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The National Lottery – A model for Performance Management and Productivity

Abstract

This proposed developmental paper focuses on the work of the Heritage Lottery Fund (HLF) with social enterprises in the UK. Despite the strong growth in the number of social enterprises following the recent crisis, and the increasing amount of money the HLF contributes in our society, very little is known about the way the HLF successfully measure the performance of enterprises that do not seek profit maximisation, and how it manages the differences in performance measures applied in the different organisation they grant money. Although some performance measurements methods such as social return on investment are used in project evaluation in general, the Heritage Lottery Fund has not used it in projects it has backed including that of Ming-Ai (London) Institute. In this paper, the authors introduce a research project that will, on one hand, seek to investigate the challenges faced by the Heritage Lottery Fund's approach towards funding public services, and on the other, seek to explore the methodologies and measures used to determine if the outcomes of the funds allocated by the National Lottery is appropriate. This study will use the case of Ming-Ai (London) Institute's project funded by HLF as a case study in order to provide advances in the field of performance measurement for social enterprises, an area of the literature that has had little academic attention.

Introduction

Since November 1994, the proceeds from the National Lottery has been used to support a wide range of projects involving the local, regional and national heritage of the UK. Over the last 22 years the National Lottery has created over 4,750 millionaires and funded more than 525,000 National Lottery projects.

The National Lottery was launched with a jackpot of £5.8 million that was shared by seven ticket holders, each winning £839,254 (The Lottery Company Ltd, 2018). It has been estimated that approximately £30 million is raised each week and the decision on how and where funding is invested are made by 12 specialist organisations. These are chosen by Parliament for their knowledge and expertise to help ensure the money goes exactly where it's needed. In the year ending March 2017, funding has gone to Health, education, environment and charitable causes (40%), Sport (20%), Arts (20%) and Heritage (20%) (The National Lottery, 2018).

From total ticket sales of £6,951.7 million in the year ending 31 March 2018: £1,655.3 million was raised for National Lottery projects (24%), £3,928.4 million was paid to players in prizes (57%), £834.2 million went to the Government in Lottery Duty (12%), and £293.9 million was earned by retailers in commission (4%). In April 2016, a player picked up £35.1 million, the largest prize won by a single ticket holder in the history of the game (The National Lottery, 2018).

Using money raised through the National Lottery, the Heritage Lottery Fund gives grants to sustain and transform the UK's heritage. Museums, parks, historic places, archaeology, natural environment and cultural traditions all receive investment. A key issue is whether such strategies are appropriate regardless of the outcome and intention. More crucially, it will also be interesting to find out how Heritage Lottery Fund defines success and the manner in which the tools it uses to measure the performance of the vast variety of organisation it funds

can be classified and compared, considering that these organisations differ in their scope, nature, and interest. Given the limited amount of information on this topic available in the literature, this research will undoubtedly represent a valuable contribution to knowledge. In order to do so this research will focus on the case of Ming-ai (London) Institute, an organisation that recently completed a project funded by HLF.

In this paper the authors first present the nature of social enterprises whose activities are funded and performances measured by the Heritage Lottery Fund. It then progresses by exploring some of the challenges faced by the Heritage Lottery Fund in its activities, and finally, prospects the challenges related to measuring the performance of the different activities it funds.

Literature Review

Much has been written the use of lottery to raise funding for charitable and needy causes in the last two decades. The papers can be camped into three categories of works. The first covers papers that have looked at the gaming side of the use of lottery and the probability of winning transformational amounts of money. These papers have focused on the algorithm and methodologies of offering made by the lottery. A second category of papers have been focused on the effects of gamers that play the lottery and the effects of health and other issues. A third category focuses on the benefits derived from the use of lottery to fund activities that would not otherwise be funded. Activities that, nowadays, are increasingly undertaken in by a growing number of social enterprises.

