

Impact case study (REF3)

Institution: University of Exeter		
Unit of Assessment: UoA 17 Business and Management Studies		
Title of case study: Increasing gender diversity on UK public and private sector boards		
Period when the underpinning research was undertaken: 2016 to present		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Ruth Sealy	Associate Professor	2016 to present
Louise Tilbury	Research Practitioner Fellow	2016 to present
Period when the claimed impact occurred: 2016 to present		
Is this case study continued from a case study submitted in 2014? No		
<p>1. Summary of the impact</p> <p>Lack of diversity in leadership roles is an issue across UK public and private sector organisations. Research shows that non-diverse boards under-perform in comparison to diverse boards. Sealy has been instrumental in improving board diversity in the UK, using engaged research to identify and address systemic issues.</p> <p>Leadership policy and practice in the NHS: Sealy's research with all 400+ NHS boards, representing over 1.4 million employees, has driven national policy and individual organisational change. This includes changes to hiring practices and board composition, leading to an increased gender balance on NHS Trust boards, better talent management, greater legitimacy with service-users and better quality decision-making.</p> <p>Regulatory and policy impact in the private sector: Sealy's research has contributed to regulatory change within the Financial Reporting Council's update of the UK Corporate Code of Governance, reporting on board evaluation and diversity. The research has helped the 30% Investor Group achieve its goal of 30% of FTSE 350 board directors being women.</p>		
<p>2. Underpinning research</p> <p>Sealy's research focuses on increasing the proportion of women in senior leadership and boardroom positions. Previously, organisations assumed there was a supply problem, and focused on micro-level solutions such as more training for women. Sealy's research reframes the problem as one of demand - revealing systemic issues requiring multiple stakeholders and mechanisms to increase diversity [3.1]. Since 2007, Sealy has provided regular quantitative, qualitative data and advice to government departments, FTSE-listed companies, and major professional service firms, including in the government-backed annual Female FTSE Reports (with colleagues at Queen Mary and Cranfield Universities), and more recently for the NHS. Sealy et al.'s work highlights the need for the regular provision of data and measurable objectives for evidence-based decisions [3.1; 3.2].</p> <p>1. NHS Women on Boards (October 2016 to present)</p> <p>In 2016, the Chair of NHS Improvement announced a target of 50:50 gender balance across all NHS boards of directors by 2020. Based on her engaged research reputation [3.1], Sealy was invited to be the only academic member of the Advisory Board to look at <i>how</i> the NHS could achieve boardroom diversity. Data on gender composition of boards was not available, despite 77% of the NHS's 1.4 million employees being female, and women having outnumbered men as UK medical school graduates since 1993. Based on her research [3.1], Sealy recommended regular reporting and longitudinal data to establish reliable, systematic baseline metrics. This led to the initial data collection (Oct 2016-Jan 2017) on over 6,000 board directors on all 452 NHS boards in England. The findings and key recommendations were launched in March 2017 [3.3] and included the following insights and recommendations:</p> <ul style="list-style-type: none"> • Disaggregation of data revealed women's unexplained underrepresentation in important board roles (Non-executive, Finance Director, Medical Director and Chair) • An absence of intersectional research relating to black and Asian minority ethnic (BAME) women [3.4] • Recommended internal continuous capture and reporting of detailed board data 		

- Recommended NHS Confederation (NHSC- representing all health service organisations), proactively work with search firms to address gender imbalance.

2a. Board Evaluation Study (July-November 2017)

Since 2014, the UK's Corporate Code of Governance required basic reporting on the evaluation of a board and its diversity, including gender and its effectiveness. Research access to private sector boards is rare. Sealy and Vinnicombe (Cranfield University) identified Board Evaluators (BEs), as a novel source of board access. In 2017 Sealy led interviews with BEs representing over 65% of the largest FTSE 350 listed companies. Analysed by Sealy and Tilbury (Exeter), findings highlighted the importance of the Chair's role in avoiding 'tokenistic' dynamics [3.2], spelling out in behavioural terms the difference a diverse board makes, including contributing to board effectiveness through better decision-making [3.1]. The findings were presented within the government-sponsored 2017 Female FTSE Report [3.5], including a recommendation for the Financial Reporting Council's (FRC) new Code to include full disclosure requirements on the type of board evaluation conducted and the company's subsequent actions following evaluation.

