

Opening Pandora's Box

Achieving grantmaking results by “getting out there and getting over yourself”

JACQUIE THOMSON is evangelical about the move her large grantmaking organisation, Lotterywest, has made towards greater flexibility and responsiveness. As Jacquie writes in the first of a two-part feature on Lotterywest, it can be painful and scary to break out of a potential “procedural rut”, but the discomfort is definitely worth it.



JACQUIE THOMSON
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A move towards greater flexibility and responsiveness may seem like a Pandora's Box, a step into a terrifying abyss of ever-more overloaded work rates, stakeholder chaos and reactionary confusion.

But at Lotterywest, where we have been steering a course through just such a change process over the past few years, we have learnt that it needn't be – and, moreover, that the change is worth it. Really worth it – and in more ways that you can imagine until you actually start the process.

That doesn't mean that it can't be sometimes scary!

Lotterywest, which is the trading name for the Lotteries Commission of Western Australia, is a bit of an odd beast. We wear three hats: we are a state government agency, a fully commercial retail business and one of Australia's largest grantmakers [see breakout box for more information about Lotterywest's “three hats”].

As a grantmaker we are obliged to provide at least 12.5 per cent of net subscriptions to grants for not-for-profit community groups and local government bodies, but by keeping our operating costs low we consistently provide much more than this. In 2004/05 we gave out just over \$65 million.

The Winds of Change

As the nineties closed and the noughties began we were pretty happy with ourselves. We were doing well in both the business and grants sides of our life. Those of us in the grants area were busy but generally we got to help good people do great things every day so it was not hard to love our jobs.

Sales were up, so grants were up, and lots of KPIs were look-

ing very perky indeed – like a 90 per cent grant approval rating and metrics showing we were getting more efficient at assessing grants, which was in turn paying off in more time helping community groups maximise project value.

But the winds of change began to gather.

In hindsight, I wouldn't say we were smug, but I would say that, like many of us in charge of giving money away, we realised it was time to take a good, hard look at what we were doing and how we were doing it.

And when we did this, we felt that we could do better.

A key part of this was the realisation that we were perhaps very procedurally-driven: If a community idea didn't fit one of our boxes (we called them “guidelines”), this could limit our response. Both we and the applicants would turn ourselves inside out trying to make the project fit the box instead of focusing on the broader question of community benefit.

This was not so much assessing a project on its merits but on its compliance, and it meant opportunities could be missed.

As well as reams of paperwork (isn't there always?), people sometimes had to submit multiple applications for different parts of one overall concept, each moulded and squeezed, not for greater effectiveness but for greater ‘fundability’.

And, as for the actual procedures, there wasn't always a shared understanding of how we did do things; all too often one or other of us was heard to say, “That's not how we do it around here.”

But if it ain't broke ...?

Before this process began, you could have been forgiven for arguing that “If it ain't broke, why fix it?”

We were justifiably proud of the effort our grantmakers put into adding value and helping community groups make the most of their efforts, but we were at risk of being stuck in a “tick the box” mindset, or at least being perceived to be.

We had always been committed to being responsive, it was kind of a holy grail for us, but we began to realise the dangers of what could develop as a procedural rut and compliance mindset.

More importantly, we gradually saw how this was limiting the creativity and capacity of our own team of very talented and



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passionate individuals and the community groups they were there to support.

But change is rarely easy and this process was no exception.

It was not a universal –“A-hah!” moment where we all magically saw the same light at once.

Many of my colleagues and I often felt at least apprehension and some felt outright fear and discomfort, even pessimism.

And these were valid fears, based on genuine, well-intentioned worries: that we would be swamped with applications for everything under the sun, that we would find ourselves with the unenviable task of having to say “No” all over the place and putting out the inevitable fires that resulted, that we would be unable to protect our funds and there would not be enough left to support the really important stuff, that our paperwork and accountability workloads would be completely out of control.

We had worked very well in black and white for so long, we were worried that we'd lose our way in an ocean of grey.

Sitting down with big questions

Around the same time, the whole organisation went through the most significant strategic phase in our history.

It is important to note that, hitherto, we had only been known officially as The Lotteries Commission, or more colloquially, as “Lotteries”.