Social enterprise

Social enterprises are non-governmental organisations set up and controlled in the interest of a social mission that fosters a positive change in society (Social enterprise UK, 2018). They are present in a variety of sectors in which they aim to address social and/or environmental needs that governments and public services have ignored or failed to address. Their emergence and growth is the result of the increasing challenges society faces (Hartigan, 2004).

In the UK, the social enterprises have experienced a rapid growth since the austerity policies of the Conservatives-Liberal Democrats have been introduced (Morse and Munro, 2015). These policies have resulted in government social services in all sectors being stretched, and sometimes, no longer capable to provide effectively all the services they used to. In response, social enterprises have been set up to face challenges such as the rise of gang related crime, climate change, public health and hygiene, homelessness, or poverty and starvation.

Similar to other sectors, the cultural sector has also experienced a growth in the number of social enterprises. With aggressive cuts from the budget of the Department for Digital, Culture, Media and Sport (DDCMS), many programmes have suffered, including those involving outreach and social inclusiveness activities. Indeed, the Museum Association found that many organisations took decisions that sacrificed outreach activities. This is illustrated by English Heritage which took the decision to close altogether its outreach department (Atkinson, 2010).

However, social enterprises in the cultural sector face challenges in their mission to provide services public cultural organisations fail to provide. Comparable to small public organisations who do not possess a great ability to find alternative funding for their activities in the cultural sector, cultural social enterprises may find it difficult to diversify their sources of fund. One of the major sources of fund in the sector is the Heritage Lottery Fund (HLF), which provides funding according to conditions to fulfil and performance measures the social enterprise need to apply in order to justify the money invested in the activities.

Considering the nuances in the nature of the activities of social enterprises and the level of professionalisation which varies between enterprises, questions arise on the way HLF applies its methodologies and measures to the activities of cultural social organisations with different missions and competences.

Heritage Lottery Fund Cultural activities, challenges and the need for evaluation

The Heritage Lottery Fund (HLF) is the largest single source of funding for heritage in the UK, with £7.7 billion awarded to over 42,000 projects since 1994 (HLF, 2018). Funding these projects has been vital to the conservation of heritage assets, engaging communities across the UK with their heritage, as well as to providing support for heritage organisations to survive and thrive. A recent report by the DDCMS (2017) has identified a number of key challenges for the HLF. First, the fluctuating nature of the National Lottery receipts denote a need for more emphasis on strategic thinking and strategic decision making. Supporting the sustainability of the sector and of UK's heritage by strengthening partnerships with organisations within and beyond the heritage sector is also a key challenge of the HLF. However, some of the most significant challenges the organisation faces are to make its funding more accessible and to encourage broad audiences from all backgrounds across the UK to engage with heritage. The aforementioned challenges for HLF present key areas for further research, especially with regards to performance evaluation.

A consultation on the HLF's next Strategic Framework has started since January 2018 (HLF, 2018). This needs to be based on comprehensive and robust review of the of the HLF's strategic approach and activities. The ultimate aim is to develop a Strategic Framework that will support the HLF to enhance its effectiveness. For example, project and programme evaluations can inform programme design and strengthen the advice given to applicants. By embedding the lessons learned from these evaluations HLF can ensure decision making is focused on building a sustainable sector. In addition, HLF can maximise benefit by targeting and allocating future funding effectively. This can be done by establishing a robust evaluation methodology and robust targets for its outcomes, as well as the short, medium and long term impact of its grants (DDCMS, 2018).

Crucially, it will also be interesting to identify how HLF also defines the value that it measure and whether that definition of value includes the quality of the engagement when looking at the impact made or whether impact and value only focus on the outreach and number of engagement.