2b. Board Diversity Reporting Research (2018-2019)

Acknowledging the importance of data analytics, the FRC supported Sealy's recommendations and commissioned her to conduct further research into FTSE 350 companies' reporting on diversity, board evaluation, and adherence to the current Code [3.2]. Findings provided a benchmark to understand the prominence (or not) of diversity as a strategic issue. Findings evidenced the success of transparency, public statements and measurable targets in subsequent increases in board and senior management diversity. Analysis revealed suggestions not mandated in the Code were not reported on. Therefore, mandating detailed reporting on board evaluation and succession planning leads to greater transparency (for investors) and more effective approaches to increasing diversity. The report was launched at the TUC General HQ [3.6] to over 230 Government officials, politicians, policy advisors, journalists, HR specialists, company secretaries, auditors, investors and accountants.

3. References to the research

- 3.1. Sealy, R.; Doldor, E.; Vinnicombe, S.; Terjesen, S.; Anderson, D. & Atewologun, D.** (2017) Expanding the notion of dialogic trading zones for impactful research: The case of women on boards research, *British Journal of Management*, 28, 64-83. DOI: 10.1111/1467-8551.12203 – 1 of only 4 articles in Special Issue on Impactful Research.
- 3.2. McLaughlin, H.; Silvester, J.; Bilimoria, D.; Jane, S.; Sealy, R.; Peters, K.; Moltner, H.; Huse, M. & Goke, J.** (2018) Women in Power, *Organizational Dynamics*, 47(3), 189-199. DOI: 10.1016/j.orgdyn.2017.09.001. – international peer reviewed journal
- 3.3 Sealy, R.** (2017) *NHS Women on Boards 50:50 by 2020*, NHS Improvement & NHS Employers. Available at: <http://web.archive.org/web/20201218090901/https://improvement.nhs.uk/resources/nhs-women-boards-5050-2020/>
- 3.4. Opara, V.; Sealy, R. & Ryan, M.** (2020) The workplace experiences of BAME professional women: Understanding experiences at the intersection, *Gender Work & Organization*, 27(6), 1192-1293. DOI: [10.1111/gwao.12456](https://doi.org/10.1111/gwao.12456) – international peer reviewed journal
- 3.5. Sealy, R.; Tilbury, L. & Vinnicombe, S.** (2017) *Leading diversity in the boardroom: board evaluation project 2017*. Working paper, available at: <http://hdl.handle.net/10871/32821>
- 3.6. Sealy, R.** (2018) *Board Diversity Reporting*, Financial Reporting Council, UK. September 2018. Available at: <http://web.archive.org/web/20201218092129/https://www.frc.org.uk/getattachment/62202e7d-064c-4026-bd19-f9ac9591fe19/Board-Diversity-Reporting-September-2018.pdf>
- 3.5 & 3.6: Multiply cited in government's 2019 Annual Review of Corporate Governance [Source 5.9].

4. Details of the impact

Sealy's research has impacted national policy, strategy and local workplace practices across the NHS, leading to increased diversity in board composition. In the private sector Sealy's research changed regulatory guidelines and provided data on regulatory adherence, impacting how key groups, responsible for the governance of FTSE 350 listed companies, respond to diversity (e.g. Financial Reporting Council, institutional investors).

NHS: National level changes of policy and practice

Sealy's long-standing work on boardroom diversity led to her being commissioned in 2016 to advise on *how* this could be improved across the NHS. The 2017 Women on Boards report's sample of over 6,000 board directors [3.3] provided national-level board data for the first time, revealing an additional 500 female directors were required to achieve gender balance. This became the national target, formally adopted by NHS leadership, including the Secretary of State for Health and Social Care, Matt Hancock in 2018 [5.1]. The Chair of NHS Improvement (the regulator) said: *"I am very grateful to ... Professor Ruth Sealy... who has carried out much of the work and written her report based on her research and experience of working with Lord Davies"* [3.3].

In 2019, the CEO of NHS Employers, turned to Sealy again to commission an update on the national data and previous recommendations. Scheduled for spring 2020, the launch was delayed by COVID-19 until September 2020 [5.2; 5.3]. Both the 2017 and 2020 Women on Boards reports highlight the need for the NHS to develop continuous capture of board data, allowing evidence-based initiatives for problem areas. This was acknowledged by multiple NHS board Chairs and various NHS leaders [5.2] and is now in development [5.3; 5.5].

