

The CBS Leadership Dilemma Index Ambition, Assessment, Application

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Document Version

Final published version

Publication date:

2023

License

Unspecified

Citation for published version (APA):

Ritter, T., & Bruun, E. F. (2023). *The CBS Leadership Dilemma Index: Ambition, Assessment, Application*. Copenhagen Business School, CBS.

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Eva Fog Bruun

MAY 2023

THE CBS LEADERSHIP DILEMMA INDEX

*Ambition, Assessment,
Application*

1. AMBITION OF THE CBS LEADERSHIP DILEMMA INDEX

Now more than ever, organizations are facing complexity, disruptive market trends, and dilemmas that demand both action and reflection among leaders. In this challenging environment, the CBS Leadership Dilemma Index has been developed to support executives in their strategic decision-making.

In our interactions with management and leadership teams in education and consulting, we have found that top management is under increasing pressure to choose between opposing and competing alternatives that offer both advantages and disadvantages. How do leaders deal with dilemmas such as profit versus purpose, financial reporting versus ESG reporting, tradition versus transformation, robustness versus agility, employee empowerment versus alignment, and long-term planning versus short-term planning? While some of these decisions follow the normal strategic decision-making paths of trade-offs and optimization, others exhibit characteristics of strategic¹ dilemmas. These dilemmas arise in different areas of strategic leadership, and they can relate to the overall strategy,

to the processes connected to strategic development, or to the implementation of a strategy. In other words, strategic dilemmas may occur everywhere.

Whenever an organization faces a strategic dilemma, strategy implementation and execution are at risk. When people in an organization do not agree with the strategic choices made, they will not support those decisions—and the strategy² will fail. Therefore, we have developed an index that measures the extent to which respondents agree with an organization's strategic decisions.

Insights into the level of support for or disapproval of strategic decisions are of paramount importance for successful leadership in any kind of organization. Our ambition with the CBS Leadership Dilemma Index is to help leaders, organizations, and society at large achieve purposeful strategy development and implementation. We hope that the CBS Leadership Dilemma Index will support the successful leadership of businesses and organizations.

2. HISTORY OF THE CBS LEADERSHIP DILEMMA INDEX

The idea for developing an index to support leadership was first suggested by Thomas Ritter in a meeting about a CBS-wide leadership initiative in November 2021. The idea was well-received and Thomas became the academic lead for the development of such an index. In January 2022, Eva Fog Bruun joined CBS and the CBS Leadership Initiative, and became heavily involved in the development of the index. By April 2022, the focus on dilemmas had been adopted. In October 2022, the first trial of the CBS Leadership Dilemma Index was run with EMBA students at CBS.

Motivated by the success of this first test, Thomas and Eva approached organizations with the aim of encouraging them to engage in the further development of the index. In March 2023, a large organization success-

fully used the CBS Leadership Dilemma Index to detect challenges in their strategy efforts. In addition, a major business-network association surveyed its members on strategic dilemmas using the index³. A third organization began to apply the index in order to support its green transition strategy. These three organizations were very different (i.e., a member association, a large public organization, and a global private company), which demonstrates the usability of the index in all types of organizations.

Based on these experiences, we present the CBS Leadership Dilemma Index in this booklet. We explain the measurement, and we describe how and when the index can inform strategic decision-making.

¹ For our definition of a strategic dilemma, and The Dilemma Diamond for managing strategic dilemmas, see Pedersen, Poulfelt & Ritter (2023): Use this framework to manage strategic dilemmas. Paper under review, Copenhagen Business School, Frederiksberg.

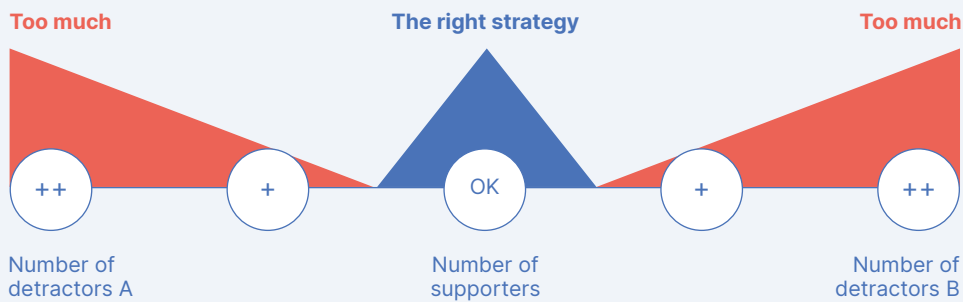
² For a description of the elements of strategy, see Pedersen and Ritter (2020, 2022): <https://research.cbs.dk/en/publications/what-is-your-strategy-how-to-put-your-strategic-thinking-onto-a-s>

³ For details on this study, see Ritter & Poulfelt (2023): Danske virksomhedslederes udfordringer anno 2023: Strategiske dilemmaer i usikre tider. CBS Leadership Centre, Frederiksberg.