Ming-Ai (London) Institute

Ming-Ai (London) Institute is a charity organisation operating in the UK with the aim of promoting the Chinese culture in the UK and act as a bridge facilitating educational and cultural exchanges between the two countries. Since its inception, Ming-Ai has build up a vast portfolio of projects focused on delivering on its mission. Among this portfolio of successful projects is the BRITISH CHINESE ARMED FORCES HERITAGE project funded by the HLF and undertaken with the collaboration of Regent's University London. The aim of the project was to highlight the contribution of the Chinese community in the some of the most significant armed conflicts the world has known. In doing so, the Institute set itself the task of creating a "historical archive which would be the basis for the generation of a series of related community initiatives" (Ming-Ai, 2019). While funding the project, HLF set Ming-Ai expectations that needed to be meet during the evaluation phase. By

critically analysis the methodologies applied by HLF in the project's evaluation process to rate it performance, this research will seek to provide clarity in the way in which HLF decides on which project has successfully delivered value for money.

Measuring Performance

Wiltsie (2013) argues that measuring performance in different settings can have different results and the interpretation of that result is dependent on the situation. Time which is often used as a measure can have different meanings and each company's minutes are unique to their operations. Similarly, how does measuring the performance of activities across a broad spectrum such as that covered by the National Lottery be taken into account? These questions are particularly relevant in this topic, since the nature of social enterprises make the measurement of their success different to that of profit seeking companies. Indeed, in their paper Liu et al. (2015) have for example established that not all marketing capabilities positively relate to social enterprise performance.

Organisational performance can be measured and managed in various ways depending on the nature, the domain and the context of the focal organisation (Parhizgari and Gilbert, 2004). Richard et al. (2009) note that the conceptualisation of the organisational performance construct relates to multiple dimensions that predominantly relate to stakeholders, heterogeneous market circumstances and time. Clarity and alignment in terms of the theoretical rationale on the nature of performance (i.e. establishing measures that are appropriate to the organisational context), as well as in terms of the choice of measures and methods of collecting performance data, are critical in establishing effective multidimensional measurement practice.

Performance management in the cultural sector needs to incorporate the idea of managing values (Clark, 2014). However, in heritage management, values are defined by various stakeholders, are used for different purposes and in different contexts. For HLF, research and evaluation is used to develop strategy and support the wider heritage sector, as well as to understand how their grant programmes are working and the difference (or additionality) the programmes they fund make for heritage, people and communities (HLF, 2018).

Overall, effective performance measurement and evaluation can be used to capture the value of culture, as well as capture the benefits of funding, and articulate them in a way that makes sense to both politicians and the public (Clark, 2004).

Methodology proposed

In this research the authors proposed an inductive approach in which data will be gathered through interviews, the case study of Ming-Ai, and the consultation of the HLF archives on completed projects and the way their success was measured. The analysis of the archives data aims to uncover patterns in the measurements, the profiles of organisations funded, and the type of projects the money was provided for. The measurements will be classified based on these patterns and then compared. Crucially, this work will allow us to know how the HLF defines success in the very different projects and organisations within the heritage sector it funds. At the same time, perhaps, this research will also allow to measure the performance of the HLF as a function of the success or failure of the projects it funds. Crucially, the methodology is designed to identify what represents 'value' for the HLF and how it is identified in a variety of projects that may be very different in nature and purpose.

Conclusion

In this paper, the authors have explored different issues related to the measurement of performance and productivity at the National Lottery Fund. More importantly, this paper raised multiple questions and areas of focus that the authors could probe in future research.

Considering the current consultation on the Heritage Lottery Fund's future Strategic Frameworks, one consideration for future research relates to the different key challenges faced by the Heritage Lottery Fund, as highlighted by the DDCMS.

Furthermore, while within the Heritage sector the variety and differences in the nature of the funded activities may influence the results of performance measurements and their interpretation, as Wiltsie (2013) suggested, the same is also true considering the differences between sectors funded by the Heritage Lottery Fund which include Health, education, environment and charitable causes, Sport, Arts, and Heritage. This leads to another consideration for the authors; which is, whether the future direction of the research should solely focus on the measurement of performance in the heritage sector only, or consider the different sectors funded by heritage fund.

Finally, the limited research in this specific topic, represents a limitation the researchers will have to take into account during the study.

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