# Mixed Ownership in Sport: The Case of Super Rugby in New Zealand

By

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## ATTESTATION OF AUTHORSHIP

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extend has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Signed:

Date: 30th October 2019

## PREFACE AND ACKNOWLEDGEMENTS

In November of 2015 I embarked upon doing this research thesis as part of the Master of Philosophy, AUT programme. My intent was to challenge personal thinking and see what I had learned from 20+ years of sport governance and administration. With senior sport management roles in basketball, netball, cricket and now lawn bowls; I cannot claim to be a novice in understanding the issues facing the New Zealand sport industry.

Having achieved a credible 51% in 5th form (Year 11) English, my personal expectation of my writing abilities was, 'to be fair', questionable; and this was cruelly exposed when completing the pre-thesis 'qualitative research methods' paper at AUT. Until this paper, my only link to a word ending in 'ology' was the word 'apology'; a word not used enough in the world of sport – administration or playing.

Undeterred, or perhaps sheer stubbornness, I did not let my C+ grade in qualitative research methods deter me from embarking on this thesis. One should always be challenged during one's career, and this was simply another personal challenge.

This piece of research is for a Masters thesis and should not to be confused with a PhD; meaning other than a less challenging word count, it also confirms I am really only scratching the surface of my research topic - that being an exploration of sport and the ownership models evident in the 21st century. This thesis explores the fusion of the Private Investor and not-for-profit stakeholders around the sport ownership table. Fusion is a great word, if somewhat sensational, it signals that when you combine two things together you should by rights get a new (and perhaps explosive) outcome.

My hope in researching the merging of the private 'commercial' investor with New Zealand Provincial Unions within a Super Rugby team, was that two worlds would be colliding, and that something new was created that challenged the thinking of the sports' administrator and governor; along with the scholar of the sport industry. In reality this thesis is not explosive. If it was, I suspect it would be offered for media consumption ahead of academic. It does, however, give a useful insight into the thinking of the two types of investors (private and member) in the one sporting entity - their motivations and their experiences in being part of a mixed ownership model - a model not easily identifiable in sport globally.

These motivations and experiences are explored exclusively through the eyes of the investors. A more rigorous approach would be to explore New Zealand's Super Rugby ownership model through the eyes of additional stakeholders – NZ Rugby, media, players, investors, fans, and the Super Rugby entities themselves. The scope of this Masters thesis did not allow for this, however, it does pave the way for numerous exciting research opportunities moving forward.

Without giving away too much in this acknowledgements and foreword section; what strikes me most from completing this research is how quickly the world of professional sport is changing. As others have observed, sport at the professional level is very much entertainment and entertainment is big business.

My thanks to Professor Lesley Ferkins for supporting me through this research. When entertaining the notion of doing a Masters, I was lucky to happen upon Lesley very early in the process. What I needed (with the benefit of hindsight) was a supervisor that encouraged me to write and think critically, without supervising through the use of words ending in ‘ology’. For someone starting on the academic pathway so late in life, Lesley was the perfect mentor and motivator in keeping things simple.

My thanks also to Trevor Meiklejohn from Unitec. Trev ‘s advice very early on was ‘don’t let your thesis get too big and all encompassing’; meaning start with a small research question and keep the research question small – I was after all doing a thesis, not writing an almanac. Trevor acted as my second supervisor and I am appreciative of the hours gifted in my academic pursuit.

My thanks to New Zealand Rugby, the Blues, Chiefs, Hurricanes and Crusaders for allowing me the opportunity to explore their innovative mixed ownership models. My thanks also to the Private and Provincial investors of the four teams that afforded me interviews. I hope I have captured your experiences appropriately, albeit I was not always able to demonstrate the ‘colour’ with which some of you offered opinion.

And finally, my thanks to Jacqui, partner for 25+ years, mother of our three children, and the rock that keeps me sane and confident. I have never written an academic acknowledgement before, so this one is dedicated to you.

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## ABSTRACT

Research on the evolution of amateur sporting organisations into business entities, has used sport governance as an effective lens through which to examine change. These studies have illustrated the progress sport has made in the professionalisation of the governing function (Freeburn, 2010; Shilbury & Ferkins, 2011). Leadership, strategic thinking, board design and performance are some of the sport governance studies that demonstrate how sport organisations have dealt with the challenges of professionalism and commercialisation (Hoye & Doherty, 2011; O'Boyle, Shilbury, & Ferkins, 2019).

This research seeks to contribute to the emerging body of knowledge on sport governance by studying a relatively novel form of ownership of sporting organisations. Whereas the 20th century was dominated by 'amateur' member equity holding exclusive ownership (Ferkins, Jogulu & Meiklejohn, 2013), the 21st century confirms the growth in 'private' equity ownership, as sport looks to meet increasing commercial demands though new ownership models and design.

This study explores the changing ownership design of sport organisations using the 2011 decision of New Zealand Rugby (NZR) to allow partial private ownership of its Super Rugby entities. The two research questions that guided this study were: 1) What were the motivations material to investment in the mixed ownership model? and 2) What were the learnings from the investors' experience?

A constructivist and interpretive research paradigm (Mertens, 2005) led to the choice of a case study approach to research design, which also drew on phenomenological principles. Data were gathered by interviewing seven investors (private and member) in four of the Super Rugby entities in New Zealand: the Blues; Chiefs; Hurricanes and the Crusaders. Semi-structured in-depth interviews were conducted, exploring the motivations and experiences of investors in a mixed ownership model; an ownership design rarely seen in sporting organisations to date. Document analysis also supported the interview process. The study was limited to the investors' perspective on sport ownership.

The research findings indicate that whilst investors share common motivations (e.g., commercial gain and keeping the game local), the investor experiences suggest that how these motivations are prioritised can cause tension around the ownership and governance table. As an overall outcome, this study has established the importance of ownership as a key topic within sport governance (specifically the need to unpack owner motivations/experiences in the context of changes to ownership). Ownership is an aspect of sport governance that has largely been overlooked by scholars to date. Through an understanding of NZR's Super Rugby mixed ownership model (through the eyes of the investor), it is anticipated that this study will provide insight for other sporting organisations reviewing their governance and ownership options. In turn, this study can be used as a platform to guide future academic research into ownership design within the context of sport governance.

# CHAPTER ONE: INTRODUCTION

Over the past 50 years, sport has evolved from a volunteer led amateur game, founded on participation, to now include the commercially driven products that we see on our televisions and through a myriad of other media outlets. With this evolution, we have seen many changes in how sport is governed, managed and owned – from players being paid to play sport (Chris Woods, 2018;  Endorsements, 2016; Tymal Mills, 2017) to media broadcasters entering into billion dollar bidding wars for the rights to broadcast and own sport (David Stern, 2012; NBA, 2014; Super Rugby, 2015. Around the globe, sporting organisations are faced with the challenge of balancing 21st century commercial imperatives with historical community needs (Bradbury & O'Boyle, 2013b; Buchholz & Lopatta, 2017; Dowling, Edwards & Washington, 2014; Mansfield & Killick, 2012).

According to Forbes (2017), Stan Kroenke, an unassuming private American businessman owned NFL's the Los Angeles Rams, the NBA's Denver Nuggets, the NHL's Colorado Avalanche and the Arsenal Football Club from the English Premier League (EPL). With a net worth of US$8.58 billion, as at 20th May, 2017 (Forbes, 2017), commentators consider Kroenke as someone who invests in sport for the financial returns available from his sporting empire; that is, for the profits and capital appreciation. His business strategy has seen him extend his sporting empire to include the stadia the teams play in, the ticketing vendor and the local broadcaster (Wertheim, 2012). It is not because Stan Kroenke has a passion for the ticketing sector or wants a venue named after himself; it is simply because Stan Kroenke sees such investment as complementing his overall commercially driven sport business ownership strategy.

The above example highlights the shift in ownership and management of professional sport, where Return on Investment (ROI) is reflected as profit maximisation (Szymanski & Kuypers, 1999), superseding the more traditional 'win and loss' column that the average fan judges a sport franchise's worth. Representative sport in the 1970s was typified as being amateur and best summed up by the notion of 'playing for pride' (Ryan, 2008; Skinner, Stewart & Edwards, 1999) as distinct to today's professional era of 'playing for payment'. Equally, we can acknowledge that the 1970s volunteer administrator now has been joined in sport management and governance by the corporate administrator and owner (Bradbury & O'Boyle, 2017; Shilbury & Ferkins, 2011). Whilst the local community game in Australia and New Zealand still operates on these amateur ideals, the high end of the game nationally and internationally now operates with all the hallmarks of corporate business.

As sport has evolved, so too has the perception of sport ownership. In Australia and New Zealand, due primarily to the historic amateur nature of sport, sport ownership has been intrinsically linked to governance; with sport ownership most commonly defined in terms of the key stakeholders that run the sport from a national, regional or community level (Ferkins et al., 2013). However, as sport has evolved to embody attributes of corporate business, some professional sport entities have included 'shareholders and investors' as key stakeholders serving to broaden the conceptualisation of sport ownership (Ferkins & Shilbury, 2015; Freeman, 1984; Garcia & Wellford, 2015; Nauright & Ramfjord, 2010).

This study explores the topic of sport ownership within the broader research topic of sport governance. It draws on a limited body of knowledge that exists in sport ownership, primarily founded in sport governance literature and media commentary. Advancing our understanding as to how changes in ownership might affect governance structure and organisational performance will be valuable to a wide range of sport stakeholders.

## Background

On the 26th August 1995, the International Rugby Board (IRB) declared Rugby an 'open game' and removed restrictions on payments and benefits to those involved within the game (Ferkins et al., 2013; Horton, Keath & Georgakis, 2014; Ryan, 2008). Rugby, with its 'not-for-profit' member led governance had finally succumbed to the pressures of the widespread commercialisation of sport. No longer was rugby simply a 'community game' where playing for one's country, province or club was a matter of pride; now it was also a matter of payment (England Rugby, 2015).

This rugby evolution, or revolution, as it was also described (Ryan, 2008), was seemingly acknowledging the motivations evidenced in those sports that hold commercial appeal. United States and European elite sports such as football, basketball, golf and tennis had all evolved their premier competitions to independent professional structures; structures that were built on lucrative television and sponsorship negotiations (Dowling, Edwards & Washington, 2014; Nauright & Ramfjord, 2010). It was only a matter of time before a sport such as rugby and nations (and markets) such as Australia and New Zealand would follow this international trend.

As sport has evolved from amateur led and owned sporting organisations to include professional corporate structures; the governance, management and ownership of these organisations provide a historic reflection of this change. The various stakeholders in sport have over time, determined a need for a more progressive commercial ownership capability (Shilbury, Ferkins & Smythe, 2013), one that challenged the design and structure of a sporting organisation's ownership and consequently governance.

There is a growing body of knowledge in sport governance (Ferkins & Shilbury, 2015; Ferkins et al., 2013; Hamil, Walters & Watson, 2010; O'Boyle, 2012; O'Boyle et al., 2019; Shilbury et al., 2013), but little research on sport ownership and more specifically linking sport ownership with sport governance. Those few studies that have focused on sport ownership, have primarily concentrated on member ownership and the ability of the member owners to keep pace with the commercialisation of sport (Franck, 2010; Hamil et al., 2010; Ward, Scanlon & Hines, 2012). A second foci has been on the significance of the franchise (private) owner in sport (Mitra, 2012; Smith, 2003; Wertheim, 2012; Zerin, 2010).

Media reports also offer valuable information regarding the involvement of Private Investor owners in sport. Media coverage ranges from the finances of the franchise, the personalities of the owners and the impact the owners have on their sporting franchise and/or sport (Basketball, 2017; Football, 2011; NRL, 2017).

## Research Intent

This research seeks to contribute to the emerging body of knowledge relating to the governance of sport organisations, by exploring an example of ownership design within a sport. Using the decision of New Zealand Rugby (NZR) to allow partial private ownership of its Super Rugby entities, this research explores Super Rugby's mixed ownership model, whereby private equity (individuals or corporate entities) and member equity (New Zealand Provincial Unions) joined together at the ownership and governance table. In a novel and innovative manner, perhaps reflecting the comparative size of the New Zealand market, NZR has resisted the concept of wholly privately-owned Super Rugby teams, and instead created a fusion of private and member equity.

The intent of this study is to provide a richer understanding of ownership design in sport, by evidencing the distinctive ownership model in New Zealand's Super Rugby through the eyes of the investor or shareholder. The sport management scholar is offered a unique insight into this mixed ownership model, set within the broader scholarly context of sport governance. For the sport practitioner, key learnings are offered should they be considering their own ownership and governance design.

## Research Questions

The overall research aim is to explore the motivations and experiences among mixed ownership investors within New Zealand Super Rugby entities.

The two research questions are:

1. What were the motivations material to investment in the mixed ownership model? and
2. What were the learnings from the investors' experience?

## Justification for the Research

Research into the governance and ownership of sport organisations has largely focussed on matters of governance (leadership, board design and performance, strategic thinking and capability) and this body of research has paralleled the increasing necessity of many sporting codes to move from a volunteer based governance model to a more progressive, commercial governance capability arrangements (O'Boyle et al., 2019; Shilbury & Ferkins, 2011). To date, research concerned with issues of sport ownership and design has almost exclusively explored the 'not-for-profit' (member) ownership model, or independently, the 'private equity' ownership model (Nauright & Ramford, 2010; Scelles, Helleu, Durand & Bonnal, 2013; Ward et al., 2012). Whereas the 20th century was dominated by the member not-for-profit sector holding exclusive ownership, the 21st century and its commercial demands has seen the Private Investor, through new ownership design, have a growing influence on sport governance and subsequent organisation values and performance (Ferkins et al., 2013).

Ownership in sport has traditionally been either through private equity or member (not-for-profit) investment. The New Zealand Super Rugby model is relatively unique in that it is a fusion of private and member investment. So, what happens when these two worlds of private and member ownership collide? From the perspective of the two investor types, what were the motivations for and experiences of, this investment decision?

## Approach and Scope of the Research

This research was guided by a constructivist-interpretative research paradigm (Denzin & Lincoln, 2011), using a single qualitative case study design with embedded units (Baxter & Jack, 2008; Stake, 2006). The case boundary was New Zealand Super Rugby and the embedded units were four of the five New Zealand Super Rugby entities that in 2016 held a licence with NZR to play in the SANZAAR administered Super Rugby competition. Supported by document analysis, participants selected as part of data collection were the investors within each of the four Super Rugby entities. The investors have been defined in terms of their shareholding within their respective entity. This shareholding is represented by either a private equity investor or a member (Provincial Union) investor. Investor has not been defined under the broader stakeholder definition as it is often referred to in literature; instead investor is defined more narrowly from a financial or corporate 'shareholding' perspective.

The New Zealand Super Rugby entities selected (sub-units) were the Blues, Chiefs, Hurricanes and Crusaders. The context for each entity is presented in Chapter Two and interview data from individual investors is presented in the Findings (Chapter Four) and discussed in the context of literature in Chapter Five. As noted in Chapter Two, each entity took a distinctive approach to how its ownership and governance model was structured. The choice of multiple (four) Super Rugby entities enables analysis within and across each sub-unit, reflecting the varying opinions of investors and the range of investment. The shareholding in the New Zealand Super Rugby entities ranged from 3% to 100%; each shareholder able to offer a unique perspective, often reflective of their 'stake' in the Super Rugby entity.

It is also important to emphasise that this research is limited to the Investors' (or shareholders') perspective. No interviews were conducted with the management of NZR or the four Super Rugby entities, other than in their capacity as investors in the entity itself. For future research studies, an analysis of Super Rugby's mixed ownership model from the management and governance perspective would enable greater exploration of the effect a mixed ownership model has on managing the organisation at an operational and strategic level.

A further consideration within the scope of this research was the definition of professionalisation versus the commercialisation of sport. It is acknowledged by this researcher that sport over the past few decades has included in its governance and management design, corporate 'for-profit' goals and objectives. However, sport can be professional in its governance and management without the need for commercialisation. One only needs to look at the local community sport club to appreciate their desire to be more professionally managed, without having overwhelming commercial objectives. This study does not seek to address all aspects of professionalisation in sport. However, due to the focus on ownership, there is a strong emphasis on how sport has commercialised its products over the past 50 years.

The final consideration acknowledged within the scope of this research is the focus on the *type* of sport and resulting competition structures. The intent of this study is to review mixed ownership in New Zealand's Super Rugby model. Super Rugby is a team sport, playing in a franchise-based competition or league. Therefore, this research draws on knowledge of professional team sport leagues and consequently limits its attention to individual sporting competitions such as tennis or golf, or event based competitions such as the Olympic Games or World Cups.

To summarise:

'Shareholder versus Stakeholder' – the scope of this paper is limited to the views of the investor shareholder, as a subset of the larger sport stakeholder domain.

'Sport Ownership versus Sport Governance' – the scope of this paper considers sport from an ownership perspective, accepting that ownership is intrinsically linked to governance.

'Commercialisation versus Professionalisation' – the scope of this paper considers how sport has commercialised its offering, as a subset of the broader study on the professionalisation of sport.

'Team sports versus Individual sports or Events' – this study references team sport governance and ownership design; over individual and event-based sport.

## Structure of the Research

This study has been structured into five chapters.

1. An **introduction** to the research question, including the intent, justification, approach and scope of the research (Chapter One).
2. A **review of literature** on the evolution of the commercialisation of sport, along with matters of sport ownership and governance, acknowledging the role ownership plays within sport governance. Included within Chapter Two is an explanation of the **context** within which this research was undertaken. This includes a practical overview of the professional sport market in Australia and New Zealand, along with a detailed summary of NZR's Super Rugby mixed ownership decision and model (Chapter Two).
3. An explanation of the **methodological** framework and the process under which this research was undertaken (Chapter Three).
4. Presentation of the **findings** and key themes that emerged from the data analysis process (Chapter Four).
5. A **discussion, conclusion and summary** of key outcomes from this study of Super Rugby's mixed ownership design as well as implications for research and practice (Chapter Five).

# CHAPTER TWO: LITERATURE REVIEW (ADADEMIC / INDUSTRY) AND CONTEXT

## Introduction and Research Context

The framework of existing literature for this research has been structured within three themes:

- The commercialisation of sport (section two);
- Sport ownership (section three); and
- Sport governance (section four).

Sport Leagues in Australia and New Zealand (section five) and Rugby in New Zealand (section six), offer further context to the findings of the case study presented in Chapter Four on NZR's mixed ownership model. The summary (section seven) provides the link between the commercialisation of sport and the impact it has on ownership and governance structures/design.

Literature reviewed in this chapter is a blend of academic and industry literature. The availability of academic research on the topic of ownership in sport is limited, with most literature located within the wider research topic of sport governance. The industry literature (often media) provides a colourful view of sport ownership and the impact it has on sporting organisations and outcomes. To limit the research to existing academic literature would not have captured the role sport ownership plays in the public arena and around the governance table, where the 'success' or 'failure' of franchise ownership is often 'headline news in the media'. This context to the present study is therefore also detailed in this chapter.

Before embarking on a review of existing literature, it is valuable to review the growing role and influence matters of commercialisation, sport ownership and governance has within the wider sport setting.

In 2016, the Dallas Cowboys (NFL) became the first sport franchise to have a market capitalisation valued in excess of US$4 billion (Dallas Cowboys, 2016). In its 2016 annual rankings (Top Ten, 2016), Forbes placed the Cowboys ahead of the New York Yankees (Baseball) and Manchester United (Football). To put the Dallas Cowboys sport franchise in perspective, Fletcher Buildings (as of April 2015) was New Zealand's largest listed company with a market capitalisation of US$4 billion (NZ Herald, 2015).

Sporting entities, such as the Dallas Cowboys and Manchester United, are considered big business and any ideals we may hold of sport being exclusively about participation and community engagement have been challenged by these types of sporting entities whereby commercial concepts such as 'return on investment and capital gain' are apparent and dominant. Whereas the 'owner' of sport in many parts of the world (e.g., Australia, New Zealand, Scandinavia) has been historically dominated by members and their ‘not-for-profit’ motivations, the Dallas Cowboys and Manchester United remind us of the growing role of the for-profit owner and the significant revenue and capital gains that are available through sport ownership.