THE CBS LEADERSHIP DILEMMA INDEX IN A NUTSHELL

1 ASSESSMENT OF AGREEMENT

We measure to which extent the respondents agree with the strategic decisions made



2 STRATEGY-SUPPORT-INDEX

We calculate support by subtracting the number of detractors from the number of supporters as a percentage of all answers

$$(\#\text{😊} - \#\text{😞}) \%$$

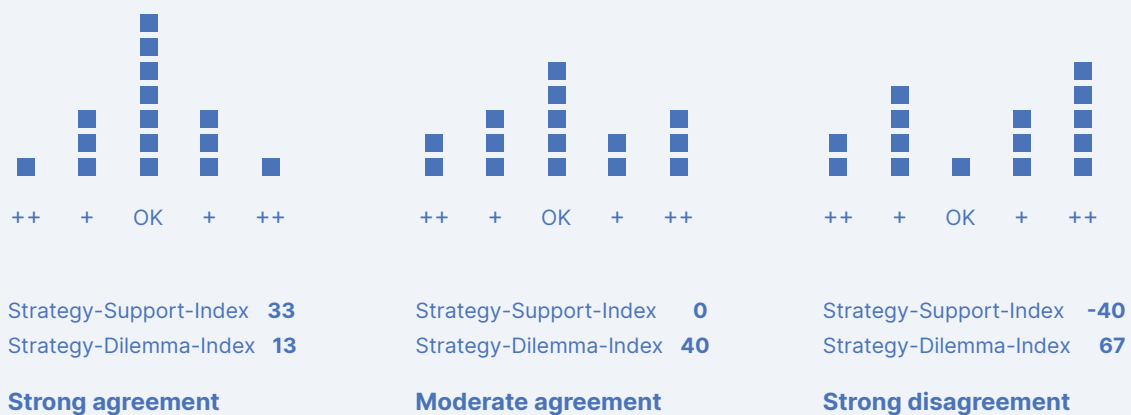
3 STRATEGY-DILEMMA-INDEX

We detect the existence of dilemmas by the number of opposing opinions: number of detractors vs opposite side as a percentage of all answers

$$(\max \#\text{😊} - \#\text{😞}) \%$$

4 DISPLAY OF RESULTS

We display results to facilitate discussions about strategy and strategy development.



3. THE CBS LEADERSHIP DILEMMA INDEX

3.1 GENERAL MEASUREMENT PHILOSOPHY

A strategic dilemma exists when people are faced with a decision between two evenly good or evenly bad options which translates into agreement and disagreement with a decision. The CBS Leadership Dilemma Index is preoccupied with the level of agreement or disagreement, because to detect a dilemma, it is not important to know or measure the actual decision—only the perceived support for and acknowledgement of the decision is of interest. Therefore, the CBS Leadership Dilemma Index measures the level of agreement and disagreement of respondents with a decision.

To illustrate the difference between the actual decision and the deviation of opinions from that decision, we can look at ancient Greek, which has two gods for time: Chronos and Kairos. The god Chronos sees time as a sequential flow. His notion of time is past, present, and future. Chronos's time is clock time, and it relates to, for instance, seconds, minutes, hours, and days. In a chronological view, one can say what the time is and when things have happened.

Kairos sees time differently—he is the god for the right, critical, and most opportune moment. His notion of time revolves around too early, the right moment, and too late. Kairos is typically pictured with a great deal

of hair on his forehead and no hair on the back of his head to illustrate that you only can catch the right moment when it is there, not before and not after.

The CBS Leadership Dilemma Index applies Kairos's view. More specifically, we are interested in people's views on strategic decisions in terms of whether these decisions are too little, spot on, or too much. We are not interested in the concrete strategic decisions, only in people's approval of these decisions. For example, we do not wish to examine the extent to which a company focuses on the exploitation of its existing business model and the exploration of new business opportunities. Instead, we are interested in respondents' views on whether the firm focuses too much on either exploitation or exploration.

We follow this approach because support for a strategy is determined by the approval of the decision by the people affected, not by the absolute value of that decision. This also means that different views, perceptions, values, ethical standards, and so forth are levelled out, as they are included in the respondents' assessments. The success of strategy implementation is driven by approval or disapproval of strategic decisions.



