



Questions of Commercial Ownership in Sport Governance: The Super Rugby Journey

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2011 – A landmark year for NZ Rugby



Also in 2011



The screenshot shows a web browser window displaying a news article on the allblacks.com website. The URL in the address bar is www.allblacks.com/News/18203/nzru-seeks-expressions-of-interest-for-super-rugby-licences. The article title is "NZRU seeks Expressions of Interest for Super Rugby Licences", which is highlighted with a red circle. The main image is the New Zealand Rugby Union logo, featuring a silver fern and the text "New Zealand RUGBY UNION". The article text states: "The New Zealand Rugby Union (NZRU) has today issued a public invitation for Expressions of Interest (EOI) in obtaining Licences to manage and operate one of the Investec Super Rugby teams, the Blues, Chiefs, Hurricanes and Crusaders." The page also includes a sidebar with navigation links (ALL BLACKS, Latest News, Features, International, Archives) and a "MOST POPULAR NEWS:" section with three items: "New Zealand Schools and Barbarian Schools teams named" (24 Sep. 2014), "Interactive match statistics for ITM Cup Round Six" (23 Sep. 2014), and "What happened last time the All Blacks visited La Plata?". The Windows taskbar at the bottom shows the date as 24/09/2014 and the time as 9:08 a.m.

Leading to this in November 2012

News | superrugby.co.nz | x

www.superrugby.co.nz/News/21042/hurricanes-and-crusaders-get-new-operators

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**Hurricanes and
Crusaders get new
operators**