As sport develops a corporate identity, the notion of who owns and governs sport has come under the spotlight (Chen & Khadka, 2013; Cocieru, Delia & Katz, 2018; Fallone, 2014; Nauright & Ramfjord, 2010). Whilst American franchise sport has long held the distinction between owner/shareholder and governance (Nauright & Ramfjord, 2010; Smith, 2003), many sports within Australia and New Zealand continue to think of sport ownership in terms of its not-for-profit members (Ferkins & Shilbury, 2015) and sport governance as that group of individuals elected by the members to a committee or Board. National and regional sporting organisations have been traditionally owned by their members, with governance often being regulated via a democratic process as set out in each code’s constitution (Dickson, Arnold & Chalip, 2005; Ferkins & Shilbury, 2015). The notion of the external investor or shareholder, or someone who can buy and sell their ownership in sport, is not easily recognisable in the Australian and New Zealand sport sectors.

Sport governance has grown slowly as a research topic for academics in recent years, as researchers have looked to illustrate the progress sport has made in developing professional (corporate) governance capability (Bradbury & O'Boyle, 2013a; Freeburn, 2010; Ferkins & Shilbury, 2014; Shilbury & Ferkins, 2011). Matters of board performance and structure, strategic capability and leadership (Hoye & Doherty, 2011), demonstrate sporting codes dealing with the forces of commercialisation and professionalisation (Ferkins & Shilbury, 2015).

To date, research concerned with issues of sport ownership and design has almost exclusively explored the ‘member’ (not-for-profit) ownership model, or separately, the ‘private equity’ ownership model (Chen & Khadka, 2014; Ferkins et al., 2013; Gammelsaeter & Jakobsen, 2008; Hamil, Walters & Watson, 2010; Ward et al., 2012). In summary, the 20th century was dominated by member equity holding exclusive ownership (Ferkins et al., 2013), whereas the 21st century and its commercial demands has seen private equity through new ownership models and design, have a growing influence on sport governance and subsequent organisation values and performance.

## The Commercialisation of Sport

The sporting landscape in Australia and New Zealand in the 1970s was primarily based on volunteer labour and an amateur ‘playing’ culture. National sporting organisations (NSO’s) during this period epitomised this amateur culture, evidenced by their governance largely being run by ‘retired gentlemen’ with a delegate mentality (Shilbury et al., 2013). The 21$^{st}$ century NSO in Australia and New Zealand has evolved (in terms of organisational governance) from large volunteer delegate councils and representative committees to modern boards of directors with increasing commercial imperatives

(Ferkins et al., 2013). Evidence still of this change is that many NSO boards now have a 'hybrid' composition of elected members and independent directors (Ferkins et al., 2013).

This change is not limited to the governance of national bodies, but can equally be visible in the community game, where, in sports such as cricket, football and rugby, the local sports club now have equal share paid administrator and development officers (Angus & Associates, 2016). Where once volunteers and delegates delivered and administered sport, the 21st century regional body and numerous community sports clubs are now being administered by paid managers and governed by executive committees (Sport NZ, 2017).

According to Gomez, Opazro, and Marti (2008), this movement from amateur status to an increasingly professional one has impacted both the athletes and structures involved in sport:

> "Sporting organizations have experienced this change as an organizational change process, commonly associated with the formalization of activities and procedures inside sport organizations, and the integration of paid staff into organizations traditionally based on voluntary work." (p. 14)

Whilst the professionalisation of the sport sector can be evidenced by the changes in the governance and management of sporting organisations (Dowling et al., 2010), the more obvious change to professionalism is demonstrated by how much our sporting stars are remunerated to play sport in the 21st century. On the 20th February 2017, little known professional English cricketer Tymal Mills received a seven-week contract to play in cricket's Indian Premier League (IPL) for A$1.4 million (Tymal Mills, 2017). At A$200,000 per week, it offers a stark contrast to 1975 when the Australian cricketers touring England for the Ashes series were reportedly paid A$182 per week (Greenleft Weekly, 2012).

Sport today is clearly an important social, political, and economic mechanism through which, arguably, a country's nationhood is often defined (Thomson & Sim, 2007). Shilbury et al. (2013) refer to the transition for sport from amateur to professional as 'two worlds colliding', perhaps recognising that this transition has not always been a smooth ride. Indeed, one only needs to look to peak sporting bodies as examples of the negative impact money has on the delivery and administration of sport. According to O'Boyle (2012), sporting bodies such as, "FIFA and IOC should be setting the standard of how sport organisations operate and be the pinnacles of transparency, professionalism and accountability. Instead allegations of corruption, unethical behaviour and irresponsible decision making have been synonymous with these entities" (p. 337).

Gomez et al., (2007) stated that, "the professionalization process refers more to an internal process experienced by sport organizations, where the quality demanded by sport competition imposes a need to formalize their activities, procedures and positions in order to achieve the expected results" (p. 16). These authors go on to offer that, complementing this is:

> the commercialization process [which] refers more to the relationship with the environment, which has turned from one traditionally based on the dependence of the organization on its environment for survival, to one based on the exploitation of the revenue opportunities existing in the environment today (p. 16).

Understanding the key factors and context that have facilitated sport toward becoming the billion-dollar entertainment market we see today, provides important insight into the experience, particularly motivation, of investors in Super Rugby (the focus of the present research). From the age of television to change within the US and European markets, to our own Australian and New Zealand contexts, we can evidence a rapidly evolving circumstance, whereby a sport's desire to commercialise its products enables it to compete in the wider entertainment sector and congruently resource its professional administrators and players.

## The Age of Television

Szymanski and Kuypers (1999) identified eight main revenue streams available to football clubs: gate receipts, transfers, television revenue, merchandising, sponsorship, hospitality/catering, grants/flotation/financing and supporter's clubs (membership). The most significant for sports, purely from a financial perspective, has been television broadcast rights (Gratton & Solberg, 2007). "Historically, the study of sport professionalisation stems from the advent of television and the rise of commercialism" (Dowling et al., 2014, p. 520) throughout the 1960-1970s.

Television provided the population with the opportunity to watch their favourite team or competition 'from the comfort of their living room'. From the Olympic Games, to the Celtics playing the Lakers in the NBA, sport was instantly accessible to the masses. Sport was entertainment; one no longer had to play the game to be a fan or consumer of the game (Dowling et al., 2014).

The deregulations of terrestrial television and the emergence of satellite technology had cleared the table for competition between commercial media corporations (Gammelsaeter & Jakobsen, 2008). Where once sport was accessible in Australia and New Zealand via the 'free to air' state provider, now the consumer can access sport anywhere, anytime, through multiple 'pay' media networks (Woods, 2016). The priority for NSOs is not only limited to 'growing the game' but is equal part 'selling the game'; and selling it to the highest bidder.

In 2007, Netball New Zealand's (NNZ) premier sporting competition, the National Provincial Championship (NPC) was played on 'free to air' TV and attracted zero broadcast revenue (Netball New Zealand, 2007). The following year Netball New Zealand signed a multi-million dollar broadcast deal with SKY Sports that not only brought life to a tired competition but saw netball players ‘paid’ to play the game (Netball, 2008). For a sport long in amateur ideals, television would act as the sole catalyst for exposing netball to the business of sport.

In 2015 SANZAAR, on behalf of the rugby playing nations of Australia, New Zealand and South Africa, negotiated an unconfirmed contract with television broadcasters for US$615 million, up from US$437 million in the 2010 negotiation (Super Rugby, 2015). Compare that with North America’s NBA (Basketball), which in 2014 settled their nine-year media-rights extensions with a massive US$24 billion for the 2016/2017 season through to the 2024/2025 season. The annual US$2.6 billion in payments was 2.8 times higher than the previous deal, which averaged around US$930 million per year (NBA, 2014).

## The United States and European Markets

Leading the world in the commercialisation of sport has been the United States and their multiple franchise leagues. The United States sport entertainment market in the 1980s brought in commercial terms such as 'entertainment product', 'product development' and 'ownership of the sports product' to the sporting world, forever changing the way we talked about professional sport over amateur sport (Gammelsaeter & Jakobsen, 2008). When David Stern left the NBA as Commissioner in 2014, NBA television revenues, which were US$22 million in 1984, hit US$930 million for the league’s 30 teams (David Stern, 2012). NBA playoff games were shown on tape-delay in the early 1980s, but in 2014 were broadcast live to over 200 countries around the globe.

The Sacramento Kings, one of the smaller of the 30 NBA franchises, had a purchase price of $US534 million in 2012 and by 2017 this value had risen 100% to US$1.075 billion (Sacramento Kings, 2017) - a year on year capital growth of 20%. Key business valuation statistics for the 2017 Sacramento Kings were: revenue US$164 million, operating income US$18 million, player expenses US$84 million, gate receipts US$31 million and revenue per fan US$41 (Sacramento Kings, 2017). A US1 billion-dollar sport business from a metro-area population of just 2.2 million! The Sacramento Kings, hardly one of the marquee franchises in American sport, and playing in one of the smaller markets in the California area, illustrate just how sought-after the business of sport is.

Sport in the USA is viewed as a significant branch of the entertainment industry, resulting in a different relationship between spectator and team: the discerning consumer replacing the committed fan (Nauright & Ramfjord, 2010). Supporters have become 'basic customers' of the club - they buy their memberships, purchase the merchandise and attend/watch matches (Garcia & Wellford, 2015). On almost all commercial measures, the USA has led the evolution of sport from pastime to entertainment business. From brand names such as the ‘Bulls and Cowboys’ to quirky mascots to cheerleaders, the

USA has realised the potential of sport as a significant commercial opportunity within the entertainment industry.

The term ‘franchising’ is synonymous with American sport. Sporting franchises have developed in a consumer led economy that leads the world with the globalisation of United States headquartered franchises in hotels, coffee, retailing and fast food (Mansfield & Killick, 2012). Each sporting franchise seeks to be a significant business in its own capacity. In California alone, there are five Major League Baseball (MLB) franchises, four National Football League (NFL) franchises, four National Basketball Association (NBA) franchises, three National Hockey League (NHL) franchises and two Major League Soccer (MLS) franchises – each franchise generating substantial annual commercial revenues for the benefit of their ownership.

To emphasise the commercial enormity of international sport, below is a list of the top 10 international professional sport teams (franchises) in 2016 (Top Ten, 2016):

1. Dallas Cowboys

   With a market value of US$4 billion, the Dallas Cowboys topped the Forbes most commercially ‘valuable sports team’ in 2016. The team has not won an NFL championship in 20 years, with its most valuable status largely due to ownership of its $1.2 billion home stadium.

2. Real Madrid

   Has a market value of US$3.7 billion. The Spanish football team giant won the UEFA Champions League in the 2015-2016 season and were at the time led by football's highest-paid athlete, Cristiano Ronaldo.

3. FC Barcelona

   A market value of US$3.6 billion made FC Barcelona the second-most-valuable football team in 2016. Then led by Lionel Messi, Neymar and Luis Suarez, FC Barcelona signed a kit deal with Nike Incorporated that is estimated to be worth US$175 million per year.

4. New York Yankees

   With a market value of US$ 3.4 billion, the Yankees is the only Major League Baseball (MLB) team featured in the Forbes top 10 most valuable sport teams. The Yankee’s last championship was in 2009, but it has 27 World Series titles, more than any other MLB team.

5. Manchester United

   With a market value of US$3.3 billion, Manchester United (football) had been the most valuable sports team in 2011 and 2012. The team’s gross income is substantially supported by a decade-long kit deal worth $1.1 billion with Adidas. Manchester United has for some time been listed on the US stock exchange, further emphasising the place of sport within the business world.

6. New England Patriots

Has a market value of US$3.2 billion. The Patriots rank second to the Dallas Cowboys as NFL commercial giants.

7. New York Knicks

With a market value of $US3.0 billion, the Knicks were the National Basketball Association's (NBA's) most valuable team in 2016; yet have had an inferior win/loss 'on court' record these past twenty years.

8. Washington Redskins (NFL)

Has a market value of US$ 2.9 billion.

9. New York Giants (NFL)

Has a market value of US$2.8 billion.

10. Los Angeles Lakers (NBA)

Has a market value of $US2.7 billion.

Other than the sheer size of some of these sporting entities; what is evident from the top 10 listing is that professional sport is not limited to the more commercially driven US market, but also obvious in the more traditional and conservative European markets.

In Europe, most football clubs are now being organised as private limited companies with private shareholders (Ward et al., 2012). In 2005, UEFA (European Football's governing body) stated that in an ideal world football clubs would be legally structured and governed in ways that prioritise sporting objectives above financial concerns. Moreover, all clubs would be run by their members according to democratic principles (Gammelsaeter & Jakobsen, 2008). However, sport, out of a growing commercial necessity, has struggled to operate in this ideal world and many sporting codes have chosen to prioritise their commercial imperatives alongside sporting objectives, thereby positioning themselves for future sustainable success.

In a study on the similarities and differences between European and North American sport, Fort (2000) challenged European sport by stating "Much of the handwriting is already on the wall" (p. 453); referencing the fact that the fans, structures and objectives of the European markets were following the North American trends. Fort did make an important distinction though between the European and North American markets when it came to organisational structure, in that there is no cascading effect (in North America) of high-level revenue from professional sports funding the grassroots or community side of the game. This is an important distinction and one worthy of reflection in the context of this research, which explores the Australia/New Zealand markets within the context of rugby.

Away from the wealth and austerity of major league franchises, there is still ample evidence of sport being commercialised. The Olympic Games, once a bastion for all things amateur, is governed by the International Olympic Committee (IOC), a body which some might argue is now being driven predominantly by its commercial responsibilities, rather than its amateur ideals. Where once English county cricket was the haven of ‘gentlemen and sportsmanship’, we have increasingly seen the game of cricket embroiled in allegations of corruption at all levels (New Zealand Cricket, 2015; Cricket and Match Fixing, 2016). American Universities, built on their ‘amateur sporting principles’, often observe the pathway to glory for their alumni, not in academic achievement, but the sporting success of their athletics programme. Brands such as Nike and Adidas do not sell more shoes simply because they have the best quality and priced product. They sell more shoes because they have the most recognisable athletes and teams endorsing their equipment (Endorsements, 2016).

## Australia and New Zealand

The commercially driven sport entertainment business evident in American sport equally, although smaller in scale, exists in Australia and New Zealand. There are several major professional sport leagues in Australia and New Zealand: AFL, Super Rugby, A-League Football, NRL, ANBL and in more recent times now includes Cricket’s ‘Big Bash’ and semi-professional baseball, volleyball and netball leagues. Perhaps reflective of the relative size of the Australia and New Zealand markets, sport ownership comprises both private (for-profit) and member (not-for-profit) structures albeit with not-for-profit historically the dominant model (Nauright, 1996). The event where private and member come together within one entity as in the New Zealand Super Rugby context remains an unusual situation, hence the desired focus of the present study.

A city such as Melbourne (Australia) hosts not only multiple sport franchises (NRL, AFL, A-League, Big Bash, ANBL, Netball), but also hosts major sporting events, including by way of example, the Australian Open (Tennis), Melbourne Cup (Horse Racing) and the Australian Grand Prix (Formula One). Each franchise and event represent considerable commercial complexity and risk.

Australia’s ‘Big Bash’ has been a boom for the sport of cricket in recent times, attracting new fans and viewers to the Twenty20 product (Big Bash, 2016). The average attendance in the 2015/2016 Big Bash was 28,346, with more than 1 million Australians watching each game on television. In just six years, a start-up cricket league in Australia had close to the same average attendance as Major League Baseball in America, which was started in 1869. What should not be lost within the Big Bash’s ‘attendance’ success is that the Big Bash has also generated new commercial revenues for the sport, at a time when cricket in Australia was becoming increasingly reliant on the Indian television market for its existence (Big Bash, 2016).

In a study by Horton et al., (2014), the evolution of the Norths Rugby Club in Sydney is tracked from its amateur era (1923-1986) to the professional club it is today. Whilst the club still maintains its member ownership, it nevertheless views itself as a professional club by recognising in the 1980s the need to compete in an increasingly competitive market of trade, commerce and sport. The study of the Norths Rugby Club’s progress from amateur to professional sport business was an acknowledgement in the 1980s that the 20th century values of amateurism appeared dead and the sport (clubs and the Australian Rugby Union) needed to abandon the amateur ideology, otherwise the game would fall behind in what was to become an increasingly competitive sport market.

In a rather idealistic move, when facing the rise of professionalism, the Norths put their Rugby Club (brand and entity) ahead of their team and on-field performance. “Even more than the team, the club is the core unit of sport” (Cashman, 1995, p. 8). By embracing, not abandoning, the historic membership ownership of the club, they built a new ‘professional’ future based upon club identity (brand) not team performance. The Horton et al., (2014) study showed that the club was able to protect its future by maintaining its member owned structure and build a professional club, with business imperatives.

No sport in New Zealand, more than rugby, epitomises the change brought about by increasing commercial demands. In terms of sporting codes, the New Zealand Rugby Union has led the way in professionalism and commercialisation with its All Blacks brand and the five New Zealand rugby entities that play in the Super Rugby competition (Ferkins et al., 2013). According to the categorisations offered by Provan and Kenis (2008), NZR is identifiable as the Network Management Organisation within a network of provincial rugby unions which operate both autonomously and as a collection of organisations; enhanced (underpinned) by the competition/co-operation dynamic (Meiklejohn, Dickson & Ferkins, 2015). This type of network is also commonly referred to as a federation or federated network with the lead governing body also referred to as the federated management organisation or FMO (Provan, 1983).

Dickson et al., (2005) refer to this network approach, evident in New Zealand Rugby, as being particularly relevant to professional sport leagues. As a consequence of the interconnectedness of league organisations, their simultaneous cooperative and competitive behaviours provides a curious environment worthy of closer examination. The duel nature (of NZR in this case) as a single entity and a collection of separate teams provides an environment whereby aspects of commercialisation and professionalism have been challenged and tested.

New Zealand Rugby has recognised that it must maximise the commercialisation of its key products (the All Blacks and Super Rugby teams), so that the balance of the game remains in good health through adequate funding (NZ Rugby, 2008). Unlike many of the franchise-based sports in the USA and Europe, NZR identified the need to protect and ensure that all levels of the game, from junior to community club to the All Blacks, were being well serviced through the commercial revenue streams generated by its key products. The guiding principles outlined in NZR’s 2020 Strategic Plan (NZR Strategic Plan, 2017) confirm this underlying commercial intent. These principles being:

- To keep all parts of the rugby system in New Zealand working well and led by the right people.
- To be agile and challenge ourselves to be modern and ready for the future through innovation and research.

- To align our daily operations so that we deliver on our strategic plan with financial prudence.

## Summary

Through 'predominantly' the age of television, the American, European and Australia/New Zealand markets have adapted at varying pace to the commercial realities of being a 21st century (sport) business. Sporting bodies around the world have needed to ensure their sport remained relevant in an increasingly competitive sport entertainment market and/or needed to generate revenues to fund other (largely amateur) areas of their game. Sporting organisations have been required to think about their competitions (and athletes) as products that are to be marketed and commercialised. Through a better understanding of the context to which sport has become commercialised, as well as some of the key milestones among different sports in their commercialisation journey, this examination of the ownership models within sport (including mixed ownership) is enriched.

## Sport Ownership

As sport evolves in the commercially driven society evident in the 21st century, sport is increasingly challenged by the definition of the sport 'owner'. The traditional model, evidenced in scholarly literature, often define the 'owners' of a sport as its key stakeholders (Ferkins et al., 2013; Freeburn, 2010; Shilbury & Ferkins, 2011). Freeman (1984) asserted that stakeholders are "any group or individual who can affect or is affected by the achievements of the organisations objectives" (p. 46). Fassin (2012) argued that the 'stakeholder nets' should include (but not be limited to) media, fans, coaches, athletes, sponsors and government, as well as members. To further illustrate this, Fassin introduced the notion of stake-owners, as primary stakeholders.

This research into NZR's mixed ownership model has focussed on the commercialisation of sport from the financial investment (shareholder) ownership perspective. Investopedia.com defines a shareholder as "any person, company or other institution that owns at least one share of a company's stock". Because shareholders are a company's owners, they reap the benefits of the company's successes in the form of increased stock valuation. If the company does poorly, however, shareholders can lose money if the price of its stock declines. Corporate shareholders are generally not personally liable for the company's debts and other financial obligations - if the company goes under, its creditors cannot demand payment from shareholders like they could from the owners of many privately held entities. Companies with shareholders rely on a board of directors and executive management to run things — meaning the actual owners, the shareholders, don't have much say in the day-to-day operation of the business.

Stated another way, the shareholder is a person who owns shares in a company and therefore gets part of the company's profits and the right to vote on how the company is controlled. In contrast, the definition of stakeholder is extended to include a person such as an employee, customer, or citizen who is involved with an organisation and therefore has responsibilities towards it, and an interest in its, success (Hefferman & O'Brien, 2010).

