Sport Governance Design: Exploring Ownership Changes in Rugby Union

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**Focus:** Ownership changes in the context of governance design

1st Set the scene – different ownership models

2nd Story of Rugby Union’s journey

3rd Where we have got to with the research project and where we want to take it ...

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OWNERSHIP AND GOVERNANCE MODELS

GLOBAL CASES IN SPORT

• Private commercial ownership (e.g., NFL - Media orgs, Personal)
• Public commercial ownership (e.g., EPL - Stock market)
• Mutuality - fan owned (e.g., Bundesliga)
• Individual member owned (e.g., AFL)
• Association owned (e.g., Rugby in Australasia)
• Mixed models of ownership (e.g., Super Rugby)

Change to ownership category is not common
Even more unique is the situation of mixed ownership
2011 A LANDMARK YEAR FOR NZ RUGBY

NZRU seeks Expressions of Interest for Super Rugby Licences
...LEADING TO THIS IN NOVEMBER 2012

HURRICANES TO BE GOVERNED BY WELLINGTON UNION & PRIVATE INVESTORS

Hurricanes and Crusaders get new operators
...THIS IN 2013

BLUES FORM NEW PARTNERSHIP WITH ARU, NRU, NHRU & INVESTOR

Blues form new partnership with ARU, NRU, NHRU & investor
May 17th, 2013 | Discuss this
Melbourne Rebels to gain new owners as ARU signs deal to privatise Super Rugby club

Posted 15 May 2015, 5:40pm

The Melbourne Rebels will have new owners by July with the Australian Rugby Union signing a deal with Imperium Group to privatise the Super Rugby club.

The ARU confirmed on Friday the parties had signed a heads of agreement for the Melbourne-based investment group to buy the club.

Imperium Group is led by managing director and owner New Zealand-born multimillionaire Andrew Cox and his wife Sarah.

The group own the Australasian franchise for restaurant chain TGI Fridays, several luxury boutique hotels in New Zealand and a number of other businesses.
WHERE HAVE WE COME FROM TO GET HERE?

• Post RWC in South Africa 1995, rugby union was announced as **professional** by the IRB (now World Rugby)

• Rugby’s first professional season loomed in 1996. Down under, NZ, Australia and South Africa RUs had some **important decisions** to make...
ENTER SANZAR: ESTABLISHING PROFESSIONAL RUGBY GOVERNANCE DESIGN

• How to **position** involvement in newly established Super Rugby competition (SANZAR) (given allocation of teams/franchises)

• Establishing **governance structures** for each franchise and Super Rugby in general

• ...and how would franchises be linked (or not at all) to the existing **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)*
FAST FORWARD TO 2011: RATIONAL FOR MIXED OWNERSHIP

• NZR looking for ‘co-investor’ (stakeholder inclusion, control, efficiency)

• Limited scope for commercial innovation & strategic thinking (entertainment business)

• Sought licensee to invest substantial financial and other resources in future success of Super Rugby team

(Meiklejohn, 2010; NZRU, 2010; 2011)
BOARD COMPOSITION OF NEW LICENSEES

E.g., Blues Limited Liability Partnership:

60% Rugby Holdings Ltd (Association)
- 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)
"With fresh thinking and new capital, we believe the Blues will be better equipped to face the challenges ahead."

(Steve Tew, CEO NZRU)
(Keri Keri Rugby c/o NZRU, 2013, p. 4)
WHAT DOES THIS ALL MEAN?

• In NZ, the Super Rugby story represents a unique shift from association “ownership” to a ‘hybrid’ model - fusing commercial with non-profit association ownership

• In Australian, movement towards private ownership ...

• In essence, although professional (since 1996) we have been dealing with NPOs within a traditional non-profit sport system
SITUATING THIS STORY WITHIN THE LITERATURE

Governance of non-profit sport literature (sport governance):

- **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 & Cuskelley, 2003; Inglis, 1997a)
- **board strategic capability** (Ferkins & Shilbury, 2010, 2012; Shilbury & Ferkins, 2011),
- **collaborative governance** (Shilbury & Ferkins, 2015)
SITUATING THIS STORY WITHIN THE LITERATURE

• ‘Ownership’: relatively new topic of investigation for us (lit signalled challenge & benefits of ‘collective’/assn ownership, e.g., Shilbury, 2001 - sport orgs operate in an ownership vacuum)

• Growing body of knowledge about Football ownership (Hamil, Walters & Watson, 2010; Hassan & Hamil, 2010; Ward, Scanlon & Hines, 2012)

• Beyond sport ‘social enterprise’, ‘hybrid’ or ‘mutuality’ ownership - growing academic interest - posed as solution to increasing commercial and professionalisation pressures on NPOs (McCambridge, 2004; Spear, Cornforth & Aitken, 2007).

Seeking to contribute to this body of knowledge

How can this story uncover new knowledge?
DERIVING MEANING
FROM RUGBY CASES

What changes do commercial agendas bring?

What was the motivations for NZRU choice of ‘hybrid’ models?

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 (Rugby)

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?
What changes when ownership changes?

- Performance Targets/Dimensions
- Strategic Capacity and Collaborative Governance
- Financial and Revenue Streams
- Structure and Functioning
- Approach to Community Programs/Engagement
- ?
HOW ARE WE APPROACHING THIS STUDY?
What changes, when ownership changes? We will contribute to knowledge about governance design and ownership options where there are commercial and non profit interests.

The opportunity for you

Seismic shifts currently taking place in our own backyard ... presents a big opportunity to work with our sports to forge new frontiers and offer the benefits of this to your country and its codes ... watch this space
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