The 2020 data identified the 20 most diverse Trust boards, in terms of gender and ethnicity, and as Chairs are responsible for changing board composition [3.1], Sealy interviewed 13 of those Chairs regarding *how* they had successfully diversified their boards since 2017 [5.2]. Compiling best practice and case studies, the report provides all 213 NHS Trusts in England with guidance on this. Key changes included stopping 'rolling appointments', recruitment training for governors, outreach to communities, using proven head-hunters, gender-balanced panels, and purposeful short-lists. Findings were discussed in a 13-minute interview on BBC Radio 4's Women's Hour in September 2020 [5.4]. The report made 16 *"very practical actionable recommendations"* [5.3] to further embed the changes to leadership diversity. The CEO of NHS Confederation sent the report to all Trust Chairs and organised round-table discussions, in November 2020, on how to implement the recommendations. Unfortunately, these were cancelled due to the second lockdown, but will be rescheduled spring 2021 [5.3].

Following the 2017 Women on Boards report, new leadership programmes were set up across the NHS. The NExt Director Scheme encourages more inclusive board appointment processes for NHS Trusts, providing development opportunities for women and BAME candidates. Several of the Chairs interviewed in 2019/20 had used the programme to engage diverse non-executive director (NED) candidates [5.2, pages 12, 36, 37].

The NHS Leadership Academy runs courses aimed at senior roles, but previously not for Chief Medical Director (MD) - identified as having low female representation in 2017 [3.3]. Following report recommendations, the Aspirant Medical Director programme was launched in 2018. Current MDs (75% male) were asked to nominate potential candidates. As a result, only 25% of candidates were female. In 2019, based on research recommendations [3.2], the programme was advertised more widely using social media, resulting in 45% of the 100 candidates being female.

Based on 2017 report recommendations [3.3], in 2019, NHSC launched a taskforce, partnering with a major search firm, to increase NED diversity. The Director of Partnerships and Equality at NHSC and Chair of the taskforce confirms Sealy's recommendations *"helped us to think about how to move forward with a framework (code of conduct) to work purposefully and effectively with search firms"* In addition, the taskforce is *"pushing forward*

the recommendation for [national] data set ... to better self-monitor...and improve NED diversity” [5.5].

NHS: Trust level changes of policy and practice

Between 2017 and 2020, the percentage of women on NHS trust boards increased by 5% to 44.7% [5.2], reaching parity (as defined by the European Commission). Sealy’s research has been cited by NHS Trust Chairs across the country as galvanising them to make changes to board composition [5.2; 5.6]. For example:

Doncaster and Bassetlaw Trust:

When Sealy’s 2017 report was released, the Trust had all-male NED membership. The Chair used the report to persuade the Board and Governors to change their practices: *“Using your report...Governors agreed to an open and fair [appointment] process...[Now] we not only have a much more ethnically diverse board but a true gender balance with a high level of skill and experience which is making a difference for our Trust in what are difficult times.”* The Chair states these actions led directly to the trust’s CQC rating moving from ‘requires improvement’ to ‘good’, with improvements in the contribution of the board to decision-making and greater wellbeing of staff at all levels [5.2, p.33; 5.3 & 5.6].

Lincolnshire Partnership NHS Trust:

The Chair tweeted in November 2018, that after *“re-reading @RuthSealy’s NHS Women on Boards report”*, Lincolnshire had *“3 NED posts and the MD role out for recruitment & I’d welcome applications from women who are under-represented on our board.”* In 2020, the board has 42% women and 25% BAME. The Chair described how, in response to the 2017 report, he had completely transformed the appointment process, resulting in many more applications from strong diverse applicants: [5.2, p.12].

East London NHS Foundation Trust:

The Chair states *“the research you’ve done leads to better decisions, financial viability and better quality. The changes we’ve made in the past couple of years have increased gender and ethnic diversity. My evidence is a diverse board makes better decisions”* [5.2, p.26].