For sporting organisations in Australia and New Zealand, shareholders have traditionally been represented by their sports' membership. The New Zealand Rugby League (NZRL) is owned by its membership (currently the seven New Zealand rugby league zones governing the game of Rugby League within their respective communities) and therefore the NZRL's membership is also their shareholding. However, in the case of the New Zealand Warriors, a professional Rugby League franchise playing in the NRL, its shareholding is defined not by membership but the limited liability company that holds the Warriors licence to play in the NRL.

This focus of this study is to review the mixed ownership model evident in New Zealand's Super Rugby, from an investor's perspective. To achieve this, 'investor' has been defined in terms of their financial shareholding in their respective Super Rugby entity, and not extended to include all stakeholders that have an interest in Super Rugby.

The traditional ownership models within professional sport can be conveniently classified as deriving from Private Ownership or Member Ownership (Ferkins et al., 2013; Nauright & Ramfjord, 2010; Ward et al., 2012).

## Private Ownership

European Football and North American Pro Leagues were early pioneers in allowing private equity access to the management of sport teams. The generally held view was that for sport franchises to compete in the player labour market, private equity was a necessity (Hamil et al., 2010). The Hamil paper explored the 2008 model of governance at FC Barcelona, whereby member democracy was balanced with commercial strategy, corporate social responsibility and sporting performance. What the Board and members of FC Barcelona understood was that the implementation of a commercial strategy to generate revenues was needed, to ensure the club and team had the playing resources (professional footballers) to compete in the professional European football leagues.

According to Gammelsaeter and Jakobsen's (2008) research on the impact of ownership within Norwegian football, "there is little doubt that capital has been exchanged for influence" (p .22). Norwegian football clubs were not permitted to organise under a private (publicly listed) ownership structure. So, to survive in the competitive European football market, Norwegian clubs consequently developed hybrid models whereby private ownership companies formed 'operating' partnerships with Norwegian football clubs. The outcome was a dual governance structure whereby private money was exchanged for influence over operating decisions.

The first Norwegian club to do this was Molde FK. In return for the exclusive right to exploit and utilise the club's name, a publicly listed company (PLC) took over the administration and personnel (including player) costs of Molde FK. Whilst the Molde FK sport club still owned the team and identity, the club's ownership and membership exchanged the commercial risks associated with owning a business, with external influence over decision making for the club.

Sporting organisations around the globe, like FC Barcelona and Molde FK, have been faced with the challenge of balancing their sport's modern commercial imperatives with historical community needs (Mansfield & Killick, 2012; Shilbury et al., 2013). Some sports and sporting leagues have created hybrid models to incorporate private money into their ownership and governance structures; others have fully embraced the private owner as a key partner in meeting their commercial objectives. In an article on the governance structures in European Football, Franck (2010) highlighted three structures of ownership and governance: privately owned football teams, public football corporations and members' associations. The clear trend of English football has been of steadily moving towards private ownership in the early part of the 21st century.

A key difference between the American and European professional leagues is what private ownership looks like and how it is structured. In the United States, the ownership of major league sport teams has remained almost exclusively the province of large corporations, wealthy individuals, or ownership groups comprised of these same two actors (Fallone, 2014). In Europe, however, the publicly listed company (with multiple shareholding) appears more common, as it grapples with ownership moving from its historical 'member ownership' foundation (Gammelsaeter & Jakobsen, 2008). Juventus, Manchester United and A.S. Roma are examples of publicly listed football clubs in Europe. Manchester United provides the more obvious example, with shares in the club being freely traded on the New York Stock Exchange.

The American National Football League (NFL) provides another interesting contrast between American and European sport ownership. The NFL does not allow corporate ownership of its teams, placing the emphasis on the team owner to provide the necessary resources and management accountability (Nauright & Ramjford, 2010). The health and relative competitive balance of the NFL is largely attributable to its revenue sharing programme where television broadcast revenues are distributed equally among its franchise owners. Whilst many European and Australia/New Zealand leagues see the (member owned) national bodies having the final say in governance; league offices and commissioners run American sport on behalf of the franchise owners.

In a study entitled 'The peculiar economics of sports team ownership', Mason, Sant and Soebbing (2017) demonstrated how the private ownership of a North American sport franchise was able to align their sport business interests with other political and business interests. The private owner was clearly able to leverage his/her sport interests with other strategic business matters; a concept not wholly evident in member ownership and governance of sport. In an earlier study, Smith (2003) however, argued strongly that, “Major League Baseball must overturn its prohibition on community/fan ownership, and allow the fans to make investments to keep their teams in their community. This would create more franchise stability, a goal of the league” (p.118). In this study, Smith (2003) highlighted that one of the most significant advantages of community ownership is that it would "remove the monstrous egos and nineteenth-century capitalistic mentalities of existing ownership from the game" (p. 118).

O'Brien and Slack (2004) observed the change in professionalism within English Rugby, highlighting the growing pains that occurred in this traditional amateur governance and ownership network when in the late 1990s the England Rugby Union permitted private ownership of its rugby clubs. These growing pains were linked to the governing bodies’ lack of coordination, advice or strategic guidelines as to how the sport responded and proceeded with professionalism. According to O’Brien and Slack (2004), English Rugby was faced with an initial period of high uncertainty, evidenced by intense competitive pressures as clubs competed not only on the playing field but for players, coaches, administrators and the fans. This almost immediately led to a period of financial and ownership instability at club level, as the governing body struggled to ‘front foot’ and respond to the new commercial pressures created by the 1995 professionalism decision.

In contrast when Rugby Union in New Zealand turned professional in 1995, NZR sought to control and protect their 100-year membership investment by controlling the contracting of players through a centralised contracting system under the exclusive management of their network of Provincial Unions. The English Rugby Union on the other hand promoted a private ownership model whereby ownership of the clubs was in the hands of Private Investors and so too was the contracting of and responsibility for, the players.

O’Brien and Slack (2004) did however demonstrate that this period of instability eventually gave way to increased interorganisational linkages, coalition building and political activity that promoted a consolidation of the game’s infrastructure and future development of the professional game within England. What is also evident in the English Rugby structure and that of many professional leagues around the world, is the monopoly market that sports operate within. Flint and Eitzen (1967) cited two reasons that private ownership existed in the American sport industry - tax incentives and because it is a self-regulating monopoly. This second point is a fascinating observation, as it describes a market, that unlike the rest of the business world, that has a monopoly over who can and cannot enter their domain. In most markets, subject to local regulatory conditions, one can openly set up a café or retail shop literally next door to their competition. In the sport market however, leagues are a ‘closed shop’, with the only opportunity for entry often limited to buying an existing business franchise (club or team).

Clubs within English rugby and European football, along with the United States professional franchises, are increasingly under the philanthropic ownership of a select few individuals, whose personalities and influence are sometimes larger than their teams on-field performance. Their philanthropic motivations are to be admired; however, some commentators, have not been so generous with their views on the motivations of private individual ownership in sport. As Wertheim (2012, p. 71) asserts:

> To some, owning a team is a way of carrying out a civic good, to others, it's a way to gain entry into the jock clique they couldn't penetrate in High Schools. To some, it's overseeing a public trust, to others it's owning the ultimate fantasy team.

Wertheim (2012) further highlighted this with the comment "today more than ever, the owners of sport franchises are an assortment of oddballs worthy of a Star Wars bar scene" (p. 75). This link between club supporter and club ownership was explored by Cocieru, Delia and Katz (2018) in a study that examined the perspectives of a professional football team's supporters, who wanted to become a shareholder of the club. Not surprisingly one of the primary reasons was a dissatisfaction with management and coaching over the on-field performance of their team – they were emotively invested in their team - and saw a shareholding as a mechanism for being a more active supporter.

This conflict between the commercial motivations of individuals who invest in sporting franchises and their personal self-interest motivations, is a key theme explored in the case study findings discussed later.

Since 2010, the Indian Premier League has established itself as the most dominant commercially significant sport league in world cricket. "It is said the Indian public has two major obsessions: cricket and cinema" (Mitra, 2012, p. 120). With a population in excess of one billion, it is little wonder the IPL has dramatically changed forever the international cricket landscape. Where once the ICC (International Cricket Council), with its amateur English ideals, governed the game for all, the IPL and the Indian market now dictate not only the international calendar but critical funding to other ICC country partners (Mitra, 2012). Not unlike the US market, the IPL franchises are predominantly private equity ownership. IPL franchise ownership is currently a mixture of Industrialists and Bollywood stars. This latter group confirming the notion that "owning an IPL team is today a cherished ambition of the rich and famous" (Mitra, 2012, p. 117).

From a purely commercial perspective though, there are likely two dominant motivations for private ownership (investment) in a sport business: the first is the promise of profits from ever-increasing television contracts and the second is the related increase in market value of clubs (Nauright & Ramjford, 2010). As previously noted, the American NBA increased its television revenues from US$22 million in 1984 to US$390 million in 2012. During a five-year period from 2012 to 2017, the equity value of the NBA's Sacramento Kings franchise went from US$534 million to US$1.075 billion

(Sacramento Kings, 2017), representing a 100% capital gain for the owners of the Sacramento Kings in just five years.

In a web article titled “What is it that attracts US investors to the multi-million-pound EPL?”, Conn (2016) further emphasised the financial returns for the private investor from a sport investment. “The US owners’ aim [from an investment in EPL] is to replicate the medium-to-long term holding of US sport franchises, making money on the value of the clubs increasing, from TV, sponsorships, ticket prices and supporter-consumerism”. A significant change from the 1980s whereby “for a century, football’s stated culture, regulated by Football Association rules, was that shareholders and directors should be involved to serve clubs, not make money for themselves, but the FA surrendered that tradition from the 80s”.

When reflecting on the contrasting ownership models in the United States and European markets, it is appropriate to also demonstrate that private ownership increasingly has no geographical borders. Nauright and Ramfjord (2010) in a study on English Premier Football clubs noted that the US sport market and private foreign ownership had a major impact on English football at the start of the 21st century. In 2008, one half of the English football league teams were in foreign hands. However, prior to 1997, there were no foreign owners in the English game. In just over 10 years, English football had a new foreign stakeholder, one capable through their financial ownership, of having a major influence on England’s ‘beautiful game’.

Nauright and Ramfjord (2010) also noted that in 2008, major foreign shareholders of EPL teams did not expect to profit greatly from football, “though their social status was enhanced by their public influence over a major popular cultural institution” (p. 429). Although unproven, one might suggest however, that in 2017 the ‘profit motivations’ for EPL owners have increased significantly; evidence being Manchester United’s position on the New York Stock and its share volatility relative to the club’s on-field performance (Ramzi, Frédéric, & Waël, 2011).

In an earlier study, Nauright and Phillips (1996) focused on the Australian sport market and the historic notion that fans were a sporting franchise’s true owners. In their research, they concluded that “fans have the mistaken belief that they own the team, but in fact the owners do” (p. 44). The committed fan was, in the eyes of the franchise, a customer of the products that the franchise owned and sold. Garcia and Wellford (2015) supported this view asserting that teams’ supporters have become 'basic customers' of the club: they buy their memberships, purchase the merchandise and attend/watch matches. Further supporting the view of a widening divide between fan and ownership, Nauright and Phillips (1996) cited the willingness (of owners) of American sport franchises to move cities, with the incentive of a better commercial deal; at the direct expense of the local fan.

## Member Ownership

For the purposes of this research, it has been essential to differentiate between private ownership and member ownership; accepting that from an accounting perspective these are presented on an organisation's balance sheet as one and the same. By addressing the notion of mixed ownership in sport, this study differentiates the types of ownership between those that hold a shareholding in an organisation for financial 'for-profit' purposes (private ownership) and those that hold the corresponding 'shareholding' in a not-for-profit organisation as members.

By way of example, the South Sydney Rabbitohs, the oldest rugby league football club playing in Australia's NRL, was founded in 1908 by a group of supporters (NRL, 2017). For the better part of a century the club was owned by its financial footy members, with a not-for-profit constitution built on servicing the needs of its members and 'winning footy games' (NRL, 2017). In 2014, however, the South Sydney Rabbitohs presented as a subsidiary company, 75% owned by Blackcourt League Investments (which in turn is 50% owned by the actor Russell Crowe and 50% owned by James Packer's Consolidated Press Holdings); the other 25% is owned by the financial members of the club (Rabbitohs, 2014).

Whilst still wanting to 'win footy games', the South Sydney Rabbitohs in 2014 was a limited liability company that was majority owned by Private Investors to the standards expected of a commercial 'for-profit' enterprise. Gone was the incorporated society that protected the Rabbitohs on behalf of all its members and the game of rugby league in South Sydney. Instead, private investment exists, playing the role of shareholder and owner.

As with New Zealand Super Rugby, the above ownership structure is relatively unusual. Member ownership has been the foundation from which most sporting competitions, clubs and teams have advanced. In Australia and New Zealand, the professionalisation and commercialisation of sport has arisen from the groundwork laid by the amateur side of the game. Community clubs, be they the local lawn bowls or football club, are largely identifiable as being 'member owned'; they have a 'not-for-profit' constitution that guides governance to operate in the best interests of their members (Sport NZ, 2017).

From community club to the highest level of the game, sport is often viewed as being owned by its members. The IOC and FIFA, two of sports most recognised international governing entities, are member owned. The purpose of these two organisations is to protect and guide sport in the best interests of their 'not-for-profit' membership.

Almost all sporting bodies in New Zealand are member owned, operating as incorporated societies on behalf of their members (Ferkins et al., 2013), with no individual person or company having a shareholding that has a 'for-profit' motivation. Their 'not-for-profit' member ownership can be viewed as either the individual members that pay an annual membership to their sport club, or the association that consolidates individual and club membership in the form of a regional commission or deputation.

Ward et al., (2012) used the Exeter City Football Club as their case study on member ownership in professional sports. Their investigation provided insight into the evolution from member ownership to partial private ownership. For years the Exeter football club had endeavoured to live within its means and remain competitive and sustainable as a member owned club in the English football leagues. However, it was recognised that its governance, based on a volunteer part-time culture, inspiring though it has been, needed to change if the club wished to continue to move up the English football leagues.

The desire for 'on-field' success dictated that the club seek better players to satisfy the club's members demands; and better players meant the club needed new commercial revenues to balance the books. The irony being that the more successful the Exeter club became 'on field', the greater the commercial pressures evident for the club. In 2012, as a direct result of the club's increasing commercial needs, the club agreed to sell up to 49% to a Private Investor, with members still maintaining the majority (51%) share.

The Exeter case study, incorporating interviews with board members and external stakeholders, highlighted the following positives of members owning the club: it promoted democracy, it kept the club linked to the community, and empowered fans and created mutual empathy. The negatives were the overly bureaucratic and slow decision-making processes, further highlighted by the conflict between the 'members' on-field ambitions for the club and the commercial realities of running a club (Ward et al., 2012). In another study, Hamil et al., (2010) examined the model of governance at FC Barcelona (European football). These authors described the conflicts that exist for stakeholders when balancing the corporate and social demands of a sports ownership. The FC Barcelona club present themselves as member owned (termed 'socio's), whereby the members are required to pay an annual fee that gives them the right to elect members to the FC Barcelona board. Membership is literally a closed shop to those limited members that pay their annual fee. For a truly global business (valued by Forbes at US$3.6 billion in 2016), FC Barcelona have surprisingly excluded private 'for financial gain' investors as a means of growing the club and stayed with the not-for-profit member as the owner of the club (Hamil et al., 2010).

FC Barcelona's four key strategic objectives illustrate the members (socio's) influence on the Spanish club and their understanding that commercial imperatives are not the only things driving the club's future. These four strategic objectives were described by Hamil et al. (2010), as:

1. the prioritisation of sporting success,
2. the re-assertion of member democracy and improvements in the transparency of club governance,
3. the implementation of a commercial strategy designed to generate increased revenues,

4. the development of an innovative series of corporate social responsibility initiatives.

Hamil et al. (2010) commented that “the commercial strategy [for FC Barcelona] was finely balanced with maintaining the traditions of FC Barcelona, such as member democracy and corporate social responsibility, while at the same time achieving sporting success” (p. 498).

Whilst being associated with private ownership, the United States professional leagues do contain one hybrid example of member ownership. The Green Bay Packers are currently the only wholly, publicly owned franchise among all the four major sports (football, basketball, hockey and baseball) in America (Chen & Khadka, 2013). The Packers operate as a non-profit corporation that has been publicly owned since 1923. Since that time, the franchise has raised capital by selling shares of stock in five different stock offerings, and there are currently over 330,000 individual members of the Green Bay region who are shareholders of the Packers’ franchise. These shareholders are the joint owners of a sport’s franchise that had a 2017 value of US$2.35 billion (Forbes – Green Bay, 2017). Interestingly many team sports across the United States look to the Green Bay Packers as an oasis of stability in an ever-changing sports landscape. “If there is one certainty in the business of American sports, it is that the small metropolitan area of Green Bay, Wisconsin will never face the prospect of losing its beloved football team” (Fallone, 2014, p. 17). The reason is simple: the local community owns the team and has no desire to see their team move elsewhere.

## The Concept of Mixed Ownership in Sport

The ‘mixed ownership model’, representing a fusion of member and private ownership, is an emerging phenomenon and one only now becoming visible in sport ownership and governance within certain sports and countries (Karg & Ingley, 2020). Whereas, the member ownership model has long been the foundation of sport in New Zealand, Australia and some European sporting systems, it is the private ownership model that is becoming increasingly evident in these same markets (Karg & Ingley, 2020). This is particularly the case for the New Zealand context, due to the size and relative strengths of the New Zealand market and the ability of existing ‘member-owners’ of sport to generate new capital for investment (Leberman, Collins & Trenberth, 2012). To successfully compete on the international stage and more specifically in the player labour market, smaller countries such as Australia and New Zealand have demonstrated the need to consider and shape the role of private equity within NSO ownership (Karg & Ingley, 2020).

Gammelsaeter and Jakobsen’s (2008) study on Norwegian professional soccer, evidenced Norway’s top football clubs as not being permitted to organise as pure public limited companies. As previously described, the top clubs have since developed contractual relationships with ‘private equity’ corporates to attract commercial investment, thus forming in their own way a mixed governance and ownership structure. Within eight years and by 2000, 12 of the 14 clubs in the Norwegian topflight of football had established a dual governance structure. More specifically, Gammelsaeter and Jakobsen (2008) examined the LSK football club in Norway who in 1997 set up an organisation that was 50.1% owned by the sport club (members), with the remainder distributed among a large number of Private Investors (largest 15%). To compete in the big European leagues and player markets, LSK swapped ownership for external resources; introducing to the club a new owner, one with more than 'on-field' performances as measures of success.

In an early agreement with the Norwegian Football League rules, the LSK's executive management agreed to be club based and its Private Investors were to be kept at arm's length. However, over a short period of time, when faced with poor performance both on and off the field; tensions built between the club's members and the Private Investors. The 50.1% club membership wanted more capital (for player investments and therefore 'on-field' results), whilst the 49.9% Private Investors targeted cost cutting as a means to preventing 'off-field' losses. In 2003 the LSK plc that was formed in 1997 failed, and the plc was taken over by a local businessman. In a later interview he asserted that the original dual governance structure complicated decision making, with too many people needing to be consulted when a decision was about to be made (Gammelsaeter & Jakobsen, 2008).

Findings from Gammelsaeter and Jakobsen's (2008) study highlights the conflicting expectations of shareholders in a mixed ownership model; in the face of losses the private owner was saying "cut player costs", but the member (and fan) was saying "invest more money in players" (Gammelsaeter & Jakobsen, 2008, p. 17). The LSK case further illustrates the economic versus emotional response to sport investment of the ownership types. Gammelsaeter and Jakobsen (2008) offer a salient point to conclude in noting that the incoherencies "can be curbed or magnified depending on the ability of the actors to moderate and align motives, values and meanings" (p. 21), implying the type of people fronting the respective ownerships can and do make a difference to managing tensions and performance. Whilst there are other examples of hybrid ownership structures, whereby private and member equity is combined around the ownership and governance table; they remain a rarity in the world of professional sport (Karg & Ingley, 2020). This further demonstrates the validity of studying New Zealand Rugby's mixed ownership model for Super Rugby.

## Sport Governance

As explained within the scope, the present study distinguishes the ownership of sport from the governance of sport, specifically organisational governance (Ferkins & Shilbury, 2015). It is acknowledged that ownership is intrinsically linked to governance, as traditionally ownership appoints an organisation's board (the governing entity) and more often in sport, the governing board has traditionally been linked to a representation (delegation) of the ownership. However 'to own' is not always ‘to govern’, and there are many examples in the business world and more specifically the corporate share market, where the ownership (shareholders) have no ability to govern, with the shareholding merely a means for companies to raise share capital and distribute revenues. The best example of this in the sport sector is the previously described Green Bay Packers, whereby no shareholder (owner) has a position on the Board or executive, with governance being completely separate to ownership (Chen & Khadka, 2013).

