, in light of this thesis – even though our IT department is staffed with diligent people – it is relevant to ask if they are able to move beyond the means and to reformulate and really solve the problem. Or are they going to find the means that will temporarily fix the problem? Compared to some of the problems that I have discussed in this thesis, this IT problem may seem banal and irrelevant. But an important premise of this thesis is that all organizations are problem-solving systems (Blau & Scott, 1962), and thus the tasks of finding, formulating and solving a problem apply to different levels of the organization. By studying the relationship between the formulation of problems and the creation of strategy, I have focused on decisions that are made on a higher level than the functional level, such as the e-mailing system. Still, even a problem that is handled at the functional level has consequences not only for all of the staff, but also for a wide range of external actors. Thus, the dysfunctional e-mailing system may be a result of years of underinvestment in HiL’s IT and, hence, it may be directly related to the strategic decisions made by the board and the top management of the university college.

I have chosen to share these reflections in this section because the formulation of problems and the creation of strategies are indeed practical tasks. The formulation of small and large organizational problems and the attempts to solve them greatly influence our lives, the lives of future generations and our
planet. In other words, organizational strategies may have a deep impact on people, profits and the planet. Still, as discussed at length in this thesis, the study of the ways in which strategy really is created – not to mention how it should be created – is not an exact science even though there are many scholars and consultants who claim otherwise. Accordingly, I propose that strategic decision-makers should become more problem-oriented and less solution-oriented. The reason is not that problems are important in themselves, but that reformulations of problems might help to pave the way for new solutions, and it might even enable decision-makers to find new problems and creative solutions. In sum this thesis holds that the strategists must move beyond the means in order to solve the appropriate problem. Responsible problem-solving and decision-making, then, implies both that different dimensions of the problem need to be balanced and that decision-making is an art of balance. To the extent that decision-makers fail to balance these dimensions and instead pursue the art of maximization of one of the dimensions, they are at risk of formulating and solving the inappropriate problem.

In this thesis I have concentrated my research efforts on the paradox of responsibility and profitability and the dysfunctional effects of the means-end fallacy. Moreover, I have focused on how the problem-formulation perspective can be employed to improve our understanding of processes inside the black box of strategy creation, and I have explored how this perspective might help strategic decision-makers to create balanced strategies. In chapter 5.1, I have discussed the conclusions that can be drawn from this thesis, and I have synthesized these contributions in figure 5. Thus, the practical implications of this study follow from the above discussion.

In general I argue that decision-makers need to become more problem- and ends-orientated and less solution- and means-orientated. This may be perceived as counter-intuitive and even strange by practitioners who struggle to keep at bay the immense amount of problems that relentlessly pile up on their desktops. I can fully understand that in the day-to-day process of leading an organization, managers are unable to take a step back and reformulate the problem. However, in a strategic decision-making process, in which major decisions take place that will have consequences for many stakeholders for a long period, I argue that organizations can benefit from critically evaluating how they formulate their problems.
As explained in chapter 2.1, there are strong ties between the problem-formulation perspective and the literature on creativity. Research on creativity indeed suggests that the essential creative element lies in the formulation of the problem, not necessarily in the solution (Getzels & Csíkszentmihályi, 1976). Therefore, by reformulating the problem in the strategic decision-making process, for instance, by taking more than one dimension of the problem into account, the decision-makers can move from one problem space with one set of solutions to another which may offer a new set of means for reducing the gap between the current and the desired state. This is not only relevant in the case of balanced-strategy creation. In two papers I have written that are not a part of this thesis, I have employed the problem-formulation perspective to explore the relationship between the creation of strategy, the formulation of problems and creativity (Jørgensen, 2011; Jørgensen et al., 2010). Both papers underscore the practical relevance of the problem-formulation perspective and the notions of forwarding and rewinding. The first paper is a report of a strategic sparring session I have conducted at The Norwegian College of Elite Sport (NTG) at Lillehammer. The second paper was written together with practitioners in a private equity company in Oslo (Reiten & Co).

The practical implications for finding new ways of approaching the paradox of profitability and responsibility is discussed in the appended paper V. There is a reference here to a report developed by the auditing and consulting firm Ernst & Young. For many years they have asked CEOs what they think are the major risk factors for their organizations, and for the first time CSR is now on the list of the ten biggest challenges. According to this thesis, organizations that want to find ways of creating balanced strategies need to take a step backwards in the strategic decision-making process and to challenge the assumptions that the current formulation of the problem rests upon. To reformulate the organization’s problems, then, the decision-makers need 1) to evaluate critically the ends or the purpose of the organization, and 2) to reconsider the current state of the organization. In this way they can reconstruct their formulations of problems, and this may lead to new and perhaps creative means or strategies. This is not only relevant for practitioners in private, profit-maximizing organizations. In the exploration of the substance-abuse problem, two major actors were the public authorities which initiated the drug-policy reform and the publicly owned hospitals that were responsible for its implementation. Organizations like these also need to find a balance between efficiency and
responsibility. Thus, the formulation of the substance-abuse problem as one of efficiency might have led them to ignore important dimensions of the problem.