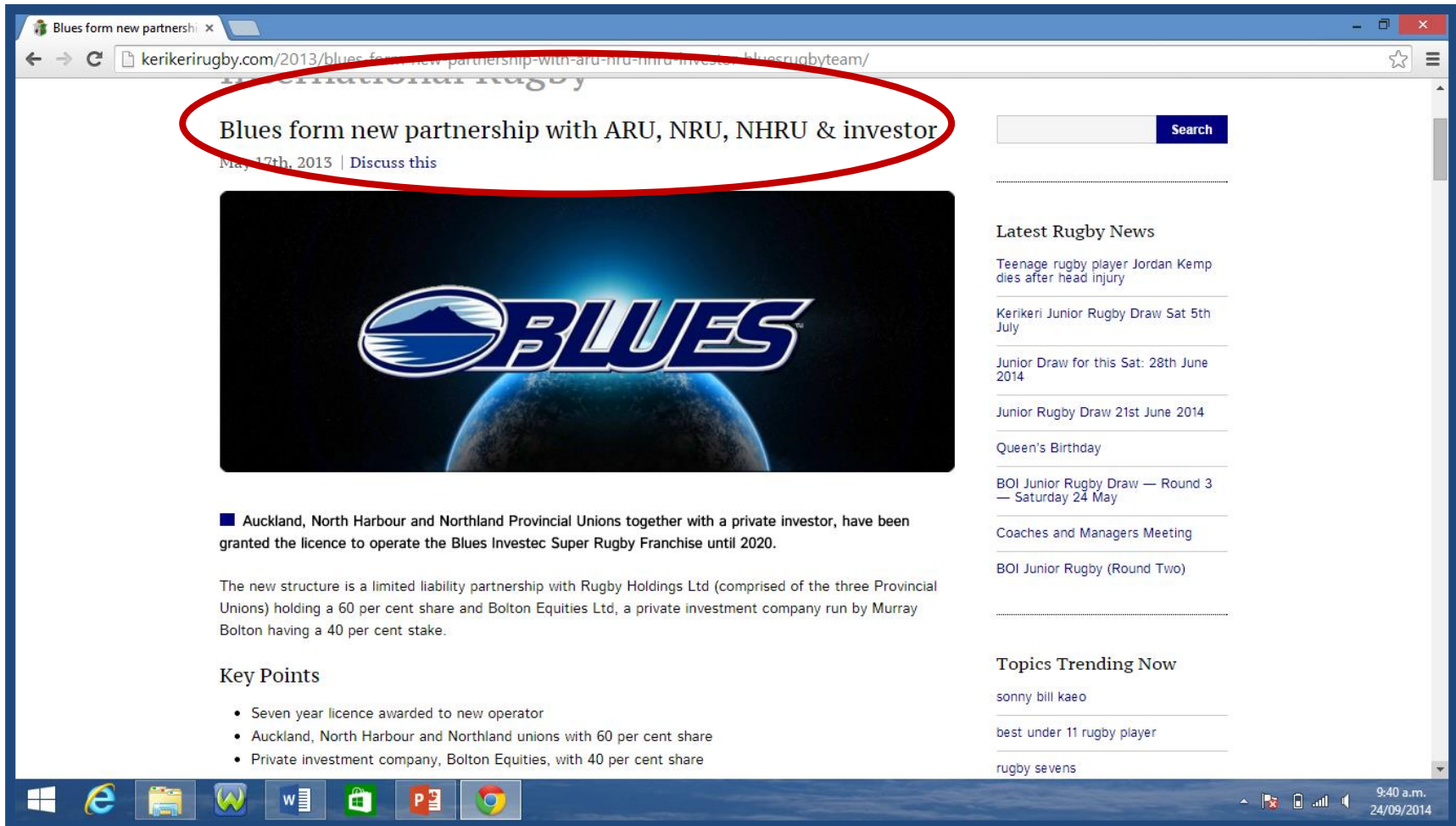
MONDAY, NOVEMBER 12, 2012

- Hurricanes to be managed by Wellington union and private investors

MOST POPULAR NEWS:


- Five of Blues last six 2015 matches to be at Eden Park 19 Sep 2014
- Just one home game for

And this in 2013



The screenshot shows a web browser window with the URL `kerikerirugby.com/2013/blues-form-new-partnership-with-arun-nru-nhru-investor-bluesrugbyteam/`. The article title is "Blues form new partnership with ARU, NRU, NHRU & investor", which is circled in red. The article is dated May 17th, 2013, and includes a "Discuss this" link. Below the title is a large image of the Blues rugby team logo, which features a stylized mountain range and the word "BLUES" in a bold, blue font. The article text states: "Auckland, North Harbour and Northland Provincial Unions together with a private investor, have been granted the licence to operate the Blues Investec Super Rugby Franchise until 2020." It further explains that the new structure is a limited liability partnership with Rugby Holdings Ltd (comprised of the three Provincial Unions) holding a 60 per cent share and Bolton Equities Ltd, a private investment company run by Murray Bolton having a 40 per cent stake. A "Key Points" section lists: "Seven year licence awarded to new operator", "Auckland, North Harbour and Northland unions with 60 per cent share", and "Private investment company, Bolton Equities, with 40 per cent share". The right sidebar contains a search bar, a "Latest Rugby News" section with links to "Teenage rugby player Jordan Kemp dies after head injury", "Kerikeri Junior Rugby Draw Sat 5th July", "Junior Draw for this Sat: 28th June 2014", "Junior Rugby Draw 21st June 2014", "Queen's Birthday", "BOI Junior Rugby Draw — Round 3 — Saturday 24 May", "Coaches and Managers Meeting", and "BOI Junior Rugby (Round Two)". A "Topics Trending Now" section lists "sonny bill kao", "best under 11 rugby player", and "rugby sevens". The Windows taskbar at the bottom shows the time as 9:40 a.m. on 24/09/2014.

Blues form new partnership with ARU, NRU, NHRU & investor
May 17th, 2013 | Discuss this



■ Auckland, North Harbour and Northland Provincial Unions together with a private investor, have been granted the licence to operate the Blues Investec Super Rugby Franchise until 2020.

The new structure is a limited liability partnership with Rugby Holdings Ltd (comprised of the three Provincial Unions) holding a 60 per cent share and Bolton Equities Ltd, a private investment company run by Murray Bolton having a 40 per cent stake.

Key Points

- Seven year licence awarded to new operator
- Auckland, North Harbour and Northland unions with 60 per cent share
- Private investment company, Bolton Equities, with 40 per cent share

Latest Rugby News

- Teenage rugby player Jordan Kemp dies after head injury
- Kerikeri Junior Rugby Draw Sat 5th July
- Junior Draw for this Sat: 28th June 2014
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- Queen's Birthday
- BOI Junior Rugby Draw — Round 3 — Saturday 24 May
- Coaches and Managers Meeting
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Topics Trending Now

- sonny bill kao
- best under 11 rugby player
- rugby sevens

Where have we come from to get here?



