

## "Leadership - what makes it effective?"

February 2021



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This blog by Karen Shackleton is part of a weekly series from the Pensions for Purpose team. This week, she reflects on good leadership and its critical role in good governance.

The other day, my husband suggested that I read a fascinating article in the Financial Times: "[Authentic leaders who lack skill are doomed to fail](#)". The key tenets of the article (for those of you who don't have time to read it) were:

- Authenticity is a key attribute of leadership... but,
- That shouldn't be assumed to mean leading in the same way in every situation,
- Empower staff when the time is right to do so,
- Know when to be warm and empathetic, and when to step back, and,
- Self-reflection benefits even the strongest leaders.

When I married my husband, and decided to take his surname, I felt duty bound to become better informed about the most famous Shackleton in history (and I'm not referring to Frank Shackleton who was reputed to make off with the Irish crown jewels!)

Ernest Shackleton, explorer, famously led an expedition in 1914 to cross the Antarctic, only to see his boat get crushed in ice. He led his crew to safety in small lifeboats, set up camp on Elephant Island, and then he and a small team crossed the ocean to South Georgia Island, climbed a mountain range that had never previously been conquered, and walked into the whaling village on the other side of the island to organise a rescue party. The story is remarkable in that not one man died. Shackleton's leadership skills are still referred to today in management courses. Shackleton led by example, taking turns at all the jobs that were least favoured. He kept dissenters close, knew when to give sympathy, and when tough love was the better approach. He was decisive yet knew when to empower others. He was prepared to make difficult survival decisions (shooting one of the crew member's cats sticks in my head). And he refused to give up on any of his men, ever. He was truly "authentic".

The Financial Times article mentions leadership experts Gareth Jones and Rob Goffee, who used to ask delegates at their seminars "Why should anyone be led by you?" A good question indeed, and one many of us should reflect on from time to time.

During my career, I have worked (and continue to work) for some great leaders, people I respect enormously, in companies where the staff are motivated, teams pull together and the vision is clear. Equally, I have worked for leaders who have been far less effective. The difference is dramatic: staff morale is impacted, the culture divisive, blame is common and unfortunately the best team members often end up going elsewhere. So, it surprises me, in my due diligence meetings as an independent investment adviser, that portfolio managers don't often spend time talking about the **positive** leadership skills of C-level teams of the companies in which they invest and the impact that is having on shareholder value.

It surprises me, because strong and effective leadership is absolutely at the core of good governance, the G in ESG. And good governance is at the core of a strong and successful company. I want to be investing in the companies with authentic, self-reflective, and empowering leaders.

So maybe we should start talking more regularly about positive leadership skills in the context of shareholder value. If asset owners insist on asking fund managers to identify and share examples of best practice in the leaders of the companies in which we invest, and if we publicly applaud leaders who do well, then in time that might influence other leaders, and our asset values should begin to show a marked improvement over the longer term.

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25<sup>th</sup> February 2021