We'd had a number of different logos, none of which were very engaging, and research showed the community's understanding of who we were, what we did, and why, was disappointingly low.

With economic, political and cultural changes facing the lottery industry worldwide it became clear that we needed to rethink where we were going.

Driven by the need to communicate better to ourselves and the whole community we developed a whole new identity: Lotterywest.

This two-year process involved every single aspect of our operations and was based on extensive research and equally extensive internal reflection and communication.

From this emerged four key characteristics that define our greatest strengths, and our ultimate ambitions as an organisation.

We are, and strive to be, as rewarding, inspirational, trusted and engaging as we can.

The Lotterywest identity project couldn't have come at a better time for the grants directorate (although our diaries at the time might not have given that impression). It helped us realise more clearly than ever what sort of grantmaker we wanted to be.

The process of rethinking our approach to being a submission-based grantmaker took on new impetus and a new funding framework took shape.

Instead of 36 specific guidelines which community groups had to tailor a submission to fit, we now have just five broad funding priorities.

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Instead of groups cutting their ideas into compliant chunks to improve the odds of funding approval, we now encourage them to think as broadly and strategically as possible and talk to us early so we can help them develop a concept that has the best chance of success, both with us and with other sources.

Getting the priorities straight

Lotterywest's five funding priorities are driven by the goal of reflecting both the variety and scale of our community's aspirations and the breadth of community life. Many grant requests we receive contribute to more than one of these, some even contribute to all.

1. **Extending the Capacity of Not-For-Profit Organisations** – Examples include support for conferences, scholarships and organisational development.
2. **Strengthening Community Service Delivery** – This area encompasses support for community service organisations working with particular groups within the community, especially those disadvantaged by poverty or low income, social exclusion or by capability deprivation.



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3. **Enhancing Community Development Initiatives**
– This includes social research, community projects and community enterprise.



The Three Hats of Lotterywest

- **Hat 1: Our life as a government agency**
Staff of Lotterywest are public sector employees. They report to a Board of Commissioners and ultimately to a State Government Minister. However, the agency does not receive any funds from consolidated revenue, nor do any of our funds get directed back into consolidated revenue. Traditionally, the WA Government takes a hands-off approach to grant decision-making, leaving it to Lotterywest's grantmaking professionals and Board.
- **Hat 2: Our life as a big business**
The gaming side of our operations is highly successful. With only 10% of the national population, we have 18% of the nation's lotteries market share. We are currently turning over \$520 million each year. More than 55% of this, currently around \$300 million, is returned to the community as prizes paid to individuals and syndicates; 8%, currently more than \$40 million, is paid to more than 600 small businesses as retailers' commission; and the rest is called “net subscriptions” and this is where the grantmaker role kicks in.
- **Hat 3: Our life as a grantmaker**
The Act governing our operations directs some of our funds to particular sectors. The state's health services get 40% (\$79 million this year), and the Arts and Sports sectors each get 5% (nearly \$10 million this past year). The Perth International Arts Festival and the state's film and television industry also receive up to 5% (\$4 million each). Legislatively we are obliged to provide at least 12.5% of net subscriptions to grants for not-for-profit community groups and local government bodies but, by keeping our operating costs at only around 7%, we consistently provide much more than this. In the 2004-2005 financial year we gave just over \$65 million.

4. **Valuing our State's Heritage** – Which is intended to facilitate conservation and interpretation of our natural and cultural heritage.
5. **Advancing Participation in Community Life** – This is another broad area intended to encompass support for community facilities, events and celebrations, cultural and educational programs and state-wide initiatives.

I cannot over-emphasise that we see these as priority areas but not with a compliance mindset that looks to “filter” requests.

These priorities were developed by listening and are designed to be inclusive: to help people find a way in with their hopes and dreams in tow.

The ‘A’ Word

But what about accountability? How do you do the “A” word when you are trying to be truly flexible and responsive?

Well here I get up on my soapbox a bit because we have learnt to think differently about accountability and I confess to having become evangelical about the change.

Instead of allowing accountability requirements and procedures to limit and direct what we could do, we have learnt to make them so clear and robust that they facilitate what we can do.

This means not seeing flexibility and accountability as somehow mutually exclusive – we have come to see how they can actually enhance each other.