5.3 Concluding remarks and reflections

I started out this thesis asking “What’s the problem?” and I proposed that the purpose of this thesis was 1) to explore the dysfunctional consequences of the means-end fallacy and 2) to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. Above I have discussed the three research aims in detail. Now I shall offer some final reflections on the core theme of this thesis, the formulation of problems. A rather unpleasant question that has come to mind in the final stages of this research project is as follows: “Is the problem really the problem?” Thus, in the same way that I criticize decision-makers for formulating the problem and solving it inappropriately, I must also adopt a critical attitude toward the questions that I have asked and how I have attempted to answer them. Therefore, I must be open to the possibility that the formulation of problems is not the key issue with regards to the creation of balanced strategies.

Moreover, if the problem really is the problem – have I been able to formulate it appropriately? In the same way as all other decision-makers, I also have to take my own bounded rationality into consideration. Following, I might have approached, unintentionally, the problem in a reductionistic manner. As a result I might have ignored important features of human decision-making, problem-formulation and the creation of strategy both conceptually and empirically. Another weakness with this research project might be that I did not, initially, define which kind of organizations, decision-makers and problems that I should concentrate on. Consequently, I may have missed out on important differences between the formulation of problems at the individual micro-level; the organizational meso-level; and at the societal macro-level. Future research on the formulation of problems and the creation of strategy may benefit from defining these differences more precisely.

In retrospect it is easy to think that I should have known at the start of this project what I know now. If this were the case, I would have done many things differently, of course. For instance, I should perhaps have chosen a different issue than the substance-abuse problem, since, arguably, this problem was outside of my areas of competence, even though I have learned much about this issue in the process. And I should perhaps have restricted my empirical
research to, for instance, the paradox of responsibility and profitability in private, profit-maximizing corporations and, thus, followed up the initial research questions put forward in paper I. Yet the feature that draws me to the problem-formulation perspective is its explorative, multidisciplinary and holistic approach, as it is summarized in the second column of table I in chapter 2.1.2. Accordingly, I argue that this research project, and its explorative and organic nature, has indeed been an enriching experience in that the study has led to both new insights and new questions. Moreover I argue that this would perhaps not been the case if I had started out this study with a narrow and more pronounced definition of the research problem.

For that reason I must come to rest within the limits of both my initial knowledge and the level of knowledge that I have attained at the end of this project. Moreover, I must learn to appreciate the fact that I am now left with more questions about the phenomenon I aimed to study than I had at the beginning. This paradoxical feeling that I have both gained knowledge and increased my ignorance reminds me of a metaphor put forward by Nyeng (2004:19). He describes the relationship between knowledge and ignorance in the image of an island of knowledge that exists in the ocean of ignorance. When the level of knowledge increases, the island rises and grows, and in this process the coastline, which is in contact with the vast ignorance that is the ocean, also expands. Consequently, the more you know the more you know that you don’t know.

Thus, in light of these reflections, I must say that I am grateful to have had this opportunity to explore the problem-formulation perspective. Even though I am still not sure that the problem is the problem and if I have approached the formulation of problems in the best possible way, I am still drawn toward the problem-formulation perspective and I have many unanswered questions that I look forward to investigate further. I am pleased, then, that this thesis represents a starting point and not the final destination of my investigations both of the problem-formulation perspective and of strategy creation. In my future studies the concepts of forwarding and rewinding will be further explored. This will for instance be done by studying the practices of organizational problem-formulation and the creation of strategy (Whittington, 2006). In this way one can perhaps receive a deeper understanding of how processes of forwarding and rewinding take place, and thereby how a reformulation of the problem can create balanced strategies.
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What’s the Problem?

This thesis addresses the crucial relationship between how strategic decision-makers formulate organizational problems and how the relevant actors attempt to solve them. It particularly explores what is referred to as the *means-end fallacy* in which endproblems are treated as means-problems. In effect the decision-makers take the ends of the organization for granted and only ask “How can we fix it?” instead of critically examining the purpose of the organization by asking “What should we fix and why?”

The purpose of this thesis is twofold. First, it is to explore the dysfunctional consequences of the *means-end fallacy* in organizational decision-making and creation of strategy. Secondly, it is to illuminate the implications of applying the problem-formulation perspective in the creation of organizational strategies. To achieve these purposes the problem-formulation phenomenon is explored in five appended papers.

This thesis argues that the strategic decision-makers should recognize that decisionmaking is an *art of balance*. Moreover, it suggests that the problem-formulation perspective can contribute with an insight into the *black box of strategy creation*, and that this can be achieved by *rewinding* from the organization’s strategy to the initial formulation of the organization’s problems. As a mirror image it suggests that strategic decision-makers can avoid the means-end fallacy by *forwarding* from an appropriate formulation of the problem to a balanced strategy.