

Balance Optimism with Reality

Maintaining the proper balance of optimism with the factual reality is one of the major challenges facing every CEO. As a leader, a CEO must strive to create and communicate a bright future for their business. The difficulty is finding the right balance between optimism and reality and making sure to separate facts from aspirations.

Here's the dilemma. Every CEO needs to gain and maintain the trust and confidence of their board. There is no room to compromise integrity or to be anything less than completely honest in all board interactions. So how does a CEO state the facts honestly but positively and retain the trust of their board?

Balance Is Critical

I've watched CEOs err on the side of being too conservative, viewing the glass as "half empty", and lose the support of their board by being perceived as negative and lacking aggressiveness. I've watched others be much too optimistic, the "glass half full" philosophy resulting in continuously overpromising. Successful CEOs have learned to strike the right balance.

4 Steps To Strike The Right Balance

Here are four steps every CEO can use to create and maintain the right balance and retain credibility.

1. Provide relevant and accurate information.
2. Base all plans and initiatives on pragmatic assumptions.
3. Estimate realistic upsides and downsides.
4. Establish tracking metrics that enable directors to track performance.

Provide relevant and accurate information

The content of board discussions is primarily based on information provided by the CEO. The quality and the quantity of this information and the tone in which it is presented forms the foundation for board discussions and decisions. Anything less than complete honesty is obviously not acceptable. The real challenge faced by every CEO is to provide the proper information and the right level of detail.

Base all plans and initiatives on pragmatic assumptions

All operational and strategic planning is based on the assumptions you make. In too many instances, I have seen assumptions that do not reflect the reality of past experience or what might realistically happen in the future. Unrealistic assumptions are one of the fastest ways to lose credibility with your board. Many times, the fatal flaw is a set of assumptions that are based on all-success scenarios that rarely happen in real life.

Estimate realistic upsides and downsides

Always accompany your information and plans with an honest assessment of what could go right or wrong. An honest and well thought out upside/downside analysis is very helpful to maintain credibility with your board. It also helps you to set clear and measurable performance expectations. I use the quality and thoughtfulness of an upside/downside analysis as an important barometer of CEO credibility.

Establish tracking metrics that enable directors to track performance

Once you have the plans in place based on accurate facts and the reasonable assumptions, establish tracking metrics or key performance indicators (KPIs) to help your board track performance vs. plan. You'll find that the time spent defining good KPIs pays off with more focused board discussions and more realistic expectations. Your directors will also be able to provide better advice and counsel to you.

Things Will Go Wrong

Successful CEOs' are pragmatic, fact-based and never plan for all success. They expect some things to go wrong and plan accordingly. At the same time, they retain their continuous sense of optimism that they can and will be successful. Sometimes their boards will have to rein in their optimism a bit but that's infrequent.

The fastest way to damage credibility is planning for all success. Sometimes, we all fail to see the over-optimism of our plan or assume we can accomplish whatever we desire. This is a most important area for every CEO to watch for since it can rapidly erode trust and credibility.