Being backed up by robust accountability practices means we have the confidence to support a much wider range of developmental community-driven initiatives than we could have before.

For us, the secret has been to consistently ask two questions: “Is it clear enough?” and “Is it rigorous enough?”

How do we do accountability now?

Naturally, an organisation such as ours must have procedures based on standards, such as ensuring expenditure is aligned with its approved purpose, as well as full acquittal and compliance with Western Australia's Finance, Administration and Audit Act.

But beyond these fundamentals, our accountability is now approached on a case-by-case basis, with an increased emphasis on building accountability in “from the front end”.

This is based on our strong view that accountability should be



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built in throughout the process, not just added on as something to review at the end.

So, for example, we and our Board have recently put a lot of effort into getting the agreed standards right for how we assess “organisational capacity”.

We ask for clarity and rigour throughout a questioning process, undertaken from initial discussions right through to grant acquittal.

And at all stages, we are guided by our accountability principles of equity, access, transparency and responding appropriately.

Every proposal, even those not recommended for a grant, is seen by both myself and our CEO, Jan Stewart, and every recommendation goes to the Board and the Minister.

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Quality Assurance

I'll look at our Quality Assurance system as an example of how this new way of looking at accountability is working in practice. But first I want to acknowledge how important it was to ask the big question: “Why do we have a QA process at all?”

Coming to a clear, collective understanding of the answer was crucial in guiding the change process.

We see the purpose of QA as giving confidence – confidence to us and to our Board that our grantmaking decisions are equitable, consistent, rigorous and, most importantly, effective.

And underlying all this, of course, is the ultimate purpose of giving the government and community confidence in what we do.

With this in mind, we moved from our old QA system of 21 measures to our new one which has only 10 but with much clearer evidence requirements for measurement.

We have been able to give more consideration of capacity, as well as legislative and policy eligibility.

Every grant is considered in terms of eligibility, financial and management capacity and community benefit, and the QA process gives the rigorous framework for evidence against these.

As for the system itself: well, every grant is potentially subject to this system with quarterly QA reviews.

This system supports our internal audit requirements, and the Office of the Auditor General does both scheduled and occasional audits.

This system is now being implemented for the entire assessment process.

We are very pleased and excited already at what a significant difference it is making but will tweak it over the coming year. Once we have learnt how best to do it, we plan to apply the same QA approach to our initial intake and post-approval processes.

Getting the message out (and in)

Of equal importance with accountability is the challenge of communication.

Having communicated our way to deciding where we wanted to be, we had to communicate our way through to internal cultural change, and then we had to communicate better than ever externally.

We have done this in many ways.

- We invested more time than ever in working with key stakeholders, especially ‘connector’ organisations like the WA Council of Social Services and the Department of Community Development.
- We revisited the power of words and revised our publishing, including all hard copy documentation, and we now have a dedicated communications role within our team.
- Within our new Lotterywest brand we are currently working on our “circle of dreams” concept which includes the whole community: by playing our games people have a chance to make their own dreams come true while also helping other people's dreams come true, too.
- We also involve our retailer network more directly by keeping them up to date about grants in their area, connecting them and their staff to local grant recipients and even involving them in presentation and celebration events.
- We have revamped our website to enact our brand – not just display it. [This aspect will be examined in greater depth



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in the December edition of *Best Practice Grantmaking Quarterly*]

- We have changed our approach to advertising and other forms of media coverage, increasing our activity level and becoming much more strategic in creating and placing our messages.

More than simply creating a “feel good” factor, these initiatives are designed to align our lottery games marketing with communication of our grants work – to share the “circle of dreams” concept as widely as possible.

As well as just helping our players realise where the money goes, we find that investing in communication to this level also establishes broader community awareness of grant opportunities and builds the grant recipient's credibility, which over the long term gives others the confidence to support the project.

Please forgive me emphasising again what I think is perhaps the most counter-intuitive part of this article: We have learnt that strengthening our policies and systems actually gives us more ability to be innovative in our grantmaking, not less. As long as you realise the importance of communication.

Why it's been worth it

So let's talk turkey: if I were you I'd be wondering what sort of outcomes has this achieved and, ultimately, what have we learnt and has it been worth the rather involved and often difficult process to get here?