Nonetheless, a discussion of the meanings and definitions associated with sport governance as well as theory used to explain the governance phenomenon is also important scholarly context for the present study. Sport governance is 'an emerging field of inquiry’ and “to-date research in this domain has appropriately drawn on more mature bodies of knowledge from within the commercial, public and non-profit governance domain” (Shilbury et al., 2013, p. 350). Governance can be broadly defined as "the structure and process used by an organisation to develop its strategic goals and direction, monitor its performance against these goals and ensure that its Board acts in the best interests of its members" (Hoye & Cuskelly, 2007, p. 9). According to Shilbury et al., (2013) "To govern is to steer … and to make decisions that are consequential, strategic, and impactful, usually on behalf of others" (p. 1). Rosenau (1995) argued that governance is the process where a single organisation, and/or a network of organisations, steers and allocates resources, as well as exercising co-ordination and control.

In a study of New Zealand Football that considered how boards could develop their strategic capability, Ferkins, Shilbury & MacDonald (2009) maintained that:

> a highly focussed board is detached and beholden to no one particular faction; has an overview that covers all areas of the business; determines long term goals and provides the roadmap; has the ability to determine the strategic focus and able to facilitate the execution (as distinct from the doing); monitors; and knows where the line is between setting policy and executing it. (pp. 255-256).

This Ferkins et al., (2009) study, which was essentially about the board’s role in designing strategy, drew from the work of McNulty and Pettigrew (1999) who distinguished between the board's strategic role as 'taking decisions' and 'making decisions'. The authors surmised that there were three levels of board member involvement in strategy: 'Taking Strategic Decisions', 'Shaping Strategic Decisions' and 'Shaping the content, context and conduct of Strategy'.

In a study by Doherty and Carron (2003) on the cohesion in volunteer sport executive committees, they demonstrated that performing governance is not limited to an ability to make strategic decisions but was also influenced by “perceptions of cohesion, individual satisfaction, effort, intent to quit, committee effectiveness, and a variety of individual (gender, committee role, tenure) and organizational (committee size, gender composition, frequency and length of meetings) variables” (pp. 116). This indicates that having the right balance of people around the board table improves the performance of sport governance.

Whilst national sport organisations (e.g., New Zealand Football, New Zealand Rugby) are not-for-profit associations in Australia and New Zealand, at the same time they have increasingly taken on ‘corporate’ like characteristics in their approach to governance due to increasing commercialisation (Chappelet & Mrkonjik, 2013). They therefore tend to embrace both democratic governance and corporate governance. In recognising this tension, Chappelet and Mrkonjik (2013) defined seven basic indicators for better governance in International Sport as:

- Organisational transparency
- Reporting transparency
- Stakeholders’ representation
- Democratic process
- Control mechanisms
- Sport integrity
- Solidarity.

These seven indicators provide a useful reference point when considering commercial involvement in sport ownership and its impact on governance.

Scholars have recognised that one of the main consequences of commercialism of sport has been the “increasing professionalisation of those who have been or are involved in managing sports organisations" (Robinson, 2008, p. 313). The challenge for sport is to understand and define the board's governing role in light of dynamic environmental changes in the professionalisation of sport; for example, paid staff, player payments and business-like approaches (Hoye & Cuskelly, 2007).

A more recent example of this phenomenon is the work of Dimitrpolous (2014) who undertook a study of European Football clubs and the relationship between corporate governance and football club debt. This research linked efficient corporate governance mechanisms such as increased board size and board independence and a more dispersed ownership with a reduction in the level of leverage and debt, thus reducing the risk of financial instability for clubs.

Research from Buchholz and Lopatta (2017) examined how investors in football clubs used their salience (influence) over economic and sporting decisions at a governance level. The results, when one might expect economic investors to prioritise economic performance over sporting performance, showed economic investors supported the higher risk sporting outcomes over lower risk ‘financial returns’. This study further highlights the challenge for sport to define the role of investor (no matter perceived type) to ensure good corporate governance is independent and strategic in purpose.

There are also many pertinent theoretical perspectives in use within sport governance related research, namely agency theory (Hoye, Smith, Westerbeek, Stewart & Nicholson, 2006), stewardship theory (Ferkins & Shilbury, 2014), institutional theory (O'Boyle, 2012), resource dependence theory (Dickson et al., 2005), and stakeholder theory (Ferkins & Shilbury, 2015). Each in their own manner helps to define the relationship between ownership and governance.

Agency theory creates a view that the primary role of the board is to monitor and control senior management (O'Boyle, 2012). Stewardship theory on the other hand, offers a contrasting view whereby the views of the board (governance) and management (CEO) are aligned, resulting in a partnership approach to the organisation's success (Ferkins & Shilbury, 2014). Resource Dependence theory, something highly evident in the New Zealand and Australia sporting landscape (Meiklejohn et. al., 2015), promotes the existence of external factors that influence the behaviour of governance and management. Indeed, the New Zealand sport governance landscape is a curious collection of public (central and local government), non-profit, and commercial organisations charged with delivering sport or providing services and products to sport organisations" (Ferkins et. al., 2013, p. 244). However, despite the global trend toward the commercialisation of sport (evidenced by the payment of athletes and private equity in sport ownership), the New Zealand sport governance landscape is still dominated by public and non-for-profit organisations (Hoye & Doherty, 2011).

Many NSO boards in New Zealand (and Australia) now have a 'hybrid' composition of elected members and independent directors (Ferkins et. al., 2013), reflecting the awareness by historic sporting bodies of the challenge of managing the resource demanding professional arm of their sport with the community side of the game. New Zealand has historically shown a willingness to adapt the historical and traditional sport governance entities for a governance design that meets the current commercial challenges evident in 21st century sport (Ferkins at al., 2013). Underlying this change (amateur to professional) is arguably a culture of increasing accountability, along with the need to compete in the entertainment market.

## Sport Leagues in Australia and New Zealand

The mixed ownership model (adopted by NZR for its five Super Rugby entities) presents as an emerging phenomenon in sport ownership. In order to better understand this mixed ownership design, it is appropriate to provide some context by way of researching the ownership models of sporting franchises/organisations of professional sport leagues in Australia and New Zealand. What evidence is there of other sporting organisations in Australia and New Zealand managing ownership in the face of the increasing commercialisation of their sport? What can we learn from these sports and why did NZR take this seemingly innovative move to combine private and member equity within the one Super Rugby entity?

This section provides a practical (contextual) overview of the professional sport market in Australia and New Zealand, along with a more detailed summary of NZR's Super Rugby mixed ownership decision and model. The ownership and governance models in Australia and New Zealand sport are potentially a varied statement from an industry still understanding the challenges and opportunities of the increasing commercialisation of sport. The variability highlights the desire to balance the historic needs of members, as defined by the sports' fans and participants, with the commercial demands of running a 21st century corporation (Ferkins et. al., 2013).

Ownership and governance models in Australia and New Zealand professional sport leagues:

a) AFL (Australian Rules Football)

The Australian Football League (AFL) was founded as the Victorian Football League in 1877, and today comprises 18 teams spread across Australia. The official governing body of the AFL is the AFL Commission, which is responsible for the administration of the competition, with its constitution proclaiming it as the 'keeper of the code'. There are eight commissioners that comprise the AFL governing Board, with each commissioner being nominated and elected by the 18 clubs. Under the current constitution member clubs have the power to veto commission decisions with a two thirds vote (AFL, 2018).

All AFL clubs, except for two Western Australia clubs (the West Coast Eagles and Freemantle Dockers), are not-for-profit member owned, with the membership having the right to elect the club's governance. The Eagles and Dockers are owned by the West Australia Football Commission which is also a not-for-profit entity.

The AFL is strongly opposed to private ownership of its clubs, having entertained the notion in the late 1980s and early 1990s with failed private ownership of the Sydney Swans and the Brisbane Bears (Footy Industry, 2017). In 1985 the Sydney Swans was initially sold to Geoffrey Edelston for A$6.3 million, taken over by the member owned VFL (Victorian Football League) in 1986, sold to a private consortium in 1988, and eventually taken over permanently by the AFL in 1993. The Brisbane Bears was sold to private ownership in 1986 and after being purchased again by private ownership in 1990, the Bears eventually returned to AFL control, through a merger with the member owned Fitzroy Football Club, thus ensuring the Bears remained entirely member controlled (Footy Industry, 2017).

With average 2015 attendances in excess of 35,000, 18 healthy AFL football clubs, and a six-year (2017) broadcast deal of A$2.5 billion; the AFL is arguably the most commercially strong league in Australia and New Zealand.

b) NRL (National Rugby League)

Whereas the origins of the AFL were Melbourne, the origins of the National Rugby League (NRL) is the Sydney rugby league club competition dating back to 1908. Today the NRL comprises 16 teams spread across Australia and New Zealand. The Australian Rugby League (ARL) Commission is the official governing body of rugby league and was restructured in 2012 to take control of all aspects of the game in Australia. All 16 NRL clubs are members of the ARL governing Board, along with the NSW Rugby League and Queensland Rugby League organisations. Commissioners are elected at the Annual General meetings, with clubs having the power to remove a commissioner (NRL, 2018). The ARL owns and administers the NRL competition.

The NRL have adopted a pragmatic approach to private ownership. Whilst it contains many traditional not-for-profit member clubs, it has over the years, also supported (not rejected) the idea of private ownership. Up until 1988 all the New South Wales Rugby League teams participating in the NRL were entirely member owned. The Canberra Raiders and Melbourne Storm were the first two privately owned clubs permitted into the NRL. Whilst the Canberra Raiders have since reverted to member ownership, there are currently six clubs with a majority share of private ownership in the NRL (Footy Industry, 2017):

- Manly-Warringah (87% private ownership)
- South Sydney (75% private ownership)
- Gold Coast (100% private ownership)
- Brisbane Bronco’s (100% private ownership)
- Melbourne Storm (100% private ownership)
- New Zealand Warriors (100% private ownership)

c) <u>A-League (Soccer/Football)</u>

The A-League was established in 2004 and in 2016 was contested by 10 teams; nine based in Australia and one in New Zealand. Football Federation Australia (FFA) is the governing body of the A-League and governs all football in Australia. Football in Australia operates a federated model of governance with the national governing body having nine state and territory member federations (Football Australia, 2018). Whilst the A-League is administered by the FFA, all 10 of the A-League clubs are privately owned, often with one dominant shareholding entity (Football Australia, 2018).

The A-League commenced in the 2005, with the first decade characterised by the financial instability of the privately-owned clubs within the competition. Numerous clubs having had to be propped up and bailed out by the game's governing body after their initial investors ‘pulled the plug’ (SMH, 2012). Three A-League clubs had fallen over in the first decade (New Zealand Knights, North Queensland Fury and Gold Coast United) due to financial difficulties, with another, the Brisbane Roar narrowly avoiding a similar fate, after concerns with their ownerships’ overseas finances (Football Ownership, 2015).

In 2017, the FFA and clubs commenced formal discussions on what ownership might look like in future years, with the FFA and clubs seeking a new commercially stronger relationship between parties.

d) ANBL (Basketball)

The Australian National Basketball League (ANBL) is the premier men's professional basketball league in Australia and New Zealand. It was founded in 1979 with nine teams and in 2017 was contested by seven Australian based sides and one from New Zealand. The ANBL is governed by an independent body (representing the eight league teams) after a de-merger from member owned Basketball Australia in 2013 (NBL, 2017).

All ANBL teams are privately owned, with the ANBL experiencing significant turbulence in its history due to the varying nature of team ownership and the sports' evident inability to generate a lucrative television deal for teams (NBL, 2017). In a single year (2008), the league lost teams from Brisbane, Melbourne, Sydney and Singapore.

e) Big Bash League (Cricket)

The Big Bash League (BBL) was established in 2011 and remains under the control of member owned Cricket Australia. Eight teams representing the six states of Australia participate in the BBL (Cricket & Big Bash, 2017). With an average 2015 attendance of 29,443, the competition ranks in the top 10 globally for average match attendance (Big Bash, 2016).

All eight team licences are issued by Cricket Australia and owned and managed by the member owned State Associations; meaning no room for private investment, akin to the AFL model. Early reports suggested that private ownership in each Big Bash team was a potential medium-term consideration by Cricket Australia, however given the early commercial success of the league the mood of Cricket Australia and the State Associations is towards retaining their exclusive member ownership. An acknowledgement that Cricket Australia had no desire to share the commercial success of the competition with Private Investors who had no stake in the delivery of the game at a grassroots level (Cricket & Big Bash, 2017).

According to the web article 'The big argument before the Big Bash' (Cricket & Big Bash, 2017) "… principally the [Big Bash] was geared at reversing troubling figures for children, who were deserting the game, and also at generating a second television property for [Cricket Australia]". The success of the IPL (India) with its Private Investor franchise ownership model, challenged Cricket Australia and its member cricket states to consider carefully balancing the notion of private ownership with retaining ownership by Australians, for Australians.

f) New Zealand NBL (Basketball)

The New Zealand National Basketball League (NZNBL) has long been associated with a mixture of private and member investment, with teams either completely privately owned and/or administered by their local member owned basketball association (NZNBL, 2018). A consistent presence in the domestic sports landscape in New Zealand since 1982, the semi-professional NZ NBL has endured its share of failed NBL franchises largely attributed to the competitions inability to attract consistent television revenues (NZ Basketball, 2014).

g) <u>New Zealand NFL (Football)</u>

The New Zealand National Football League (Premiership) has been in existence since 2004 and is a reincarnation of the old National Soccer League in existence since 1970 (NZ Football, 2018). The National Football League is run by New Zealand Football on behalf of its membership. Teams are generally member owned through the local association or club, also reflecting (similar to NZ basketball) the continued inability of the league to generate television and sponsorship revenues to attract Private Investor interest.

h) <u>New Zealand Cricket</u>

Domestic Cricket in New Zealand is governed by New Zealand Cricket with the support of the six Major Associations. The six teams playing in the domestic competitions (Twenty20, One Day and Four Day) are all member (Major Association) owned (NZ Cricket, 2018).

i) <u>Twenty20 Cricket</u>

Interestingly the Australian Big Bash model, with its exclusion of the Private Investor is an ownership model that few other cricket countries have followed internationally. In 2017, the professional cricket landscape was recognised as a combination of member owned franchises and private ownership:

- Australia: Big Bash – member owned teams
- India: Indian Premier League (IPL) – privately owned teams
- West Indies: Caribbean Premier League (CPL) – privately owned teams
- Bangladesh: Bangladesh Premier League (BPL) - privately owned teams
- England: T20 Blast - member owned teams
- New Zealand: SuperSmash – member owned teams
- South Africa: T20 Global League (TGL) - privately owned teams
- Pakistan: Pakistan Super League (PSL) - privately owned teams

j) <u>Netball (Australia and New Zealand)</u>

Launched in 2007, the ANZ Championship was the successor to the Commonwealth Bank Cup (Australia) and the National Bank Cup (New Zealand). Heralded as a breakthrough achievement for women’s sport in both countries the league enjoyed early success in attendances and television viewership (Netball, 2008). Until 2016 all clubs/teams were member owned, with either the netball zone (New Zealand) or state (Australia) having complete ownership of the ten teams.

In 2016, Netball New Zealand and Netball Australia announced the end of the ANZ Championship in favour of a return to separate national leagues in Australia and New Zealand. The 2017 New Zealand Premiership had five teams that were all member (netball zone) owned, with the sixth team (Northern Stars) being 100% owned by Netball New Zealand but operated as an 'arm's length' limited liability company (Netball New Zealand, 2018).

The 2017 Australian league added three new teams in New South Wales, Queensland and Victoria. Joining the five state (member) owned and operated teams were:

1. The Sunshine Coast Lighting: owned by the Melbourne Storm, a 100% privately owned NRL entity.
2. Magpies Netball: owned by the Collingwood Magpies, a member owned AFL entity.
3. Giants Netball: operated under a strategic alliance agreement between NSW Netball and AFL club Greater Western Sydney Giants.

k) Super Rugby in South Africa and Australia

In the 2016 (18 team) SANZAAR Super Rugby competition, six were from South Africa and member owned and operated by South Africa Rugby and its provinces. Australia Rugby was represented by five franchises, with four (Warratahs, Brumbies, Force and Reds) State (member) owned. The Melbourne Rebels, established in 2011, was initially privately owned, transferred back to the ownership of the member owned Victorian Rugby Union (VRU) in 2013, and subsequently reverted to private ownership in 2015 (Sanzarrugby, 2017).

Summary

NZR is not the only Australia or New Zealand sporting organisation to have considered the matter of private versus traditional membership ownership. As detailed above, some codes, such as the AFL and BBL have completely rejected the concept, whilst others have accepted it as a necessity if their sport is to remain relevant and successful in the commercial entertainment market that denotes 21st century sport. Few sports though have combined private and member ownership at the franchise / team level, and this makes the approach of NZR a valuable piece of research, as we seek to understand and shape future ownership and governance models.

## Rugby in New Zealand

This section describes Super Rugby in New Zealand and the change that has occurred over the past 20 years.

NZR (formerly the NZRU) is a not-for-profit incorporated society formed in 1982 and charged with fostering, developing, administering, promoting and representing the game of rugby in New Zealand (NZ Rugby, 2008). This involves community and provincial rugby, national competitions, Super Rugby and International teams. NZR is clearly mandated to govern both the professional and community sides of the game. The NZR Board governs on behalf of its 26 not-for-profit member provincial rugby unions. Each of the 26 Provincial Unions has a local governing role in overseeing the administration, promotion and development of all aspects of rugby within their geographic region.

New Zealand is recognised as the world's leading rugby nation in terms of its national team (All Blacks), its Super Rugby franchise teams, and domestic/provincial competitions (Ferkins et al., 2013). The All Blacks won the Rugby World Cup in 1987, 2011 and 2015 and have been consistently ranked the leading International side. By 2017, New Zealand teams had been Super Rugby Champions 14 times since the competition began in 1996.

As set out in Figure 1 below, supporting the All Blacks are the five teams that contest the SANZAAR administered Super Rugby competition. These teams are the Blues, Chiefs, Hurricanes, Crusaders and Highlanders, each representing a significant population and geographic region of New Zealand. In 2018, supporting the five Super Rugby entities were the 26 Provincial Unions that competed in the National Provincial Championship (NPC) which currently operates as a two-tier competition: the Mitre 10 Cup and the Heartland Championship. The Mitre 10 Cup competition, with paid athletes, comprises 14 Provincial Unions, split into two, seven team divisions: the Premiership and the Championship. The Heartland Championship is contested by 12 Provincial Unions, with the competition having distinctly amateur (no payment) playing attributes. At the heart of rugby in New Zealand is a strong community game supported by over 500 dedicated rugby clubs and a national high-profile secondary school system.

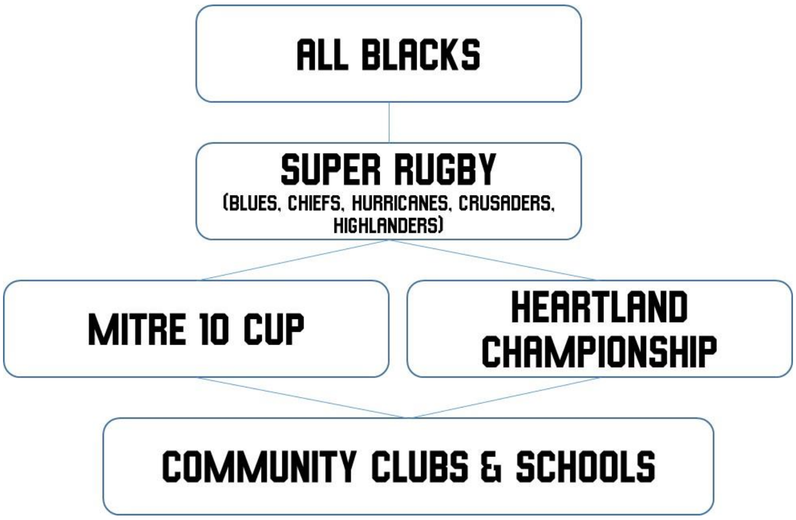


Figure 1: NZ Rugby Structure

Super Rugby

Super Rugby started in 1996 with teams from Australia (three), South Africa (four) and New Zealand (five). The New Zealand, Australian, and South African Rugby Unions governed Super Rugby jointly through an organisation known as SANZAR until 2015. Since 1996 Super Rugby has expanded under the administration of SANZAR to include additional teams from Australia (two), South Africa (two), Argentina (one) and Japan (one). In 2016 SANZAR's name was changed to SANZAAR after the inclusion of the Argentine Rugby Union as a full member of the organisation. From 1996 to 2016, New Zealand Super Rugby sides had won 14 of the 21 competition titles with the Crusaders being the most successful team with seven titles in a dominant era from 1998 to 2008 (Sanzarrugby, 2017).