1995 was also a pivotal year for Rugby

- Following the Rugby World Cup tournament in South Africa, rugby union was announced as **professional** by the world's governing body the IRB (NZ Rugby, 2014)...
- Rugby's first professional season loomed in 1996 and New Zealand's governing body, the New Zealand Rugby Union (NZRU) had some **important decisions** to make...



Establishing governance structures for Super Rugby in NZ

- How to **position** its involvement in the newly established Super Rugby competition given its allocation of five teams (franchises).
- Establishing **governance structures** for each franchise and Super Rugby in general.
- ...and how would these five franchises be linked (or not at all) to the existing 27 **affiliated provincial** rugby unions?

NZRU's approach to Super Rugby

Stakeholder inclusion (each rugby union allocated to a regional franchise)

Control & ownership by NZRU (centrally contract players; estab. franchise agreements)

Efficiency (one union to run each franchise for NZRU – base union)



Example:



Base Union - Auckland



Partner Unions – Northland & North Harbour

Blues Board: Seven Directors

- 2 appointed by **Base Union – Auckland**
- 1 appointed by **North Harbour** Rugby Union
- 1 appointed **Northland** Rugby Union
- 3 independent** (incl. chair) appointed by NZRU
(Meiklejohn, 2010)

Some rationale for the change

The former governance model..

- Was deemed **not financially sustainable**
- Provided **limited scope for commercial innovation & strategic thinking** regarding franchise governance & management

(Meiklejohn, 2010; NZRU, 2010; 2011)



What was the NZRU looking for?

- A **'co-investor'**
- Licensee investing substantial **financial and other resources** in the future success of a Super Rugby team
- **Management expertise** with the ability to develop the franchise as a successful **'entertainment business'** to address falling crowd numbers
(NZRU, 2011)

Board composition of new licensees

The **Blues Limited Liability Partnership** was established

60 % Rugby Holdings Ltd

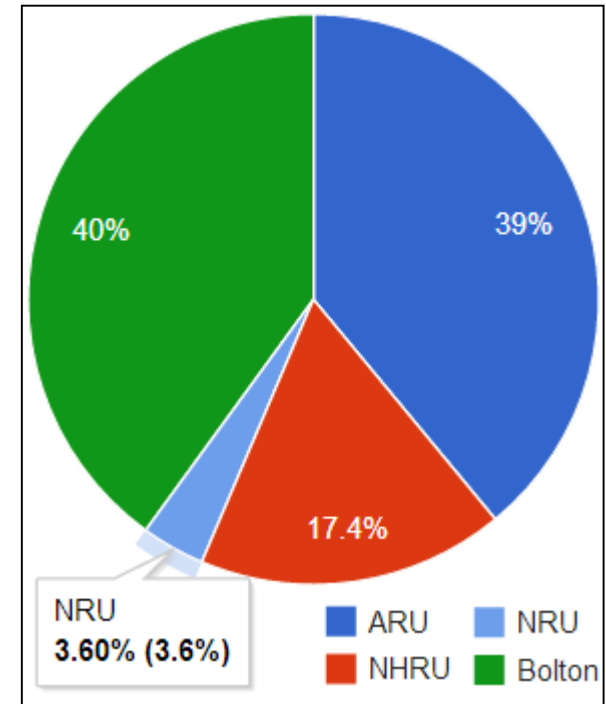
- Auckland Rugby Union – 65 %
- North Harbour Rugby Union – 29 %
- Northland Rugby Union – 6 %

40% Bolton Equities Ltd = Private investment

Board composition

- Independent chair
- **Bolton Equities Ltd – 3 Seats**
- Rugby Holdings – **ARU 2 nominees**
- Rugby Holdings – **NHRU 1 nominee**

(NZ Herald, 2013; Keri Keri Rugby c/o NZRU, 2013)



Underpinning this change...