Well it's only been two years but I can already give an unqualified 'Yes'.

What did we learn?

- We learned to allow plenty of time and internal resources, to see this as an investment rather than a cost.
- We learned not to under-estimate the wisdom we already had internally and the value of the input we could access externally.
- And we learned to be sensitive to and learn from people's resistance, discomfort and fear.

But most of all we learned to have faith in ourselves and the sector we support.

However sceptical many of us were in 2002, I doubt you would find anyone in Lotterywest's grants and community development directorate who does not agree that things are now much better in all respects.

How do applicants feel about us now?

Externally the signs are good, too. Our annual external research of both the community sector and the community as a whole shows us that:

- 99% see us trustworthy, honest and reliable
- 98% think of us as contributing to the community
- 98% support how we allocate our funds
- 95% think we are committed to satisfying applicants and
- 94% see us as inspirational.

In fact our lowest rating attribute measure was 91%, and that was for support of our advertising campaigns. Given the general level of community support for government advertising we are exceptionally proud of that, too!

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I think it is important to note key improvements in perceptions of us as engaged with the community, as allocating funds well and our processes being streamlined, inspirational and honest. And particularly reassuring for me is the fact that the community sector, which actually deals with us on applications and grant management, feels better about us than ever. Our grant approval rate has gone up from 90% to 94% and client satisfaction is 97% across all applicants – including those who didn't get any money!

What about workload and productivity?

But what about the hard-nosed stuff like productivity and workload? There is good news here as well.

Contrary to any fears we may have had about “opening the floodgates” and being so darned flexible we would be stretched into nothingness, productivity has gone up, and although we all know workload, like a health budget, can never actually go down, ours has shifted away from processing.



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The level of requests we receive has gone down, and the raw number of grants approved has also gone down. Driving forces for this are many and interrelated, both internally and externally – and much of this reduction is reflected in the increase in grant size as people come to us with stronger, more integrated ideas and we become involved in facilitating more partnerships than before.

But the crucial point is that less of our time is now spent on assessment and justification and more is spent on project building.

Internally, our roles are more flexible and less driven by silo boundaries. This makes life much more rewarding for my colleagues and me – and more beneficial for the community groups we work with.

And our changed workload has enabled us to explore new approaches around block grants and partnering with our sector – which means more value is created from everyone's skills and resources and, of course, this means better outcomes for customers and beneficiaries.

The news on productivity is even better. We are now getting more money out into the community than ever before – achieving a 14% increase in the last year alone.

I was not exaggerating when I said getting to this stage was a difficult process but I am both grateful and proud that our directorate maintained the highest staff retention rate in our organisation, which itself has excellent retention rates.

Our new, improved ‘Big Picture’

Here's my view of what I think “getting over ourselves and getting out there” – learning to be more flexible and responsive – is helping us achieve:

- We are now able to support a wider range of initiatives
- It's now much easier for us to bring more than just dollars to the table
- We spend more time on the creative parts of grantmaking
- We have better stakeholder relationships
- There is better support for our lottery games
- Our staff enjoy working with us and we are leveraging more value from their skills and commitment
- And all this means our recipients are able to be more strategic, creative and efficient, making their limited resources go further and achieve better outcomes for Western Australia.

Innovation is an all-too-easy word that gets bandied about far too much – but I do need it here, so forgive me.

I have come to see that real innovation comes from the interaction of the grantmakers and the grant-users.

Mutual obligation may be a powerful concept in public service but it is small potatoes next to the idea of mutual innovation.

In terms of achieving real community benefit, our experience at Lotterywest stands as our argument that as much, if not more, value can be created in the grantmaking process as in the official grantmaking outcomes.

And this, fundamentally, is why being responsive matters so very much. ✦

This is an edited extract of Jacquie Thomson's speech to the IQPC Government Grants and Funding Conference held in Canberra on July 28-29, 2005. Jacquie has been working in community development for more than 20 years. The first half of her career was spent at the coalface of community work, where she was particularly involved in domestic violence, youth accommodation, mental health and as a community development practitioner. The most recent half of Jacquie's career has been spent within the Grants and Community Development team at Lotterywest. Jacquie's current role is Director of Grants and Community Development, where she leads a team of grantmakers on a quest to “get over ourselves and get out there”.