In 2018, SANZAAR reduced its 18-team competition to 15 teams, with two sides from South Africa and one from Australia removed.

The five New Zealand Super Rugby teams are based in New Zealand's five major cities (Auckland, Hamilton, Wellington, Christchurch, and Dunedin). Until 2013, each of the 26 Provincial Unions in New Zealand was a shareholder in one of the five Super Rugby franchises, with their stakeholding being identifiable by the provinces' geography within a Super Rugby region. The Hurricanes by way of example was a collection of Provincial Unions, comprising four Mitre 10 Cup provinces (Wellington, Hawkes Bay, Manawatu and Taranaki) and five Heartland provinces (East Coast, Poverty Bay, Horowhenua-Kapiti, Wanganui and Wairarapa-Bush) (Meiklejohn et al., 2015).

Prior to 2013, one Provincial Union aligned to each Super Rugby entity was designated as the base union with the responsibility for the management of the entity on behalf of NZR. These base unions were as follows: Blues - Auckland, Chiefs - Waikato, Hurricanes - Wellington, Crusaders – Canterbury and Highlanders – Otago. The base union was determined as the overall Provincial Union with management responsibilities for the Super Rugby entity. The partner unions (or non-base unions), whilst being stakeholders in their local Super Rugby team, were not involved in its day-to-day running (Meiklejohn et al., 2015).

In describing the Provincial Unions as stakeholders in the Super Rugby teams, there is an acknowledgement that prior to 2013, the Provincial Unions were not the direct owners (or shareholders) of the New Zealand teams that played in the Super Rugby competition. In fact, the ownership of all five NZ Super Rugby entities was and remains today with NZR. The Provincial Unions simply held a licence to manage the operation of a Super Rugby team in the SANZAAR competition,

NZ Super Rugby Franchise Structure Review

In July 2008, NZR commissioned a discussion document titled 'Franchise Structure Review'. Within its analysis NZR concluded that the advantages of private ownership would be "the availability of new capital, both intellectual and monetary; and it would add an exciting new dimension to the operations of a Franchise in professional rugby" (NZ Rugby, 2008, p. 20). By December 2011 and through its "Invitation to Submit an Expression of Interest in a Licence to manage a Super Rugby Team" document (NZR Expression of Interest, 2011), NZR concluded that private investment was a necessary development for New Zealand Rugby, although it would be best served by limiting the role of private investment to minority shareholder.

This series of events culminated in a watershed moment in 2013 for sport in New Zealand. For the first time in the history of the game of rugby, NZR allowed for partial private ownership of the licences to manage its Super Rugby teams. The Super Rugby teams would continue to be owned by NZR, on behalf of its 26 Provincial Unions, but the licence to manage and market the team would now belong to a mix of Private Investor and Provincial Unions.

The licensee's responsibilities included management of the team both on-field and off-field, including the professional development of members of the squad, along with the marketing and promotion of matches. The licensee retained the match gate takings and team sponsorship income, but was equally responsible for paying administration staff and additional coaching and management staff, funding training facilities, match operations and marketing costs. NZR retained ownership of the brands associated with each team, continued to pay player and coach contracts from centralised broadcasting and sponsorship revenue and continued to pay all travel and accommodation costs associated with the regular season (Investec Super Rugby, 2017).

Super Rugby Entities (Franchises)

The mixed ownership models evident today for the New Zealand Super Rugby entities were a varied statement on behalf of the Provincial Unions to secure private investment, through the introduction of new capital. The invitation to submit an expression of interest in a Super Rugby licence as determined by NZR, did not specify what an ideal mixed ownership design would look like; instead Provincial Unions were left to create their own models for the introduction of private investment (NZ Rugby, 2008).

The primary motivation of NZR in seeking private capital into Super Rugby, as detailed in its Expression of Interest document, was the desire to de-risk the NZR balance sheet of their Super Rugby investment (NZ Rugby, 2008). The Super Rugby brands and team operations had since 1996 become significant financial entities, and with their size came an increasing risk associated with on and off-field performance. The reality being that when a Super Rugby team entity failed from a commercial perspective, it was NZR and the Provincial Unions that were left to manage the consequential damage. By seeking private investment in Super Rugby, NZR and Provincial Unions sought to de-risk their own balance sheets from the modern commercial risks in operating a Super Rugby team.

The five Super Rugby entities that participated in the SANZAAR administered Super Rugby competition were the Blues, Chiefs, Hurricanes, Crusaders and Highlanders. Each entity in response to NZR’s desire to de-risk its balance sheet through the introduction of private equity, would present a new ownership design that greatly varied in structure.

Blues

The licence to manage the Blues was (until 2018) held by a limited liability partnership that had a shareholding comprising 60% Provincial Union and 40% private equity. The 60% Provincial Union (member) ownership was held by an organisation called Rugby Holdings GP Limited, which was made up of 64.5% Auckland Rugby Union, 29.5% North Harbour Rugby Union and 6% Northland Rugby Union. The 40% private equity was represented by Bolton Equities, with the principal shareholder being Murray Bolton (Blues, 2013).

The Board of the Blues till 2018 was three Rugby Holdings Directors (representing the three Provincial Unions and their 60% shareholding) and three Bolton Equities Directors; meaning that the governance was a 50:50 split between Provincial Union (member) and Private Investor. An additional Independent Chair (non-voting) was established in the Board structure, as defined within the constitution of the Blues Super Rugby entity.

In 2018, NZR acquired the 40% ownership held by Bolton Equities (Newman, 2018). The 31 August 2018 media report speculated that the ownership structure at the Blues was ‘unsustainable’. This unsustainability was not publicly confirmed by NZR in subsequent interviews.

Chiefs

The licence to manage the Chiefs was held by a limited liability partnership called the Chiefs Rugby Club. It had a shareholding that was 50% Provincial Unions and 50% private investment. In 2013, the breakdown of shareholding was as follows (Chiefs, 2013):

Provincial Unions:

- Counties Manukau Rugby Football Union 11.55%
- Waikato Rugby Union 11.55%
- Bay of Plenty Rugby Union 11.55%
- Taranaki Rugby Football Union 11.55%
- Thames Valley Rugby Football Union 1.9%
- King Country Rugby Football Union 1.9%

Private Investors:

- Waikato Syndicate 24.93%
- Taranaki Syndicate 11.18%
- Private Investor 13.89%

Since 2013 some of the private shareholding has changed hands, with the departure of two Private Investors.

The seven-person Board of the Chiefs was noteworthy in that <u>no</u> Provincial Union is entitled to a position on the Board of the Chiefs, either as an individual or representing the collective of Provincial Unions. Instead all Provincial Union shareholders are entitled to nominate to an Independent Board selection panel their nominees for five board directorships, with any successful nominee needing to relinquish any official role they may have had with a Provincial Union prior to appointment. The remaining two board directorships are Private Investor appointed. The role of Board Chair is determined by the Directors, from one of their seven.

<u>Hurricanes</u>

The licence to manage the Hurricanes was held by Hurricanes' Investment Ltd Partnership, which is a 50:50 joint venture between the Wellington Rugby Union and a group of Private Investor syndicates. These Private Investors are Cohiba Traders represented on the 2017 Board by former Hurricanes chairperson, Paul Collins; ForsythMorison represented on the 2017 Board by former Hurricanes board member, Liz Dawson and Welnix, owners of the Wellington Phoenix represented on the 2017 Board by Gareth Morgan (Hurricanes, 2018).

Whilst the Hurricanes franchise historically has represented the East Coast, Poverty Bay, Hawke's Bay, Wanganui, Manawatu, Wairarapa-Bush, Taranaki, Horowhenua-Kapiti and Wellington regions; the licence to manage the Hurricanes was (following the restructure) principally only represented by the Wellington Rugby Union. The exception to this is that Horowhenua-Kapiti has a small 3% shareholding derived from the private equity of Cohiba Traders. The Hurricanes board is made up of three Wellington Rugby Union appointed Directors and the three Private Investor appointed Directors. An Independent Chair (with casting voting) is appointed by the Board.

<u>Crusaders</u>

The Provincial Unions and foundation members of the Crusaders have been Canterbury, West Coast, Tasman, Mid-Canterbury, Buller and South Canterbury. In 2012 these same Provincial Unions formed a limited liability company that managed the Crusaders operations and licence. This Provincial Union consortium owns 100% of the Crusaders NZR licence with no private investment evident nor sought in their 2012 ownership model. To achieve the NZR's goal of 'de-risking the balance sheet', the Crusaders were underwritten by West Coast coalmine owner Brent Francis to a value of NZ$1 million (Hurricanes & Crusaders, 2012).

The 2017 Board of the Crusaders was made up of two Canterbury Rugby Football Union representatives, two independents, one appointed by the consortium, and Brent Francis recognising his underwrite contribution. The role of Board Chair is determined by the Directors, from one of their number (Crusaders, 2018).

<u>Highlanders</u>

Whilst not included in this case study research, the ownership path the Highlanders have taken in Super Rugby offers useful context for the present study. The Highlanders' area consists of the region controlled by the North Otago, Otago and Southland Provincial Unions. The Highlanders were initially exempted from the NZR private investment process of 2012 because of their reported financial struggles. Between 2009 and 2011, NZR had to step in and cover the Highlanders' costs, and the loans were still being repaid to the national body in 2013 (Highlanders, 2013).

In November of 2015, the Highlanders became the last of the five NZ Super Rugby teams to announce they would be including private equity in their licence ownership. In 2017, the shareholders of the Highlanders were a Private Investor consortium of four individuals with 77% ownership, the three Provincial Unions (Otago, North Otago and Southland) with 13% and NZR with 10%. The Highlanders were also being underwritten by a guarantee from the Invercargill City Council in exchange for guaranteed Highlanders games in Invercargill. The Private Investor group was headed by Dunedin businessman Matthew Davey, Founder and CEO of ticketing agency Ticket Direct (Highlanders Ownership, 2015).

The Highlanders in 2017 had a seven-person board, including one independent, one from the three Provincial Unions and one from NZR, with the balance (four) from the Private Investor consortium. What is striking about the Highlanders ownership structure is that Private Investor has become the dominant shareholder with 77%. This is in complete contrast with their neighbouring Super Rugby entity (the Crusaders) which completely rejected private ownership of its Super Rugby licence, in favour of 100% Provincial Union control. It is also in contrast to NZR's initial views on private investment in their December 2011 document "Invitation to Submit an Expression of Interest in a Licence to manage a Super Rugby Team", in which NZR concluded that private investment would be best served by limiting the role of private investment to minority shareholder.

## Summary

Three generalised themes have been considered as part of an exploration of the literature (academic and industry) on the matter of mixed ownership in sport:

- Commercialisation of sport;
- Sport ownership; and
- Sport governance.

The first, the commercialisation of sport, acknowledges the evolution of sporting bodies, from amateur governance and management to professional structures with paid athletes. As sporting organisations have evolved and accepted the need to compete in a (player) labour driven market, sport has had to commercialise its offering to compete in the broader 'entertainment' market.

As sport has evolved, those governing the game have needed to consider what ownership looks like: do they embrace as key United States and European markets have done, the opportunity presented by outside (private) investment OR do they retain control through traditional or hybrid member ownership models? Any change in ownership likely has a consequential impact on the governance of the sporting organisation; an acknowledgment that those who own sport are rarely passive investors, instead using their ownership as validation for having a seat at the governance table.

As these three themes (commercialisation, ownership, and governance) provided the theoretical and contextual basis for the design of the present study on mixed ownership in sport, it was important that the environment in which NZR and Super Rugby operated, was explored. This includes the various sport leagues in Australia and New Zealand, to the background behind and subsequent structure of the NZR's mixed ownership Super Rugby model for its five franchise licence holders.

The present study investigates sport ownership from an investor's (private and member) perspective. What were their motivations for investment, and what can be learnt from their experiences in a mixed ownership model? This research contributes to the much wider topic of sport governance, by providing a view of the mixed ownership model in New Zealand's Super Rugby from the ownership (investors) perspective. How governance is defined and what good governance looks like is relevant to how ownership is perceived and what good ownership looks like. Potentially, through the lens of ownership, one can examine the sport governing function in response to ownership change.

Commercial pressures have created the potential for the two worlds of sport (amateur and professional) to collide, largely because amateur sport governance structures, cultures and personnel, were not originally designed to accommodate sport in the commercial 'for-profit' sense. This is further illustrated when the fusion of private and member interests around the ownership table is explored and how matters of investor economics conflict with matters of emotion.

## CHAPTER THREE: RESEARCH FRAMEWORK AND METHOD

### Research Paradigm

"Qualitative research involves broadly stated questions about human experiences and realities, studied through sustained contact with people in their natural environments, generating rich, descriptive data that helps us to understand their experiences and attitudes" (Dingwall, Murphy, Watson, Greatbach & Parker, 1998, p. 111). This approach to research is significantly influenced by the researcher's theoretical framework (Mertens, 2005). The theoretical framework (otherwise known as the research paradigm) influences the way our world is studied and understood.

A constructivist and interpretive research paradigm (Mertens, 2005) guides this research. These broad terms are used to capture a collection of related perspectives that stress the constructed and evolving nature of social reality. This contrasts the positivist notion that knowledge is objective and tangible. Instead, constructivism and interpretivism as a philosophy of research seeks to understand social reality through the eyes of those being studied (Edwards & Skinner, 2009). In determining this research paradigm, it was first necessary to review my role as researcher as characterised in the three principles of ontology, epistemology and methodology (Grant & Giddings, 2002). Ontology refers to the way as researcher, I view reality, epistemology refers to beliefs about the nature and origin of knowledge, and methodology refers to how I acquired this knowledge (Grant & Giddings, 2002). In exploring this research question, my natural view of the world is informed by way of natural curiosity about the influences that guide people's decisions. Why have these investors engaged in such an ownership model, why have they come together and how does this support my own definition of 'reality'? Epistemologically, I align with the value of stories as a source of knowledge. What stories are available and what meaning can I take from them? Finally, what methodology have I employed to validate this knowledge (Edwards, Skinner, & Corbett, 2015)?

I considered that the constructivist and interpretive paradigm is the most appropriate framework for this research, as it allowed me to focus on the perspectives of the individual 'shareholders' (investors) within a case context, as a means of reflecting on the research issue of mixed ownership in sport. As a researcher, I see myself 'within the circle' (Grant & Giddings, 2002), with an epistemological view of someone co-creating and sharing knowledge. I acknowledge this research is subjective, as I attempt to describe, interpret and share knowledge of the research phenomenon.

### Specifying the Phenomenon

Within the constructivist and interpretative paradigm is the field of phenomenology which seeks to describe and understand individuals' lived experience of a phenomenon (Polit & Beck, 2004). Phenomenology is derived from the basic principles of symbolic interactionism (Ritzer, 1996) in that human behaviour is a response to events and situations. Through a detailed description gained by observing experience, the researcher is able to formulate interpretations.

According to Van Manen (1997) "the aim of phenomenology is to transform lived experience into a textual expression of its essence" (p. 36). Van Manen contents that phenomenology is both a descriptive and interpretive methodology "because it claims that there are no such things as uninterpreted phenomena" (p. 180). In this research I have not set aside biases and assumptions. Instead I see them as essential to the interpretive process and have made every attempt to be transparent in showing such interpretations.

Van Manen spoke of a 'tradition' or set of ground rules that underpin the basis of research enquiry, ensuring that we maintain structure without the need of fixed signposts to guide us from method to method. The six steps outlined by Van Manen and employed in this research are summarised as:

1. Turning to a phenomenon which seriously interests us and converts us to the world;
2. Investigating experience as we live it rather than as we conceptualise it;
3. Reflecting on the essential themes which characterise the phenomenon;
4. Describing the phenomenon through the art of writing and rewriting;
5. Maintaining a strong relationship to the phenomenon;
6. Balancing the research context by considering parts and the whole.

By telling the story of the Super Rugby Investor, I had that unique opportunity to describe and interpret the world of sport ownership through the eyes of a key participant, set within the context of New Zealand Super Rugby. The investor's story was best told by letting the interview process naturally flow, rather than over prescribing the structure and pathway for this key data capture method. By following Van Manen's six steps, I endeavoured to capture the essence of the investors lived experience, by being sufficiently flexible in all phases of data collection, analysis and interpretation.

In drawing on the principles of a phenomenological approach to this research (rather than full embracing a phenomenological study), I sought to honour the notion that by analysing 'human experience' or 'lived experience', we can gain a rich and colourful understanding of the world: one that is not bound by convention or rules, one that 'simply is'.

As this research sought to understand the perceptions and thinking of the Investors in Super Rugby, the selection of phenomenological methodology led to the choice of a case study approach to research design (Yin, 2014).

## Case Study Approach

According to Yin (2014) the case study approach provides a more holistic approach to the investigation of a phenomenon within a real-life context. Case studies do not present as one-dimensional data collection instruments, instead their aim is to provide a deeper understanding and insight into the phenomenon being researched (Creswell, 2014).

Albeit somewhat dated, Eisenhardt's (1989) description of the process for building theory and insights from case study research remains highly relevant today (Skinner et al., 2015). She offered eight steps which were adopted as an outline for the present study:

1. The research question was defined which focused effort and provided an initial understanding of constructs.
2. The case participants were selected via purposeful sampling, enabling my enquiry to represent supportive and/or differing perspectives.
3. Multiple data collection methods were used (primarily interviews and the review of literature and documents), strengthening my ability to triangulate the data.
4. A detailed journal (audit trail) was maintained, ensuring sufficient research rigour, but also allowing ease of analysis in developing research themes.
5. The data was analysed within each sub-unit and significantly across sub-units, ensuring evidence was gained through the use of multiple lenses.
6. The themes and hypotheses were shaped, based upon the data gathered and the data was compared with similar and conflicting literature.
7. Themes were presented, by way of findings and discussion.

In conducting this case study, the focus of the research was on the research question, not 'on the case itself'. Creswell (2014) describes this as an instrumental case study, in that I used the case as a method of illustrating the research issue of mixed ownership in sport. Thus, I have not made the investors (participants) the research focus, the research focus is the research issue.

The type of case study adopted for this research was a single case study approach with embedded units (Yin, 2014) where I carefully illustrate the contextual influences of the phenomenon under investigation (Merriam, 1998) (see final section of Chapter Two). This reflects the variation in how each of the participant organisations (Super Rugby entities/sub-units) have been structured from an ownership and governance perspective. The use of a single case with embedded units produces more compelling evidence than might be possible in a single organisation case and provided the opportunity to analyse data within and across the sub-units/Super Rugby entities (Baxter & Jack, 2008; Creswell, 2014).

The boundary of the single case was New Zealand Super Rugby, which was supported by four embedded regional sub-units/Super Rugby entities: the Blues; the Chiefs; the Hurricanes; and the

Crusaders. Each entity has a distinctive approach to how their ownership and governance model was structured (refer final section of Chapter Two). The choice of multiple Super Rugby entities enabled analysis of the varying perspectives of investors and the range of investment. The Highlanders Super Rugby entity was omitted from the case study, as at the time of this study, its ownership rested exclusively with NZR and could not therefore claim mixed ownership status. It was not until after the time of this study that the Highlanders adopted a mixed ownership model.

## Selection of Participants (Investors)

As guided by the research question, the research participants in this study were the investors in the Super Rugby entities, based on their specific shareholding in the Super Rugby entities. Alongside the case study context (i.e., New Zealand Super Rugby), the ownership model of each Super Rugby entity/sub-unit can be found in Chapter Two. In general terms, each Super Rugby entity has a shareholding with a mixture of private and member (Provincial Union) investors. The exception being the Crusaders, who are 100% member owned, however, were supported by a private underwrite.

In selecting the investors (both private and member) for this study, the investor had to have real life experience of the phenomenon being studied (Creswell, 2014); that being Super Rugby ownership in New Zealand. It was equally important that the investor was not simply a 'faceless corporate' but was represented by an individual that could speak to the phenomenon, articulating the qualitative experiences of their investment decision. Each Super Rugby entity had anywhere between four and thirty shareholders, either represented as a specific shareholding in the entity, or within the shareholding of a holding company, that managed the collective Private Investor shareholding or the collective member shareholding in the entity.