Chronos points out that the train leaves at 08:36.



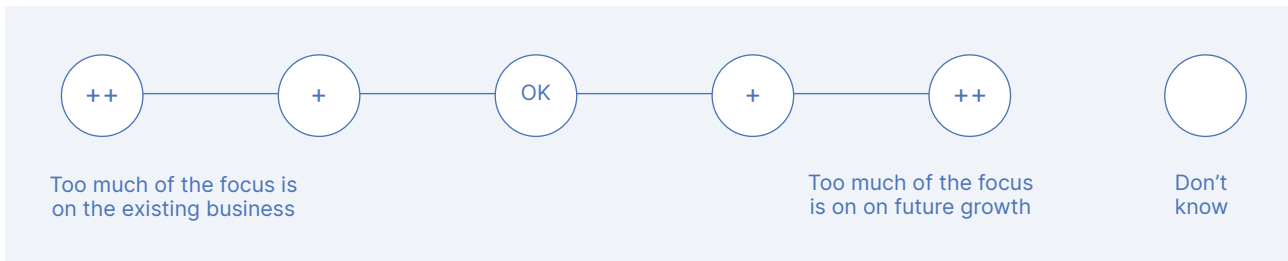
Kairos points out that the passenger came too late.

3.2 THREE SCALES

The CBS Leadership Dilemma Index measures the approval and disapproval of strategic decisions using three scales.

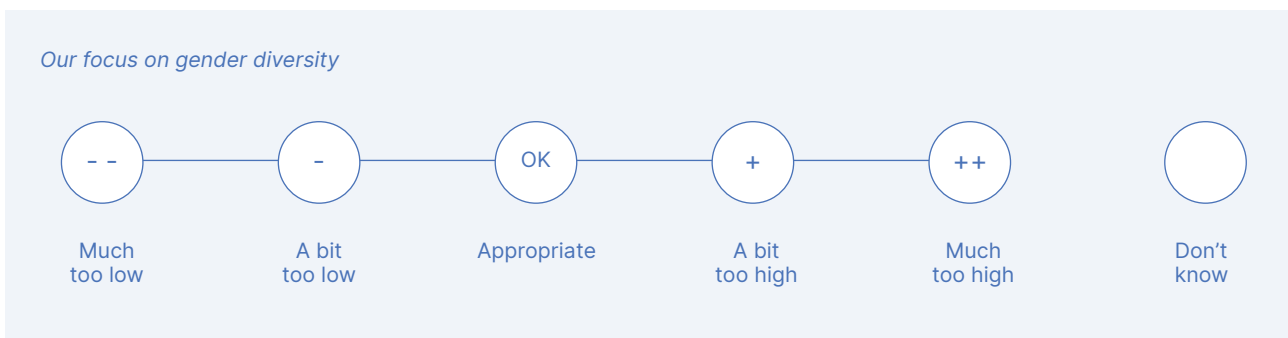
a) Bipolar dilemma scale

The bi-polar scale offers opposing strategic choices. It asks the respondent to indicate the extent to which the strategic decision is characterized by a good balance between the two poles (see example below).



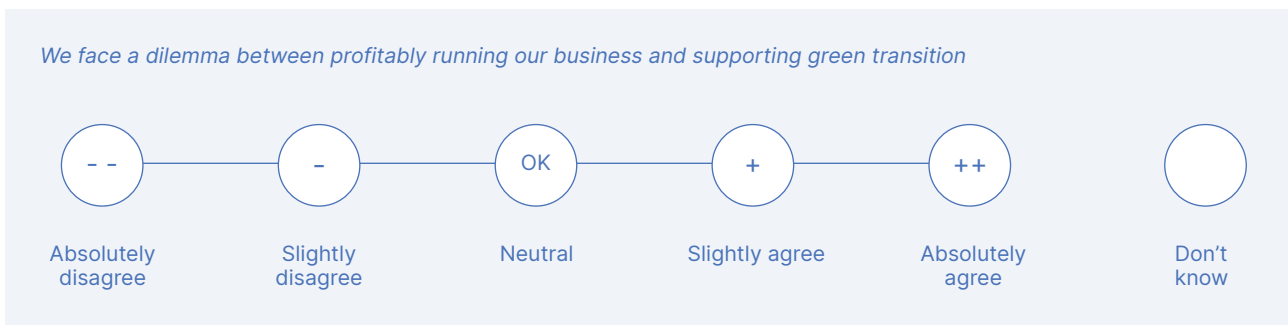
b) Singular dilemma scale

The second scale focuses on one single strategic decision per question, not a comparison of two options like the first scale. It asks respondents to indicate whether a strategic decision is appropriate, too little, or too much (see example below).



c) Specific dilemma scale

The third scale focuses directly on a dilemma and asks the respondent to indicate the extent to which the dilemma is present in the organization (see example below).