The Chairs interviewed also articulated three important benefits of board diversity for the hospitals, experienced since the 2017 report:

1. Representation of Staff leading to greater staff satisfaction: *“Most of us [Chairs] are leading organisations with 2-4,000 staff. They need to feel that their board understands them and part of that is about being able to see both cognitive and physical diversity around the table. We have that now”* [5.2, p.24]

2. Representation of Service-Users leading to greater legitimacy: *“the more representative of the community, the better we will be at acknowledging the particular needs of the particular communities within our region.”* [5.2, p.23]

3. Board Processes leading to better decision-making and effectiveness: *“[with diversity] you get much better quality discussions, much better decisions and better outcomes. And it’s based on experience, it’s not based on reading other people’s experience or research, but my own personal experience”* [5.2, p.22]

Regulatory & Policy Impact (Private sector):

Sealy’s 2017 Board Evaluators (BE) research [3.4] was launched at KPMG’s HQ in London, with Secretary of State & Business Minister Penny Mordaunt, MP, to an audience of 150+ FTSE Chairs, CEOs, senior business people, policy-makers, regulators and politicians. Recognising her expertise, Sealy was then asked to present evidence to the parliamentary Women & Equalities Committee on evaluation and boardroom diversity [5.7], and invited by the FRC Director Corporate Governance & Stewardship to discuss the research findings with the FRC (November 2017).

The relationship with the FRC resulted in Sealy and Tilbury being invited to add their recommendations from the BE research to the FRC’s Corporate Governance Code consultation [5.8]. Their recommendations were fully adopted into the new Code (published July 2018, effective 2020), including that organisations must now provide detailed information

about their board evaluation, and the actions taken as a result [5.9; 3.5]. This is the first time that board evaluation has been so prominently featured within the Code and mandates BE's focus on diversity. This provides more information for institutional investors allowing them to question the Board on their actions and progress.

The 2018 Board Diversity Reporting research for the FRC [3.6] evidenced the success of transparency, public statements and measurable targets in subsequent increases in board and senior management diversity. In February 2019, The Economic Secretary to the Treasury, John Glen MP, citing the report at the Wealth of Diversity Conference, explained a target for women in the Senior Civil Service of 50% by 2020: "*This has now risen to 48.2%, and we are committed to building on this progress*". Findings from the Board Diversity Reporting study and the BE research adopted in the changed Code, are evidenced multiple times in the government's Annual Review of Corporate Governance 2019 [5.10, pages 28, 37].

Following the FRC report launch, Co-Chairs of the prestigious 30% Institutional Investor Group (responsible for £11trillion of investments), invited Sealy to present her research on the importance of post-evaluation data for voting activity, in January 2019 ahead of the AGM season. The Head of Corporate Governance, Legal & General Investment Management (LGIM) said: "*the research for diverse boards and leadership teams was compelling...and there continues to be growing evidence that investors are taking action on diversity through their voting.*" On 10th March 2019, a Financial Times article stated that some of the largest investors, such as Columbia Threadneedle, LGIM, Aviva, and AXA started voting against non-diverse boards. On 2nd October 2019 the 30% Club announced they had achieved their goal of 30% female directors of FTSE 350 and tweeted citing "*@RuthSealy's relentless efforts*" to collect data as instrumental in setting the baseline measures against which they set and tracked their targets.

Through influencing improvements in the governance requirements around board evaluations and diversity reporting in the private sector, and at the level of both national policy and workplace practice across the NHS [5.3], Sealy's work has impacted the understanding of, and practices to improve boardroom diversity.

5. Sources to corroborate the impact

5.1 Transcript of speech by Matt Hancock, Leaders in Healthcare conference 15/11/18

5.2 WoB Report 2020 – confirms report delayed; shows increased numbers of WoB across NHS; Chairs citing the 2017 report as galvanising; changed appointment processes; used NExt Director scheme; need for national data-set; impacts of & advice on how to diversify boards

5.3 LoT CEO NHS Employers/Interim CEO NHS Confederation: stating significance of Sealy's work; confirms report delayed; acknowledges national data-set now in development; personally requested all Trust Chairs to read report; implementation roundtables cancelled due to COVID.

5.4 BBC Radio 4 Interview (09.09.2020) <https://bit.ly/3vYZO8p> Sealy interview from 01"30' – 1"45'

5.5 LoT Director of Partnerships and Equality at NHSC and Chair of the NED Diversity Taskforce attesting impacts of both reports on NHS, and pushing forward national data-set

5.6 LoT Doncaster NHS Board Chair stating board changes as result of 2017 report

5.7 Women's Equalities Select Committee 29th November 2017 Sealy presenting evidence: <https://bit.ly/3vZGt79>

5.8 UoEBS response to FRC consultation document for new Code, January 2018

5.9 Pages showing wording of new July 2018 Code, incorporating UEBS recommendations regarding board evaluation

5.10 Government Regulators' 2019 Annual Review of Corporate Governance – citing Board Diversity Report and Board Evaluators study recommendations, pages 28 & 37.