The choice to target specific investors was driven by a number of factors. The two dominant criteria were the nature of investment, private versus member, and the level (percentage) of shareholding the investor had in the Super Rugby entity. A material stake in the shareholding of the Super Rugby entity was sought, which afforded the investor with an increased profile along with a greater demand for accountability of the entity's performance. Other factors considered were accessibility to the investors, how long they had been a shareholder and the degree to which they had been involved at the formation of the Super Rugby entity. In each instance, participant selection was based on the criteria of substantial involvement.

## Data Collection and Analysis

This study used participant interviews and document analysis as the two data collection methods. Seven 60-minute, face-to-face interviews were conducted with the participants over a period of two months.

Following this, the interviews were transcribed and analysed, whereby themes were identified for further consideration. Interviews for this study were of a conversational nature, with open ended questions in order to guide, but not direct participant responses. It was important that this open dialogue maintained a focus on the participant (Smith, 1998) and the participant's lived experiences as an investor in their Super Rugby entity.

### Interviews

Each interview was recorded and transcribed, with the interviews being done in a chronological order, beginning with the investor's involvement in the Super Rugby entity; followed by their motivations and experiences from their investment. It concluded with how they saw their ownership in five years' time and what changes could be promoted. Interviews were undertaken with one private and one member (Provincial Union) investor from the Blues, Chiefs and Hurricanes Super Rugby entities. As there was no private ownership of the Crusaders Super Rugby entity, just the one interview was conducted with a Provincial Union. As noted above a total of seven interviews were undertaken.

### Document Analysis

The secondary data collection method used was document analysis. Reviewing documents on NZR's decision to allow private investment in Super Rugby, provided an understanding of the obligations and benefits that NZR expected from the Private Investor and Provincial Union. In addition to reviewing NZR documents, a review of the 'expression of interest' from the Super Rugby entity to NZR was sought, thereby providing additional knowledge on how the mixed ownership framework was expected to operate.

The third piece of document analysis was an examination of the media surrounding the decisions of both NZR, Provincial Unions and Private Investors. The role of media in this research cannot be understated and often contains specific incisive commentary on the performance of both ownership and governance.

These documents are discussed in Chapters Two and Four, as the nature of the mixed ownership models evident in New Zealand Super Rugby is explored. In Chapter Five 'Findings' these documents are used to better understand the thoughts and perceptions of the investors. The documents provide a less emotive and more descriptive background to the investor interviews.

### Data Analysis

Each interview with the selected investors were transcribed and analysed. As the interviewer, I sought emerging themes on sport ownership, in the data collected, for further reflection and as well as preparation for subsequent interviews. Arminio and Hultgren (2002) describe thematic analysis as an "unloosening that occurs only as the researcher spends a great deal of time seeking to understand the text" (p. 456). Van Manen (1997) suggests three methods for thematic analysis. These are the detailed reading approach, the selective or highlighting approach and the holistic reading approach. In the detailed reading approach Van Manen suggests the researcher looks at each sentence in the transcript whilst asking "what does this sentence, or sentence cluster, reveal about the phenomenon?" (p. 93). The highlighting approach simply asks us to consider which statements are most revealing about the phenomenon. In the third approach, Van Manen suggests looking at the text as a whole and asking which notable phrases capture the fundamental meaning of the text. All three of these approaches were used during the data analysis phase of this research.

Thomas and Pollio (2002) maintain that an important part of the research process should shift back to the participant. As the researcher I often gave the interviewee (investor) an opportunity to consolidate thinking by simply asking 'Is this an accurate summary?' thereby reinforcing the emerging themes by essentially asking "how do my descriptive results compare with your experiences" (Polkinghorne, 1983, p. 53). The transparency sought by this process was designed to help create a sense of 'ownership' in the research findings for the participants.

## Rigour

In establishing a case for the trustworthiness and credibility of the research undertaken, Liamputtong and Ezzy (2005) point out that "the ultimate test of a study's worth is that the findings ring true to people and let them see things in new ways" (p. 32). To achieve this, I have selected two means by which rigour can be shown within my research. They are auditability and triangulation (Ballinger, 2006; Giddings & Grant, 2009; Koch, 1994; Liamputtong & Ezzy, 2005).

According to Liamputtong and Ezzy (2005) "Qualitative research reports should provide an explicit account of how the research was conducted by the researcher" (p. 39). Maintaining an audit trail will allow others to assess the trustworthiness of the study by establishing to the reader the events, influences and actions of the researcher (Koch, 1994). As justification for the trustworthiness of my case study research, an audit trail was maintained that provided evidence of significant decisions, events and actions (Edwards & Skinner, 2009).

Specifically, the audit trail recorded:

a) The nature of sport ownership models in New Zealand and the details of NZR's licence model for Super Rugby;
b) The selection of investors in the Blues, Chiefs, Hurricanes and Crusaders as the participants purposely selected for this research study, along with the details to the ownership structure at each of these Super Rugby entities;
c) The provision of all transcripts from the investor interviews;
d) A register of all documents sourced in data collection;

e) A full description of the relationship between the researcher and the participants; including a description of the process used by the researcher to draw interpretation and conclusions in the data collection and analysis process;
f) A register of all peer review; and
g) An overview of the ethical, cultural or political considerations that may have influenced my research.

Maintaining this audit trail was achieved through the provision of a supplementary reflective document which addressed or referenced the above decisions, events or actions. My objective as researcher, was to provide adequate documentation so that "naïve researchers can replicate a study under roughly similar circumstances as the original" (Edwards & Skinner, 2009, p. 71). The audit trail document ensured that I have provided a full description of the data gathering and analytical methods, such that others can copy. This replicability, however, will not necessarily apply to my study's findings, as factors such as the nature of the relationship between myself as the researcher and the participants, my inherent beliefs and the prevailing political climate will influence findings irrespective of the data collection and analysis processes followed.

The triangulation of various research methods will also provide my qualitative research study with additional rigour. The two key research methods utilised for data collection and analysis were participant interviews coupled with document analysis. Giddings and Grant (2009) maintain "triangulation allows the research to develop a complex picture of the phenomenon being studied, which might otherwise be unavailable if only one method was utilized" (p. 41). By comparing the evidence presented through participant interviews with organisation documents, I not only had a richer appreciation of the context of mixed ownership, but a validation of the evidence gained. Of the significant literature on the matter of rigour in qualitative research, perhaps it was Sandelowski (1993) who said it best: "trustworthiness becomes a matter of persuasion" (p. 2). Have I (the researcher) persuaded the reader of my research that what I have produced is reasoned and reasonable?

## Ethical Considerations

Ethics approval was granted by the AUT Ethics Committee on the 3rd November 2015.

In their guide to ethical conduct Tolich and Davidson (2011) center on five key principles which directed my research. They are: do not harm, voluntary participation, informed consent, honesty and confidentiality. Due to the sensitive nature of the information obtained in participant interviews, it was not only critical that I secured voluntary participation and informed consent, but that I also created an atmosphere that was built on trust between interviewee and interviewer.

Other salient ethical principles included a commitment to the principals of the Treaty of Waitangi (partnership, participation and protection) and that all information collected was kept secure, confidential and private as per the Privacy Act 1993 and the AUTEC requirements. An ethics committee application (AUT EA1 Application Form) was submitted and approved, which provides full details of ethical considerations in this research.

Once ethics approval was provided (received), NZR and four Super Rugby entities were formally invited to be part of this study. Approval was first required by NZR, then each of the Super Rugby entities (as represented by their CEO and Boards), before access could be granted to the Investors (private and member) in the Super Rugby entities.

Initial discussions with NZR indicated a strong willingness to support this project and assist in facilitating access to the selected Super Rugby entities. As part of this, NZR made initial contact with the Super Rugby entities to endorse the research topic, introduce the researcher and allow for researcher follow up thereafter. Ethics documents including an invitation and information sheet outlining the key factors considered in this study from the Super Rugby investors perspective were supplied by the researcher to NZR and Super Rugby entities for distribution to the Super Rugby investors. These documents referenced how the parties would be kept informed throughout the research process and what their involvement would be. Paramount in this study however, was the consideration afforded to the participants on matters of consent and confidentiality. It was also important that the investors considered their involvement to be voluntary and not as a consequence of an NZR directive.

A copy of the Consent Form and Information Sheet provided to NZR, Super Rugby entities and Super Rugby investors can be found attached as Appendix A.

## Limitations

The sample size (seven investors: four Provincial Unions and three Private Investors) means that full transferability across all Super Rugby entities and investors may not be achievable. However, what was evident in the investors selected within this sample, is that they represent some larger investors in the entities. Larger investors with a larger stakeholding also offered a more engaged group of participants from which to collect data.

Other limitations evident in this thesis are that the views of financial investors have been prioritised and not the wider group that presents itself as ‘investor’/stakeholder in Super Rugby’s mixed ownership model; for example, NZR, media, athletes, and sponsors. Also omitted were the views of the wider governance and management group of the Super Rugby entities themselves.

The size of the thesis and relatively small number of participants also limited the diversity among those interviewed: all seven interviews were with men of similar age, ethnicity and economic backgrounds.

A larger study with a more diverse range of participants representing the investors of the four Super Rugby entities would add value and depth to this research topic; as would a wider cross section of those stakeholders in the Super Rugby entities beyond those with a financial interest.

## Summary

This chapter provides an understanding of the framework and the process under which this research was undertaken. Using a constructivist and interpretative paradigm, I have undertaken a qualitative case study approach to the phenomenon that is mixed ownership in sport. Methods of data collection and analysis have been outlined along with the appropriate tests for rigour and ethics.

# CHAPTER FOUR: FINDINGS

## Introduction

Having explored relevant literature on the ownership and governance of sporting organisations in Chapter Two, and subsequently providing context to and further exploration of, the ownership models within Australasian sport; this chapter presents the findings (document analysis and interviews) from the field work phase of the research.

This chapter has been broken into four sections:

- A review of the key NZR documents that led to the mixed ownership model that exists for New Zealand's Super Rugby entities (section Two);
- The motivations of the investors (Private and Provincial Union) in New Zealand Super Rugby entities (section Three); and
- The learnings from these same investors, Provincial Union (section Four) and Private Investor (section Five).

## New Zealand Rugby Documents

The NZR's motivation for bringing private equity into a governance and ownership model that 'on the surface' appeared to be operating successfully was revealed via two publicly available NZR documents:

- Franchise Structure Review Discussion Document (NZ Rugby, 2008); and
- NZRU seeks Expressions of Interest for Super Rugby Licences (NZR Expressions of Interest, 2011).

If we were to judge rugby in New Zealand solely on the five New Zealand teams' performance in the Super Rugby competitions, then unquestionably the sport was in good health leading into 2011. The New Zealand teams were winning significantly more Super Rugby titles than Australia and South Africa, the All Blacks were playing winning rugby and whilst live game attendance was decreasing; television and commercial revenues were increasing (NZR Expressions of Interest, 2011).

### Franchise Structure Review Discussion Document (2008)

The 2008 Franchise Structure Review Discussion document, whilst acknowledging the above 'good health' of rugby in New Zealand, identified three concerns to the existing Super Rugby model:

- The existing model distributes financial surpluses inequitably;
- The existing model provides on and off field advantages in the Air New Zealand Cup [NPC] for Host Provincial Unions; and

- The existing model may not be the best vehicle to compete in the current international player market.

Leading into 2008, the NZR had an annual investment in the five New Zealand Super Rugby entities (franchises) of approximately $10 million per annum; a significant percentage (approximately 20%) of their overall turnover. The NZR, within their discussion document also confirmed that the level of franchise profitability has fluctuated over the period 2004-2007, with the Highlanders noticeably having only made a profit in one of those years.

The NZR discussion document presented three key questions and commentary with the existing Super Rugby model, to interested stakeholders:

Issue One: What is the optimal structure, role and responsibilities of a Franchise that is licensed to manage a Super Rugby team in terms of:

- ownership;
- governance;
- management/operations; and
- scope of activities?

Issue Two: How should a Franchise be funded and what should its role, if any, be in making distributions to Provincial Unions?

Issue Three: How many Franchises should there be and where should they be based?

Under Issue One (The optimal structure, role and responsibilities of a Franchise that is licensed to manage a Super Rugby team), NZR offered an initial view on the future ownership of its Super Rugby entities (NZ Rugby, 2008); that being:

The current model has the NZRU as the sole shareholder of the corporate trustee. The main concerns raised in submissions about a continuation of such an ownership structure (or even just NZRU majority ownership) are that it:

- provides less scope for commercial innovation;
- provides a narrow range of activities for a Franchise to manage, i.e. only overseeing the coaching and management of the team and running matches; and
- constrains the availability of additional capital.

On the other hand, there is a significant advantage to the NZRU from retaining control of the activities of the Franchises, including the benefits to New Zealand Rugby of central contracting, the ability to oversee player workload and welfare, the benefits of standardised terms of employment, the ability to control the Franchises' crucial role in the development of a successful All Blacks team, the ability to control the integration of all levels of high performance throughout New Zealand rugby and the retention of a connection between professional rugby and the community game.

In its review document, NZR were clearly conflicted between retaining ownership for the benefit of its players, High Performance objectives and links to the community game; with the desire to enhance Super Rugby through new/external resources.

From a (member's) Provincial Union Ownership perspective, NZR offered the following commentary (NZ Rugby, 2008):

> The potential for shareholding by Provincial Unions has also been considered to ensure that they remain connected and committed to the success of the Franchise and also to ensure a connection between the professional and community game. The NZRU is conscious of the need to maintain a level of integration between these two aspects of the game particularly given the crucial role that the community game plays in producing talent for the professional game. For the reasons set out above however, it was considered that any Provincial Union shareholding should be on a minority shareholding basis.

Very early in its review, NZR had determined that the role of 'outsider' or private equity would be that of minority partner, thereby ensuring the historic 'owners' of the game (Provincial Unions and community rugby) would retain control.

Having presented private equity as a minority owner, NZR also shared its perspective of the role of private owner (private equity) in a restructure of the ownership and governance of its five Super Rugby entities (NZ Rugby, 2008):

> In terms of private ownership in the sense of an equity investment by a private equity firm, it was noted that normally the criteria for such investment requires a very significant internal rate of return, majority ownership, control is often essential, and the investment normally has a fixed life, often less than five years.

Private ownership by individuals, NZR would also argue, relied more on an emotional and altruistic aspect than the strict financial criteria of a private equity firm. NZR commented that "syndicated investments may well be a more appropriate track for investments in professional sport in New Zealand" (NZ Rugby, 2008), thereby suggesting that the 'emotive' private investor of Super Rugby was not a recommended path for its Provincial Unions to take.

Assuming that private ownership (in whatever form) was to take a shareholding, NZR argued that the advantages of this would be:

- the availability of new capital, both intellectual and monetary; and
- it would add an exciting new dimension to the operation of a Franchise in professional rugby.

NZR also noted "that any ability for a private/third party interest to gain an ownership stake in a Franchise carries some risk of distorting the market and that, if it were to be contemplated, it would need to be introduced on a tightly controlled basis, which may in itself mean any third party(s) would be less inclined to invest" (NZ Rugby, 2008). Through this message, NZR was reminding the Provincial Unions to be realistic in their expectations of a private equity partnership, as any partnership between Private Investor and Provincial Union would be highly regulated by NZR, and therefore less appealing to new partners.

NZR concluded its view of private ownership as "… the potential disadvantages of majority private ownership and in particular the loss of control by rugby, and the loss of the benefits referred to above that flow from NZRU ownership, mean that the NZRU does not favour private ownership" (NZ Rugby, 2008). In its 2008 document, NZR was clearly establishing a view that, whilst private equity was enticing, they were not prepared to hand over a valuable property such as Super Rugby to exclusively (100%) private ownership and that they saw partial private ownership as something they would look to regulate, in order to protect the historic interests of their membership.

### NZRU (now called NZR) seeks Expressions of Interest for Super Rugby Licences (2011)

Following the 2008 Discussion Document and subsequent feedback from stakeholders, on the 3rd December 2011, NZR 'issued a public invitation for Expressions of Interest (EOI) in obtaining Licences to manage and operate one of the four Investec Super Rugby teams, the Blues, Chiefs, Hurricanes and Crusaders.'

In the NZR Expressions of Interest (2011) document NZR stated:

> Reviews into the financial sustainability and structure of Super Rugby and Franchises in New Zealand have identified additional investment is required to ensure the financial sustainability of Super Rugby. Notwithstanding that from a New Zealand rugby perspective the teams are delivering good results on field.
>
> Super Rugby Franchises and Provincial Unions have been consulted leading up to the request for expressions of interest. The overwhelming feedback during consultation clearly pointed to the need to reinvigorate the Franchise model.
>
> Encouraging co-investment with the NZRU in Super Rugby teams by granting a licence to operate one (or more) of the Super Rugby teams was considered the most effective way to ensure the long-term financial sustainability of the New Zealand based teams.

The above highlights that financial sustainability, or the de-risking of NZR's Balance Sheet, was the primary motivation for a new ownership model and that co-investment was the mechanism for achieving this. The Expressions of Interest document also highlighted that private equity could bring in some 'business acumen' to the governance and operations of the Super Rugby entities; skills that arguably the Provincial Unions were not demonstrating through their historic involvement in Super Rugby administration.

Seemingly, to ensure control remained with NZR and its Provincial Union members, NZR was quick to answer two key ownership questions within their 2011 Expression of Interest document:

1. The investors in Super Rugby were not sold an ownership of the Super Rugby brands; they were instead awarded a term licence to market and operate a Super Rugby team.
2. NZR stated its desire to limit the investment by private equity in any one Super Rugby entity to less than 50%.

Both elements ensured that NZR and its membership retained 'overall' control of the five New Zealand Super Rugby teams. The issuing of a term licence meant that the NZR not only retained ownership of the Super Rugby brands and the players, but that after a period of time the licence would revert to NZR ownership.

It is interesting to note that since the initial 2011 Expression of Interest Document was released, NZR's 'limiting private equity to less than 50%' position' has changed with the 2015 decision by NZR to allow the Highlanders Licence to be owned by a majority (77%) private shareholding (Highlanders Ownership, 2015). This perhaps indicating that Point 1 above, the issuing of a term licence, was the most effective control NZR had over the investors in New Zealand's Super Rugby teams.

### Summary

Understanding the documented NZR motivations and anticipated structure for the inclusion of private equity is critical as we explore the motivations of those individual entities that ultimately purchased a shareholding in the organisations that hold the licences for the five Super Rugby entities. These motivations and subsequent learnings are explored in the next three sections.

## Investor Motivations (Private Investor and Provincial Union)

In this section I explore the motivations behind the mixed (private and member) ownership of New Zealand Super Rugby entities with reference to the research question: **what were the motivations that led both Private Investors and Provincial Unions to invest** (dollars and intellectual property) **into New Zealand Super Rugby's mixed ownership models?**

As previously explained, Investors in New Zealand Super Rugby have been categorised as either Private Investor or Member Investor (Provincial Union), with the more significant category investors in each Super Rugby entity being the subject of 'face to face' interviews. An important ethical consideration within this research was one of confidentiality and relative anonymity of those investors of Super Rugby entities that participated in this research. Therefore, the information below has been structured to maximise the generalised feedback of the investors, without providing key information that might lead to direct identification of an individual. However, there are unavoidable instances within these findings where it may be possible to link feedback or quotes back to an individual investor.

As a consequence of the data analysis process from the interviews with both investor types, five themes emerged in relation to motivations and these are documented under the headings listed below. Whilst the type of investor is identified under each of these themes (Private Investor versus Provincial Union); the themes are presented by integrating the perspectives of both investor types, an acknowledgment that the motivations were not always unique to the type of investor.

The five key themes under motivations for investment, are:

- De-risking through the introduction of capital
- Keeping the game local
- Financial Gain (Return on Investment)
- Thrill Capital
- Business Skills and Intellectual Capital

## De-risking through the Introduction of New Capital

The primary reason for Provincial Unions investing in a new ownership model was that NZR had determined, on behalf of its members, that the commercial risks of maintaining exclusive ownership of the five Super Rugby entities were deemed unacceptable for a not-for-profit organisation chartered to protect the interests of all facets of rugby in New Zealand (NZR Expressions of Interest, 2011).

