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
Leading to this in November 2012

Hurricanes and Crusaders get new operators
Blues form new partnership with ARU, NRU, NHRU & investor

And this in 2013
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)
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)
"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:

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!