*"With **fresh thinking** and **new capital**, we believe the Blues will be better equipped to face the challenges ahead. We are very pleased with the calibre of the new faces on the Blues board and welcome them to the rugby business where we are sure they will make a difference".*

(Steve Tew, CEO NZRU)

(Keri Keri Rugby c/o NZRU, 2013)

Board composition of new licensees

Hurricanes' Investment limited partnership

50% Wellington Rugby (no other rugby union owners from previous Hurricanes 'catchment area' and Taranaki elected to invest in the Chiefs franchise)

50% Private investment (3 investors)

Board composition

- Independent Chair
- **3 nominations from Wellington Rugby Union**
- **3 nominations (one from each investor)**

(Hurricanes, 2014)



What does this all mean?

- In governance terms ... interesting **ownership and design changes** occurring (corresponding implications for decision making and downstream practices)
- **Developing body of work** on non-profit sport governance:
 - board performance and structure**, (Hoye & Doherty, 2011; Taylor & O'Sullivan, 2009); **board motivation & cohesion** (Doherty & Carron, 2003; (Inglis, 1994), **board roles** (Inglis, 1997b; Shilbury, 2001; Yeh, Taylor, & Hoye, 2009), **shared leadership** (Auld & Godbey, 1998; Ferkins, Shilbury, & McDonald, 2009; Hoye, 2006; Hoye & Cuskelly, 2003; Inglis, 1997a), and **board strategic capability** (Ferkins & Shilbury, 2010, 2012; Shilbury & Ferkins, 2011), **collaborative governance** (Shilbury & Ferkins, 2014 in press)

What does this all mean?

- ‘Ownership’ is a relatively **new topic** of investigation for us (literature – signalled the challenge and benefits of ‘collective’/association ownership, e.g., Shilbury, 2001 - sport orgs operate in an ownership vacuum)
- Professional sport has ‘played’ with **different ‘ownership’ models**: ‘Mutuality’ (fan owned) – Bundesliga; AFL; Private – EPL, NRL – Warriors (Hamil, Walters & Watson, 2010; Hassan & Hamil, 2010; Ward, Scanlon & Hines, 2012)

What does this all mean?

- Outside of the sport domain: **‘social enterprise’, ‘hybrid’ or ‘mutuality’ ownership** is of growing academic interest and posed as a solution to increasing commercial and professionalisation pressures on NPOs (McCambridge, 2004; Spear, Cornforth & Aitken, 2007).
- For NZ, the Super Rugby story represents a unique shift from association “ownership”/ stewardship to a **‘hybrid’ model** - fusing commercial with non-profit association ownership

What does this all mean?

What will the **commercial agenda** hold?

Why has the NZRU chosen a **'hybrid' model**?

How have **other SANZAR rugby nations** responded?

What's in it for the **private investors**?

What might be the **downstream implications** for the code?

How might the story of rugby union be instructive for **other emerging (and established) professional sport** codes?

Our framing so far



To investigate evolving governance design
and ownership of rugby union and
the implications of that change for
professional and **'community'**
rugby

*What changes when ownership
changes?*

Our framing so far



To investigate evolving governance design and ownership of rugby union and the implications of that change for **professional** and 'community' rugby

How has rugby governance design & ownership **changed** since 1995?

What are the key **drivers** of that **change**?

What are the **motivations for change** (NZRU, ARU); why has each design been chosen?

What are the **implications**? What are the future design options?

How will we approach this study?

- In **collaboration** with rugby organisations to ensure a meaningful and ongoing contribution to their thinking ...
- In **partnership** between Auckland (Unitec) and Melbourne (Deakin University) for a strong investigative team, and to enable cross-country comparison
- **Mixed method**, collective exploratory case studies (Yin, 2003), of NZ & Australian franchises ... to capture the nature of change, measure drives and implications, capture perceptions to explain why, and predict future options (multi-phased approach)

Final thoughts ...

Conceptual Rationale

What changes, when ownership changes? We need to know more about governance design and ownership options where there are commercial and non profit interests

Practical Rationale

Seismic shifts currently taking place in our own backyard and with the game that has a keen following ... presents a big opportunity to work with RUs to forge new frontiers!

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Thank you 😊
Questions/Comments?

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