The overriding objective to allowing partial private ownership of the Super Rugby entities was consequently defined by NZR as the de-risking of their Balance Sheet. According to one Provincial Union, “It was initiated from the NZRU who were looking to de-risk their balance sheet. They’d been through the process of Otago having had some pretty serious problems and I think all they were looking at was to share the risk”. The plight of the Highlanders was evidenced by the Otago Rugby Union going into a form of liquidation over its poor commercial management of the Highlanders franchise up to 2010 (Highlanders, 2013), followed by a rescue of the Highlanders Super Rugby entity when NZR were forced to take over operational management in 2010. As one Provincial Union explained, “the Highlanders were the catalyst for bringing in private equity, with NZR understanding they could not carry the risk of all Super Rugby by themselves”.

Without being overtly prescriptive, NZR saw private investment as being the logical mechanism to significantly reduce its (and their Provincial Union members) exposure to the commercial risks apparent in professional franchise sport. Prior to 2011, investment in the Super Rugby entities had historically and exclusively been with NZR and the 26 Provincial Unions that form NZR's membership. Each of the 26 Provincial Unions held a stakeholding in their local (based upon geography) Super Rugby team, with one base (or dominant) Provincial Union holding management responsibility for the operation of the Super Rugby team.

Seeking private investment seemed to be the logical path for a sport looking to limit its exposure to the commercial pressures of professional sport ownership. The overriding view of the Provincial Unions was that NZR wanted to de-risk its balance sheet and that the Provincial Unions needed to present a solution that best delivered on this objective. According to one Provincial Union "we didn't look for (private ownership) … the New Zealand Rugby Union posed it" and the expectation was "that it was expected to be a mixed ownership model", not the local Provincial Union retaining exclusive ownership of the Super Rugby entity. "My criticism was, as a process, it was almost like a fishing expedition by the NZRU, I certainly didn't understand the breadth of options that they would consider". This further implied that the objective from NZR was to de-risk, and the method for achieving this was the introduction of the Private Investor. How the fusion of private and member ownership looked was largely up to the Provincial Unions – organisations that until that point had no experience in such matters.

As evidenced in Chapter Two, each of the Provincial Unions that sought a Super Rugby licence, approached the inclusion of private equity differently. NZR had been clear in its goal to 'de-risk' their and their member's balance sheets, but did not pre-determine the method for doing this. At one end of the spectrum was the Canterbury Rugby Union and its provincial partners who sought an underwrite from the private sector as the means to de-risk the balance sheet. This is contrasted with the Hurricanes and the Chiefs Provincial Unions who 'de-risked' through the introduction of multiple (and syndicate) Private Investors capped at the 50% level. The Blues Provincial Unions on the other hand introduced one private equity partner capped at 40%, whilst the Highlanders Provincial Unions would ultimately secure 77% private shareholding. Whilst the Provincial Unions would determine how they secured and structured private equity into their respective ownership models, it was importantly done with the prior approval of senior NZR management.

The situation of the Wellington Rugby Union (WRU) clearly illustrates this de-risk' motivation. Leading into 2011 the WRU had seen their annual Wellington Sevens international rugby tournament decline to such a point that it had effectively wiped all reserves from the Wellington Rugby Union's balance sheet (Sobering Stuff, 2015). Faced with a desire to retain Super Rugby in their region, the experiences of the Wellington Sevens event provided the WRU with ample rationale for the introduction of private equity as a means to de-risk their own balance sheet (as well as the NZR) of their Hurricanes ownership.

Whilst the de-risking of the NZR's Balance Sheet was identified by a number of Provincial Unions as a key motivation for the introduction of private equity and a new ownership design, it was not identified in interviews as a motivation for the Private Investor. Private Investors were well aware of NZR's primary de-risking objective.

## Keeping the Game 'local'

The second key motivation for the involvement of Provincial Unions in the new mixed ownership models was the perceived necessity of ensuring the Super Rugby brand remained within their region. As one Provincial Union participant surmised "our investment in the [Super Rugby entity] was simply about ensuring we remained a participant in Super Rugby … it was about giving the local community the opportunity to see top class rugby". To lose the hosting of Super Rugby was seen as unfathomable by the larger Provincial Unions, and this seemingly drove their motivation to comply quickly with NZR's de-risking strategy.

The prospect of Auckland and Eden Park not hosting the Blues, or Wellington and the Westpac Stadium not being the home of the Hurricanes brought about an urgency to structure a marriage between Private Investor and the Provincial Unions. From interviews with the Provincial Unions, the alternative that another Provincial Union (and region) would secure an arrangement that de-risked NZR, or alternatively that NZR themselves would force a marriage of Private Investors and Provincial Unions, was unacceptable. As one Provincial Union stated, "there was a lot of nervousness around Provincial Unions", the motivating factor was "getting games played in [the local region], this was not about who the (local) region supported from a fan perspective, it was about giving the youth and young people the opportunity to see top class Rugby". "Rugby is the aristocrat of sport in New Zealand", observed another Provincial Union. To lose the networking opportunity that Super Rugby offered, could mean the local union lost significant local government and community hosting opportunities, which ultimately could affect the union's ability to deliver an effective grassroots programme.

It is now a matter of public record that the Taranaki Rugby Union, upon not securing a partnership within the Hurricanes Super Rugby entity, subsequently secured an investment in the Chief's organisation, with the almost singular objective of securing home Super Rugby games for the Taranaki region. "We are the pre-eminent rugby entity of [our region]" observed a Provincial Union. "For the good of the game we cannot give away the connectivity with the rugby community, it would make us less relevant and severely impact on the pathways of our local players".

The Canterbury Rugby Union and the Crusaders offer the strongest endorsement of connecting the local game with Super Rugby in their decision to keep the Crusaders licence entirely under Provincial Union control. "There is no clear line between when the game is amateur and the game is professional", "it is actually a continuance" was the Provincial Union's summation. In markets the size of Auckland, Wellington and Christchurch, the sentiment offered from the Provincial Unions was that there needs to be a win / win relationship between the Super Rugby entity and the local Provincial Union's. To support Super Rugby at the expense of grassroots sport would likely see participation numbers fall, along with an erosion in fan ownership of the local Super Rugby team.

'Keeping the game local' was not just the motivation of the Provincial Unions but was also commented on by Private Investors. Their personal link to the city and the local community, meant that they too, did not want Super Rugby to 'leave town'. Evidence of this is that almost all the Private Investors in the New Zealand Super Rugby entities were either residing in the respective Super Rugby region or had some long-standing relationship with that region. New Zealand's Super Rugby had <u>not</u> become the 'playground' of overseas investors, when one looked at the individuals behind the Blues, Chiefs, Hurricanes and Highlanders private investment.

## Financial Gain (Return on Investment)

In a rather surprising finding, the general consensus of the interviews was that the not-for-profit Provincial Unions were significantly more interested in an annual financial return (on investment) than their private equity partners. Within the one Super Rugby entity, the Provincial Union investor stated, "the commercial investment in [the team] needs to realise an annual commercial return", whereas the Private Investor in contrast stated "I'm expecting no meaningful return for 20 years, but I am all about creating value. I'm not taking dividends out along the way. I don't care about that".

This view was supported by another Private Investor interviewed, "I don't want to lose that money, but I don't have any expectations of gain … I have no expectation of capital gain, but I'd like to preserve the capital which I've got invested". Confirmation again that the financial motivations of the Private Investor were somewhat immaterial at the start of partnership, whereas the Provincial Unions expectations were that they would, in a short space of time, be receiving an annual return on their investment.

Supporting this as a motivation for Provincial Unions was 'at times' the delicate state of the Provincial Union balance sheets. With the exception of a couple of the bigger Provincial Union's, the majority of the Provincial Union investors in the Super Rugby entities operate without the support of adequate reserves (Deloittes, 2016), and therefore need any Provincial Union investment (i.e. a financial shareholding in a Super Rugby entity) to be providing an annual return for the benefit of their membership and the delivery of grassroots rugby.

## Thrill Capital

Unlike the Provincial Union, the Private Investor had no formal or historic obligation to NZR and NZR's subsequent desire to de-risk its balance sheet; nor did the Private Investor have an over-riding interest in protecting the community game of Rugby (although their personal support of their 'home town' is noted). Instead, the motivations of the Private Investor could largely be described as either personal, charitable or for long-term capital gain.

It is the personal or charitable nature of the Private Investor that has been captured under this heading of 'thrill capital'. "Thrill capital" commented one Private Investor was simply "owning part of the local team that they were passionate about", because it was "pretty cool to be able to say they had part of the ownership". This was reinforced by another investor who saw their investment in a Super Rugby entity as a "way to be involved in something he loves". Another investor again described his investment as a means "to support (the city) and support sport". When asked "Is it a sensible commercial decision to invest in a Super Rugby Licence?", one Private Investor promptly replied, "Probably Not". A sentiment shared by another Private Investor, "I invest simply because being involved gives me pleasure and I enjoy it".

Perhaps the most striking evidence of the Private Investors' inherent personal or emotive (thrill) motivations, compared to those of the Provincial Unions were the Private Investors' more relaxed acceptance that their Super Rugby investment carried with it significant risk. This risk involved the potential that they could lose all their investment should the Super Rugby entity fail to deliver on stated commercial and performance outcomes.

This relaxed approach to investment risk by the Private Investors contrasted with the interview data of Provincial Union participants, who were concerned about the commercial risk to their investment in the Super Rugby entity. According to one Provincial Union, "the prospect of informing their clubs [membership] that the money invested in the Super Rugby entity was 'gone' would be viewed as an absolute disaster", reflecting that any monies lost were in fact the members to lose and not the money of those Provincial Union delegates that sat on Provincial Union (and Super Rugby) Boards.

## Business Skills and Intellectual Capital

The NZR Expressions of Interest (2011) document stated that a secondary motivation for including the Private Investor in the ownership model of Super Rugby, was that the Private Investor might bring new business and commercial skills to the governance and boardroom of the Super Rugby entity. This was met with some support by the Private Investors but was largely refuted by the Provincial Unions. According to one Private Investor, “I believe I add substantial value from a commercial perspective”, in that he felt he brought networks and skills to the boardroom that benefited his Super Rugby entity. This was refuted by a Provincial Union representative, who replied “horseshit” to the notion that Private Investors offered any more business nous than already evident around the Provincial Union boardroom. This Provincial Union representative would later qualify his statement by saying “Independent [Provincial Union] Directors can already add skill sets to performing boards, … they don’t need to be the Private Investors to achieve this objective”.

The sentiments highlighted above regarding access to business skills is reflective of the changing governance structure evidenced within 21st century New Zealand sport, in that the old delegate representation model is quickly being replaced with the appointment of independent directors to national and regional sporting organisation boards. Specifically, if an organisation such as a Provincial Union wanted improved business skills on its board, then it has the scope to be able to do this without the need to seek private investment. Whilst both Private and Provincial Union investor may differ in opinion on the merits of the Private Investors abilities to supply an improved business skillset to the Super Rugby entities governance and performance; it nevertheless was seen as a motivating factor for some stakeholders (including NZR) for the addition of the Private Investor.

## Investor Experiences: Provincial Unions

This fourth section documents the experiences of the Provincial Unions, as the not-for-profit or ‘member’ investor in Super Rugby, in response to the second (sub) research question: **What were the learnings from the investors’ experience?** The fifth section deals with the experiences of the Private Investor. There is some commonality between the investors’ experiences but also evidence that their experiences varied.

The experiences of the Provincial Union investor in this mixed ownership model, have been summarised under six key themes:

- Establishing the ‘right’ ownership model,
- Connecting with the ‘local game’,
- ‘Rugby’ is the core business,
- Cooperation between Investors,
- Financial Restraint,
- Governance versus ownership.

Each theme was either an exploration of learnings that became apparent in the initial establishment of the mixed ownership model, or learnings that became evident with the inclusion of the Private Investor around the Board and Governance table.

## Establishing the 'right' Ownership Model

Until 2013, the Provincial Unions (as members of NZR) held absolute control of the Super Rugby licence for their region. Their biggest hurdles were often managing the conflicting desires of the multiple Provincial Unions located in their catchment (Meiklejohn et al., 2015), and ensuring that Super Rugby did not become a drain on their already fragile balance sheets. With NZR's desire to de-risk the balance sheet through the introduction of private equity, the Provincial Unions saw an outcome that would not only de-risk their own balance sheets, but would also address internal 'ownership' conflict between Provincial Unions that had existed since the Super Rugby entities were first established.

In its 2011 Expression of Interest document, NZR did not dictate exactly how a Super Rugby licence holder needed to structure its organisation for the purposes of de-risking through the introduction of private equity. NZR simply stated its desire to de-risk NZR's balance sheet of its Super Rugby investment and allowed the Provincial Unions themselves to arrive at an acceptable structure.

The interviews with the Provincial Unions confirmed that in all instances where private investment had been secured for the Super Rugby entity, it was largely a case of the Provincial Union securing interest from a Private Investor, assigning them a shareholding and agreeing the ownership and governance structure. From Provincial Union interviews, there was little evidence to suggest that for the Provincial Unions there were multiple Private Investors to choose from and that formal due diligence had been done on the Private Investors available. There was also little evidence to suggest that the Super Rugby entities had considered the myriad of ownership and governance designs available to them. As previously stated by one Provincial Union, "it was almost like a fishing expedition by the NZRU, I certainly didn't understand the breadth of options that they would consider".

There were five distinct approaches evident in how the New Zealand Super Rugby entities initially incorporated private investment into the governance structures:

- The Blues had a 40:60 Private/Provincial Union ownership split but 50:50 governance agreement;
- The Chiefs had a 50:50 ownership arrangement but minimal Provincial Union involvement in governance;
- The Hurricanes had a more classic 50:50 ownership and governance model;
- The Crusaders had 100% Provincial Union ownership, and an underwriter with limited involvement in governance; and

- The Highlanders had an ownership structure with 77% Private Investor, 10% NZR and 13% Provincial Union, with governance resting in the hands of the shareholders and appointed directors.

Each Super Rugby entity adopted an approach to private investment that at the time they felt best met their needs, but one that some felt was a rushed implementation. According to one Provincial Union participant, “there was a bit of pressure to make the call (on private ownership) and with the wisdom of hindsight if it were to happen again, I’d be insisting on a pretty rigorous due diligence process”. This same Provincial Union participant later stated, “With the wisdom of hindsight we should never, we should never have agreed to the model”. It is worth noting that the Hurricanes and Blues were the first Super Rugby entities to introduce private equity into their ownership model, and both delivered a traditional split ownership and governance model; whereas the Crusaders and Highlanders, the last two to consider private equity, would adopt models that were unlikely to have been contemplated by the NZR in the 2011 Expression of Interests document.

Also, somewhat surprising, was evidence that the four Super Rugby entities interviewed had the same perceived NZ$3.0 to $3.5 million market value of their Super Rugby Licence. This is surprising because it would imply that the local New Zealand markets are considered equal and that the opportunities available to the local investors are largely the same. When reflecting on the size of the Auckland market (population 1.2 million) versus the Wellington market (population 400,000), this appears a false assumption and one that Provincial Unions may not have given enough consideration before seeking private equity to their mixed ownership model.

## Connecting with the Local Game

At the heart of the Provincial Unions’ ‘non-financial’ motivation was the desire to ensure that Super Rugby remained a significant presence in their local community, both as a pathway for aspiring players and a brand that the community and fans could support. As one Provincial Union observed, “you cannot give away the connectivity with the rugby community”; further acknowledging, “there is no clear line between when the game is amateur, and the game is professional”.

The Provincial Union interviewees not only wanted the Super Rugby entity within their boundary, but also needed the link between grassroots rugby and the Super Rugby team to be aligned. The Crusaders offered the best example of this link being a priority when, somewhat surprisingly (to other Provincial Unions interviewed), they elected to keep 100% of the shareholding in the Crusaders licence in the hands of the local Provincial Unions.

The Taranaki Rugby Union also confirmed this link with the local game, by effectively moving their Super Rugby connection from their historic partnership with the Hurricanes, to the Chiefs Super Rugby entity. By securing 'home' Super Rugby games in the Taranaki region, through a part ownership in the Chiefs, the local community and fans would experience Super Rugby within with region; something not able to be secured through negotiations with the Wellington Rugby Union and the Hurricanes.

Another key message that emerged from investor interviews was the comment, "both Provincial and Super Rugby must do well", an acknowledgement that if the pathway to Super Rugby is not strong, then ultimately Super Rugby will be the weaker for it. The Provincial Unions were clear in their desire to ensure that provincial rugby (at NPC and Heartland Championship level) and community rugby (club and school) was not sacrificed at the expense of building a profitable Super Rugby team. "Success isn't that the [Super Rugby team] win and that the [Provincial Union] is dying at the grassroots" commented one Provincial Union investor.

From interview data with Provincial Unions, it seemed clear that the Super Rugby team was not viewed as a stand-alone entity, nor one that was solely driven by on-field performance and commercial success. It needed to also be measured by its worth to the local rugby community and the connection it had with the pathway through the local Provincial Unions. The Provincial Unions participants seemingly shared an early NZR opinion that a fully privately-owned Super Rugby entity would not act in the interests of the local community, or in support of the local rugby pathway.

As important as ensuring the connectivity between Provincial Union and Super Rugby entity was, it is worth observing that three of the four Super Rugby entities (Blues, Hurricanes and Crusaders) interviewed have within the first three years of existence, separated the administration of Super Rugby from their initial 'base' Provincial Union. The Chiefs were established with the separation of the management of Super Rugby from the historic base Provincial Union (Waikato); however, the Blues, Hurricanes and Crusaders had for the first three years the one CEO and management team administering both the affairs of the base Provincial Union (Auckland, Wellington and Canterbury respectively) and the Super Rugby entity. Today, these same Super Rugby entities are managed by a separate administration team that looks after the distinct interests of Super Rugby and not those of the base Provincial Union. Such a separation appeared not to be originally envisaged by all Provincial Union investors.

### 'Rugby' is the Core Business

In ensuring there remained connectivity to the local game and local community, the Provincial Unions were also cognisant that they (not the Private Investor) held the 'rugby IQ'. The sentiment expressed by Provincial Union participants was that they (not the Private Investor) had over 100 plus years developed a rich understanding of the game of rugby; how it should be played and how it should be managed. As one of the Provincial Unions interviewed observed, "you cannot remove rugby knowledge out of the [ownership] model", emphasising that when you remove all the colour and fanfare of Super

Rugby, the organisation was at its core 'about a game of rugby' and that within the ownership structure you needed to have people that understood the (rugby) game.

How it is played to winning effect is in the minds of the Provincial Union, a key advantage of having Provincial Unions as part of the ownership model. As one Provincial Union would explain, "Winning rugby is important, it is not just about the number of fans or the state of the [franchises] balance sheet, it is also about playing a game of rugby to winning effect ... who understands the game better, the Unions or the Private Investor?" This sentiment was supported by one Private Investor who offered "the difference is they [Provincial Unions] are bringing the rugby part … they have skin in the game, and they own the players".

Interview data at one Super Rugby entity exposed just how much the Provincial Union believed that they held the Rugby Intellectual Property (IP), when to the ire of one Provincial Union partner, 'rugby decisions' on coach and player recruitment for a limited time were controlled and managed by the Private Investor. Such a position was almost untenable to the Provincial Union interviewed, given its historic involvement in rugby decisions and the belief that it, not the Private Investor, was the rugby partner in the ownership and governance model.

Consistent with the Provincial Union's assertion that they brought the 'rugby knowledge' to the ownership table, the Provincial Union was also acutely aware of their relationship with the local venue (stadium) and the importance of this relationship to the Super Rugby entity. In the instance of at least two Super Rugby entities (Hurricanes and Blues), it was the Provincial Unions that retained almost exclusive rights to the local stadium for rugby games and in one case benefited commercially from this relationship.

## Cooperation between Investors

The Provincial Unions interviewed were well aware that a key to the success of their Super Rugby entity (and by inference their Super Rugby investment) were the *people* behind the private investment. Behind Super Rugby's mixed ownership model were individuals who had unique motivations, skills and emotions. As one Provincial Union commented when referring to the apparent success of his Super Rugby entity, "at the moment it's absolutely working and that's down to the people". The strength of the relationship between the both types of investors was vital. "It's all about relationships, in my view" observed another Provincial Union participant when reflecting of the relative success of his Super Rugby entity over others.

This need for cooperation was reinforced in a contrary manner by one Private Investor. When replying to the perceived 'off-field' challenges facing his team, he stated: "I think it's because I'm <u>not</u> in bed with commercial people" that his Super Rugby entity was underperforming. He would liken his experience dealing with Provincial Unions around the board table, to school governance: “the best people get elected to PTAs and sports boards because they have worked hard and are loyal, but they are not necessarily the best people”. The boardroom situation where one investor (individual) lacks respect for the contributions of other investors (individuals) is potentially problematic.