To support the subsequent discussions of the survey results, we also typically include a free-text section and ask respondents to indicate which dilemmas they see as the biggest strategic dilemmas the organization is facing.

3.3 THE CATEGORIES

The CBS Leadership Dilemma Index covers different strategy areas: classical strategic choices, the nature of the strategy, the strategy-development process, and current strategic issues. Classical strategic choices include decisions about exploitation versus exploration, cost savings versus growth, and outside-in versus inside-out. These strategic tensions, which are well-described in the strategy literature, are faced by many organizations.

The nature of a strategy can differ along such aspects as long-term versus short-term, detailed versus vague,

conservative versus ambitious, and preserving versus transforming. The strategy development process may vary between top-down and bottom-up, fast and slow, and tight and loose. Current issues may include ESG topics, such as sustainability and climate targets, purposeful actions, diversity and inclusion, and social responsibility.

Overall, the CBS Leadership Dilemma Index covers different angles of an organization's strategy and, thus, offers a wide assessment of issues and potential strategic dilemmas.

4. DILEMMA IDENTIFICATION

Not everything is a dilemma and not all organizations face dilemmas. Our starting point is not that there must be a dilemma. Instead, we start from the assumption that there might be dilemmas and that those dilemmas can be detected by the index. As we always measure

approval/disapproval on a five-point scale, with the approval answer being in the middle of the scale, any answer on the scale's anchors (1 or 5) indicates the respondent's substantial disapproval of the decision (see figure below).

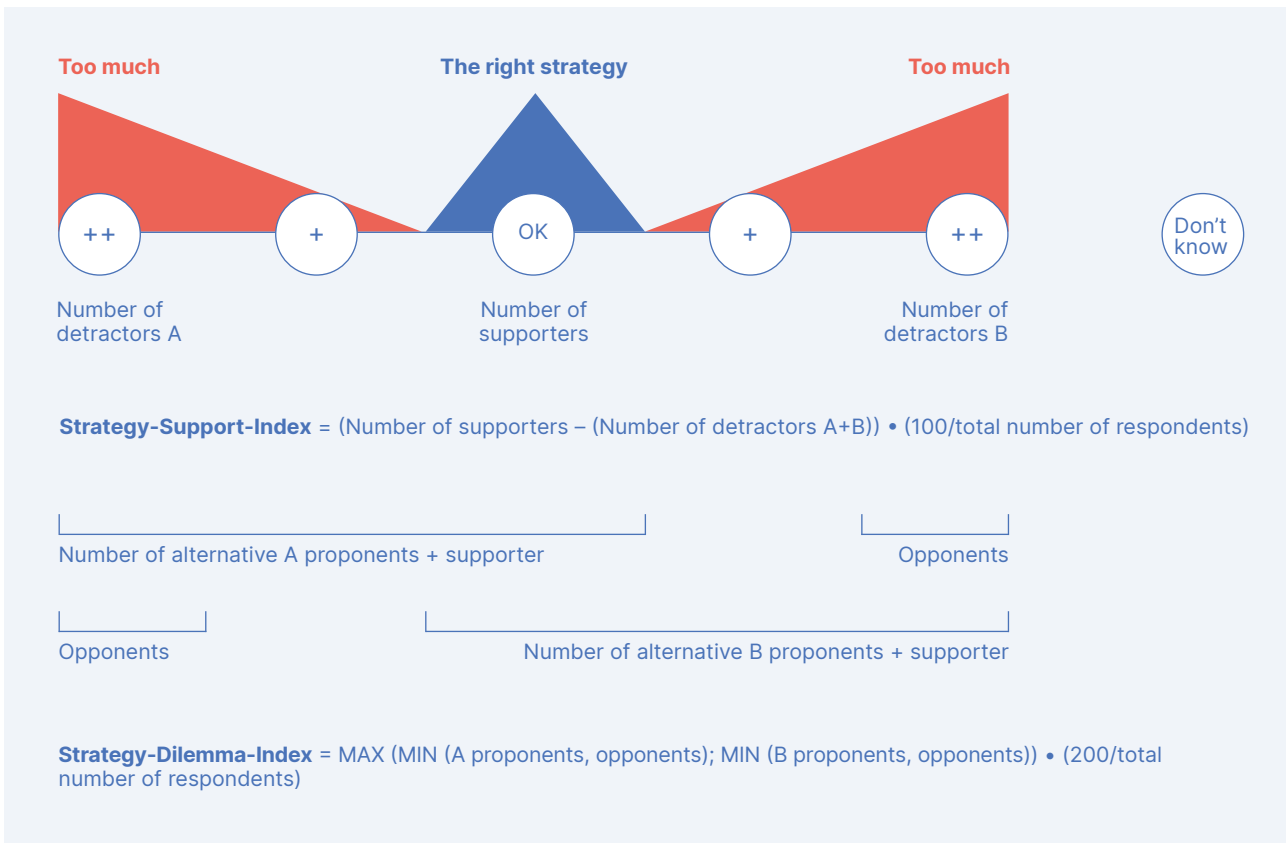


Figure 1: Index calculations

The **Strategy-Support-Index** is calculated as the number of approvals minus the number of disapprovals, divided by number of respondents and multiplied by 100. This index ranges from 100 (total support, every respondent approves) to -100 (total lack of support, every respondent disapproves of the decision regardless of which side the disapproval is on).

Index values below zero indicate that more respondents oppose the strategy than support it. In such cases, the likelihood that the strategic decision will be implemented as planned is low. Values between zero and 25 indicate only moderate support, while values above 25 signal good support.

The **Strategy-Dilemma-Index** is calculated as the difference between votes towards one end of the

scale and votes towards the other end of the scale. To calculate the index, the number of answers indicating approval and the two categories towards the left hand side of the scale are compared with the number of disapprovals on the right hand side (see figure), and the lowest of the two numbers is noted, as it indicates the number of paired opposing opinions. In other words, the number of people with at least a two-point difference is noted. The same procedure is then undertaken for the other side. The higher of the two calculations (i.e., the highest number of people who have very different opinions) is normalized by the number of respondents, and this number is the dilemma index. The index ranges from zero (no dilemma at all, no two people are more than two points apart) to 100 (full dilemma with two even groups opposing each other).

5. APPLICATION OF THE CBS LEADERSHIP DILEMMA INDEX

The CBS Leadership Dilemma Index is a tool designed to support strategy implementation. Imagine a new strategy that has just been launched or one that was launched six months ago. Wouldn't it be great for the management team to know how well the strategy is perceived by stakeholders? How do employees, customers, suppliers, and investors respond to strategic decisions? Whether the index is used right after the launch of a new strategy, six months later, or once per year, it will reveal how much support there is for a strategy, how much the organization is aligned and the extent to which dilemmas exist. Such information can serve as valuable inputs as the management team forms expectations about the likelihood of implementation success, when it searches for answers that are approved by a majority or even in the planning of internal communication connected to strategy rollout and implementation.

There is no need to ask all of the different stakeholders at once, nor is there a need to involve all members of each stakeholder group. For example, asking only middle managers (rather than all employees) can offer sufficient insights. Alternatively, all who work in one business unit or function can be involved as they develop their implementation plan.

The index can also be used ahead of a new strategy-development process, which occurs typically every three to five years in many organizations. As an input for strategy development, the index can reveal the extent to which the new strategy can address points of disapproval.

Behind the numbers – a tool to insightful discussions

Overall, the index can be utilized to inform organizations about strategy support and strategic dilemmas before, during, and after a strategy has been developed and communicated. The CBS Leadership Dilemma Index serves as a basis for insightful discussions in organizations. At the end of the day, the discussions and the reflections about the results of the index—not the pure numbers—are important and create value for organizations.

Ask yourself: How certain am I that our stakeholders approve of our strategic decisions? If you feel any uncertainty, the CBS Leadership Dilemma Index can contribute to your strategic decision-making.

ABOUT THE CBS LEADERSHIP CENTRE

At the CBS Leadership Centre, we want to connect leadership experts at CBS with leadership practitioners in Danish society and beyond.

We want to inspire for new thinking on leadership by putting a light on excellent CBS research and put this vast pool of knowledge into play by connecting with leadership practitioners who lead transformation of businesses and organizations.

Why? Because good leadership is pivotal for creating resilient organisations that are able to grow and to successfully respond to opportunities and dilemmas facing business and society.

Please cite this publication as:

Ritter, Thomas & Eva Fog Bruun (2023): *The CBS Leadership Dilemma Index: Ambition, Assessment, Application*. CBS Leadership Centre, Frederiksberg, Denmark.

ISBN (print): 978-87-94488-02-0

ISBN (online): 978-87-94488-07-5

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