## Financial Restraint

“The commercial investment in [the team] needs to realise an annual commercial return” was the quote from one Provincial Union and a common interview theme for all Provincial Union partners in the mixed ownership model. As expressed in the previous section on motivations, it was an expectation of the Provincial Unions that Super Rugby would provide an annual return on their investment. Given the fragile nature of most of the Provincial Unions’ balance sheet, it was evident that any financial investment in Super Rugby needed to realise a return.

It was early days though for the Provincial Union investors in Super Rugby, with the expectation not for immediate financial returns. However, the concept of the Provincial Union shareholders not receiving a dividend over multiple years was something that the Provincial Unions expressed that they could not accept on behalf of their members.

Extending on this financial theme was the notion of ‘saving for a rainy day’. Most of the New Zealand Super Rugby entities had raised a significant amount of capital ($3 million plus) by bringing in the private equity partner. The early expectation was that this capital would be used to develop facilities, high performance programmes or ‘purchase’ top players. However, this did not appear to have eventuated, instead the capital introduced had been largely untapped and as confirmed by one Provincial Union is being “saved for a rainy-day scenario”.

The general feeling of Provincial Unions was that the additional (private equity) capital was there to cover those seasons when the team did not perform financially either because of, as one participant noted, “poor on-field performance or a weak financial market”. The reality seemed to be that hosting a Super Rugby finals game, was often perceived as the difference between a surplus or deficit for the financial year. The prospect of the Super Rugby licence holder experiencing two, three or four seasons of losses was not something the Provincial Union shareholder seemed to be able to entertain without adequate reserves. This was perhaps a reflection that the Provincial Unions themselves had little ability to contribute new capital, should all shareholders be called upon to do so in times of continued financial pressure. Perhaps the fact that the ‘new’ capital from the Private Investors did not suddenly result in increased player payments, could be also attributed to the somewhat conservative nature of the Provincial Unions and their key motivation for ‘new’ capital to ‘de-risk’ the balance sheets. The frustration of the Private Investor to unlock some of this 'rainy day capital' is explored in the next section.

## Governance versus Ownership

Before considering the Private Investor as part of a mixed ownership model, there needed to be discussion between those Provincial Unions that previously held a stake in a Super Rugby entity. In the words of one Provincial Union interviewed, "we needed to let go of past rivalries". Until the introduction of the Private Investor, the Super Rugby teams were historically run with one Provincial Union (termed the base union) effectively managing the team on behalf of local (geographic) Provincial Unions. Prior to 2013, all Provincial Unions in New Zealand had a stake in Super Rugby, but in 2011 the rules were changed by NZR and a Provincial Union could determine their own involvement in Super Rugby.

This was particularly evident in the Hurricanes region where the Wellington Rugby Union effectively 'shut out' traditionally strong partners the Hawkes Bay, Manawatu and Taranaki Rugby Unions from the Hurricanes ownership structure. Hawkes Bay and Manawatu were evidently not in a position to contribute cash to the new Super Rugby ownership model and whilst they offered value in terms of players, venues and fans, this was not deemed an acceptable level of investment when the primary objective was to de-risk the balance sheet through the introduction of new capital (dollars). As one Provincial Union participant commented "anything but a Union contributing a solid cash shareholding was nothing more than an awkward cuddle" and was not on the negotiating table.

The Blues consolidated its traditional provincial partners (Auckland, Northland, and North Harbour) through the establishment of a holding company with its 60% stake being the majority shareholder of the Blues Super Rugby entity. The Blues also agreed that the three positions around the Board table would be proportional to investment, with Auckland Rugby holding two and North Harbour Rugby one directorship. Through the interviews it became evident that whilst the Provincial Unions had one 'collective' shareholding, Auckland Rugby and North Harbour had yet to 'let go' of past rivalries in favour of the new governance structure.

It was the Chiefs, however, that seemingly offered the best evidence of an ability to let go of past governance alliances in favour of the new ownership and governance model. The Chiefs were previously made up of five Provincial Unions (Counties Manukau, Waikato, Bay of Plenty, Thames Valley and King Country) and interviewees suggested that there was a historic lack of trust not only between the five Provincial Unions but also between the Provincial Unions and the 'pre 2011' Chiefs governance. Acutely aware of this history and appreciating the inclusion of a new (sixth) Chiefs partner in the form of the Taranaki Rugby Union, all Chiefs Provincial Unions agreed to a terms (intent) sheet that effectively gave the Chiefs Super Rugby entity the mandate to go and get private investment without governance interference from the Provincial Unions.

The Chiefs desire to put aside the predisposed motivations of their Provincial Union investors was demonstrated by agreeing that no Provincial Union would hold a place on the governance (Board) of the Chiefs. According to one of the investors “from the outset we made it very clear, that [on] the board when it was re-established, there could be no self-appointed board members”. All board appointments had to go through a merit-based appointments process. Ownership was represented by independent directors; a remarkable development for a sport and region with a history of exclusively delegate-based governance. As commented by one investor “we want governance that is going to help drive value in business, not create factions”.

## Investor Experiences: Private Investors

This next section documents the experiences of the Private Investors, as the ‘new’ investor in Super Rugby. What were their experiences in this mixed ownership model?

The experiences of the Private Investor in this mixed ownership model, have been summarised under four key themes:

- Control, Influence and Trust
- Governance Structure
- Investing for the Long Term
- Passion for the Investment

Each theme was either an exploration of learnings that became apparent in the initial establishment of the mixed ownership model, or learnings that became evident from the Private Investor’s inclusion in the Super Rugby entities governance.

### Control, Influence and Trust

A dominant theme offered from the Private Investor interviews was what ‘control’ looks like within sport ownership and governance models. As one Private Investor commented, “control is not about ownership; it’s about what happens <u>in</u> an organisation. Control is about influence in the boardroom, not how many shares you have”. The Private Investors seemed to fully comprehend that it is in this boardroom setting that key strategic and operational decisions are made; an acknowledgment that ‘shareholding’ in the corporate world can take the form of passive or active involvement in governance.

Whereas the Chiefs syndicated Private Investors were largely passive investors, with little boardroom influence; the Private Investors of both the Blues and Hurricanes played a significant role in shaping their Super Rugby teams' performance through their boardroom control. This active investment was expressed by one Private Investor as:

> If you are not on the inside then you are on the outside, and I want to be on the inside. I don't have any passive investments. I don't need to control [my investment], but I want to be sitting around the board table and have influence … As I said, if I can't convince a majority of people around the board table that I am right, then I am probably wrong.

The Chiefs ownership model, where the majority of investors (shareholders) did not have a place around the boardroom table, was reflected on by one of its Private Investors as, "when you [Private Investor] walk into a game you are a fan … you might have a better seat than other fans, but you are a fan". Evidence that for some Private Investors control in the boardroom was not important, and that they were happy to simply be investors; but one that came with a better seat than a regular fan.

One dynamic that was commented on by the Private Investor participants was the need for trust around the boardroom table. Whereas the Private Investor Director inherently understood the need for strict boardroom confidentiality, the Provincial Union appointed Directors noted that they found themselves in the uncomfortable position of being required to withhold information from their own shareholders (membership). Given the Provincial Union Director was essentially a delegate appointment, he or she was now faced with a Super Rugby boardroom expectation that key information could not freely be shared with those (Provincial Unions) that had appointed him/her.

As one Private Investor commented, "there is a difference between being a shareholder and director", as the Private Investor seemingly fully understood the separation between company ownership and company governance, because such separation was commonplace in the corporate world and stock market companies. This was contrasted with the Provincial Union and its historic delegate-based appointment of Directors, where most Provincial Union boardroom decisions were freely shared with its membership. Another Private Investor offered, "there was a lack of trust around the boardroom table" directly referencing the Provincial Union appointed directors need to report back to its Provincial Union shareholders. He would go on to explain that, "with disclosure back to the Provincial Unions, the media were able to get information about the internal workings of the [Super Rugby entity]".

## Governance structure

Considered a key document in most businesses, the shareholders' agreement as an underlying document in the relationship between the different shareholders (Provincial Union versus Private) was considered of minimal importance by Private Investors. As one Private Investor commented, if you have to revert to the shareholders agreement, “the thing is over!” Whilst you need to initially “negotiate the hell out of it, you then sit around the table and get on with it, and if you take it out of the drawer then your relationship is probably already stuffed in my experience”.

One area of the shareholder’s agreement that was highlighted by Private Investors was the absence of, and need for, an exit strategy for a shareholder. As noted by one Private Investor participant, what happens when an investor wants to exit; who has rights of purchase; what is the expectation of price; and how is the Provincial Union investment protected from private investment ‘takeover’? These issues were seemingly matters that had not been considered.

Perhaps not anticipated in the shareholders’ agreement was the manner in which Provincial Union directors could be replaced with some frequency. The Provincial Unions, in at least one Super Rugby entity, experienced a constant turnover of Directors in and out of the Provincial Union’s board, and this had a consequential flow on effect with regards to the appointment of Directors to the Super Rugby entity. As one Private Investor noted, “in one year we had six [Provincial Union] representatives around the board table for two positions”. This constant change of Directors seemingly impacted on the organisation’s ability to make consistent strategic and operational decisions. In contrast, the Private Investor director appointments were noted as being more stable, with the only change likely to occur when the Private Investor’s shareholding is sold or transferred.

When reflecting on the role of the Chairperson in the mixed ownership model, most of the Private Investors were quick to acknowledge the role of the Chairman and his/her ability to resolve conflict between investors (as represented in the boardroom). As commented on by one Private Investor, a good Chair would ensure that “nothing should have to go to the vote”. The Blues and Hurricanes adopted within their shareholders agreement an independent chair (one with casting vote, the other without) whereas the Chiefs and Crusaders appointed the chair from within their directorships.

## Investing for the Long Term

Perhaps the most striking difference between Private Investor and Provincial Union Investor in this mixed ownership model was the anticipation of ‘return on investment’. As expressed in the previous section, the Provincial Union participants had an expectation that their investment makes a short to medium term financial return. The overall state of the Provincial Union balance sheets was such that any capital investment needed to provide returns that funded the delivery of the game to their local rugby community. Through interviews with Provincial Unions, it was understood that dividends would not always eventuate, however, the prospect of the Provincial Union investment failing or alternatively requiring a further ‘call on capital’ would be deemed a disaster in the minds of their Provincial Union membership.

This dominant Provincial Union viewpoint contrasted with comments made by each of the Private Investors. As one Private Investor stated, “it’s just not about winning a competition, it’s building a long-term franchise”. Another offered “we are in the business of spending to earn, not earning to spend – do all investors understand this?” And yet another Private Investor offered, “what happens when we need more capital?” Each of these Private Investors confirmed their desire for long term gain over any form of annual dividend.

The comment of one Private Investor of “what happens when we need more capital?” best sums up what seemed to be a significant difference in expectation between Private Investor and Provincial Union in this mixed ownership model. As expressed by two Private Investors, there may well come a day that the Super Rugby entity needs more capital – to buy a player, to expand its reach internationally, to invest in facilities such as a training or playing venue. Whereas the Private Investors interviewed, demonstrated an understanding that this will likely necessitate a call on new capital, the Provincial Union participants interviewed did not have an anticipation of this eventuating, nor did they appear to have the ability to generate new capital from within their Provincial Union structure.

As one Private Investor explained, “it’s just not about winning a competition, it’s building a long-term franchise that is ingrained in the [local] community ... It will have successful years, it will have less successful years, but always moving forward”. The contrasting sentiment of a Provincial Union from the same Super Rugby entity was “we’re not here to subsidise a losing team”, clearly articulating that for the Provincial Union ‘winning rugby’ was a key indicator of their investment success and that unsuccessful years were unacceptable.

The difference in expectations between Private Investor and Provincial Union over the distribution of commercial revenues from their Super Rugby investment was commented by one Private Investor as “there’s a national conflict here, because the unions need dividends, but I don’t … If I had the sole choice, I’d say no dividends”. Sporting franchises, he added, should “create equity value, you don’t create earnings value”, implying that if there is to be any commercial gain by an investor it is likely only to come from long term capital gain. When pressed on where capital gain may come from, one Private Investor observed “[we] are the rugby capital of the world … the opportunity to be a part of the evolution of the professional game, I get out of bed for that!” Another Private Investor added, “it’s entering more a phase of being a global competition and that’s where the investment will pay off”.

## Passion for the Investment

At the heart of the Private Investors’ investment motivation was the passion they held for the game of rugby. Interviewees revealed that some Private Investors were prone to commenting on, or making, emotive rugby decisions (usually on players) when the wiser conservative business path would have these same shareholders being unemotive in decisions made by management. In referring to Super Rugby board meetings one Investor commented that, “in my opinion, there is a tendency in sport for board members to talk about players when they shouldn’t, they [Provincial Unions and Private Investors] are equally guilty”.

This ‘Passion for the Investment’ theme emerging from Private Investor interview data can be seen as simply the Private Investors desire to be a ‘part of New Zealand rugby’ - part of a sport they loved, in a city they love and being able to turn their business skills to a ‘fun and engaging’ business opportunity. Data from interviews with Private Investors revealed that there was a real sense that their [Super Rugby] investment was significantly more exciting than their other investments, that purely held commercial appeal.

Whilst Private Investor participants were reluctant to acknowledge ‘personal ego’ as being a motivation for their investment in Super Rugby, there was nevertheless a sense that they gained a real ‘thrill’ from their Super Rugby investment. As one Private Investor candidly commented, “I like to be able to walk through the gates and think ... I own part of this team” on his way to the owner’s box. For only $25,000 at one Super Rugby entity, a Private Investor was potentially buying a ‘life-time’ investment that entitled them to inside information on their team, the owners’ box and the thrill of being more than just a fan of the team.

It is worth acknowledging that making emotive rugby decisions over sound commercial ones did not however appear to be the sole domain of the Private Investor in this mixed ownership model. As one Private Investor explained, when challenging the governance ability of Provincial Union’s:

> it’s the thrill, it’s the passion, and that’s the trouble that you find with the Provincial Union’s … they live and breathe it (rugby). They feel like they’ve got a voice that they can exercise, and it’s not always based on sound commercial decisions.

## The Outlook for 2020 and Beyond

Having presented the findings from data analysed from NZR documents and interviews with selected Private and Provincial Union partners in Super Rugby’s mixed ownership model, it is appropriate to acknowledge a key decision looming for the partners in this model.

In 2020, the current rights to manage a Super Rugby licence will expire and NZR will need to have determined the next pathway for Super Rugby ownership – does it continue under the existing licence arrangement, does it to look to extend the control and influence of the Private Investor, or pull back and vest more control in the hands of the Provincial Unions? There was a sense of the unknown in respect of 2020 from the investors (Private Investor and Provincial Union) interviewed. All investors expressed a desire (almost a need) to be there in 2020 and (bar one set of investors) were seemingly comfortable with their current license / ownership arrangement.

This sense of the unknown and needing to be around the negotiating table in 2020 seemed to influence investors' perspectives regarding any proposed changes to the ownership model currently evident in New Zealand's Super Rugby. Except for one set of investors, all others were happy with their ownership model. Looking forward, however, situations such as a call for additional capital or an underperforming team 'on the field' may create tensions that challenge the existing ownership and governance models.

It is likely that winning rugby can mask underperforming management and governance, so what will happen when the Super Rugby team performs poorly on the field – will the Provincial Unions remain happy with having no direct influence over the governance of the team (as in the Chief's situation), even though they maintain a 50% ownership stake? Will the Private Investor want to influence performance by spending 'balance sheet dollars' on that star player? Or, will a call upon the Provincial Union investors to match a new Private Investor capital injection create conflict?

The one set of investors that did promote change was based upon their experience of their ownership and governance model. As one participant stated from this investor group, "we could do this better without the other party, and do we really need the conflict they bring?" This may not so much be a reflection of the ownership structure but the ability of the investors to get along.

## Summary

NZR defined the primary motivation for the mixed ownership model in New Zealand's Super Rugby as 'de-risking the balance sheet' through the introduction of new capital, and this motivation has clearly prompted Provincial Unions to modify their investment in, and the ownership structures of, the Super Rugby entities. On the part of Provincial Union, the other clear motivation for investing in this mixed ownership model was to ensure that rugby retained it prominence in the local market. The removal of hosting Super Rugby seemed to be of significant concern to the local rugby community and traditional owners of the local game. The Private Investor motivations were largely personal, acknowledging their business skills and desire to support something they were passionate about.

It is interesting to note that the Private Investor did not consider the prospect of commercial gain (by way of annual dividend) of any real significance, other than an expectation that they would not lose their capital in this process. Both types of investor though acknowledged the need to be in a position to influence decisions as being central to their investment decision. "If you are not on the inside, you are on the outside" and "I'd rather be in the tent, figuring it out and being able to move with what happens than watching from the outside" were separate observations from Private Investor and Provincial Union participants.

Conceivably, the fusion of private and member (Provincial Union) investors would create a situation of ‘two worlds colliding’ and that the contrasting motivations of the investors would evidence this. Instead, except for one Super Rugby entity, there was little evidence of conflict between private and member investor motivations. Provincial Unions seemed to be largely motivated by a desire to de-risk their Balance Sheet and keeping the game local. Private Investors were largely motivated by the personal thrill of the investment and being a part of something they loved.

Contrasting the experiences of both Investor types did however reveal two overarching themes. Firstly, tensions between ‘economics and emotion’ was visible for both investor types; and secondly, the ability of the investors (be they Private Investor or Provincial Union) to get along was considered paramount to ‘success’. However, these experiences were not limited to one investor type over another, with matters of economics, emotion and abilities evident in both Private Investor and Provincial Union interviews.

Are these experiences any different from a more general business setting whereby two or more shareholders come together around the governance table? Probably not, and perhaps this is the key learning for sport as it embraces more fully the ownership realities of running professional sport over participation sport – a matter to be explored in Chapter Five.

# CHAPTER FIVE: DISCUSSION & CONCLUSIONS

## Revisiting Research Objectives

The broader purpose of this research is to contribute to the emerging body of knowledge relating to the governance of sport organisations, by exploring an example of ownership design within professional sport. Using the decision of NZR to allow partial private ownership of its Super Rugby entities, this research explored Super Rugby's mixed ownership model, whereby private equity (individuals or corporate entities) and member equity (New Zealand Provincial Unions) joined at the ownership and governance table. In a novel and innovative manner, perhaps reflecting the comparative size of the New Zealand market, NZR has resisted the concept of wholly privately-owned Super Rugby teams, and instead created a fusion of private and member ownership, within a 'licence to operate' model.

The intent of this study was to provide a richer understanding of ownership structures in sport, by evidencing the distinctive ownership design of New Zealand's Super Rugby entities through the eyes of the investor (or shareholder). The sport scholar is offered a unique insight into the mixed ownership model; and the sport practitioner is offered key learnings should they consider their own ownership and governance structures.

The overall research aim was to explore the motivations and experiences among mixed ownership investors within New Zealand Super Rugby entities.

The two research questions were:

1. What were the motivations material to investment in the mixed ownership model? and
2. What were the learnings from the investors' experience?

The NZR's Super Rugby mixed ownership model, where private equity and member equity (New Zealand Provincial Unions) joined together at the ownership and governance table, is relatively unique and innovative in sport. NZR has resisted the concept of issuing Super Rugby licences to wholly privately-owned entities, and instead created a fusion of private and member licence ownership. With this, NZR seemingly recognised and protected its members (Provincial Unions) historic 'ownership' whilst also introducing new and additional capital via private equity to primarily satisfy NZR's balance sheet requirements.

This final chapter discusses the findings in the context of previous related studies and literature, in order to draw meaning from the findings and advance understanding. In doing so, it provides a synthesis of the key themes that emerged and how these themes add to a growing body of knowledge on sport ownership, governance and commercialisation. It also sets out limitations as well as practical implications of this study and concludes with offering directions for future research.

## Discussion of Findings

'Off the field' New Zealand Rugby has had two watershed moments over the past 25 years as it has grappled with the global commercialisation of sport. The first and most obvious was when the game of Rugby turned professional on the 26th August 1995. Suddenly those that governed the game in New Zealand were faced with the requirement to pay its top players; this in turn elevated 'revenue generation' alongside winning All Black rugby as the key measures of the national body's (NZR) performance. The second watershed moment (and subject of this research) was in 2012 when New Zealand Rugby afforded the Private Investor the opportunity to participate in New Zealand Super Rugby licence ownership. No longer was the game of rugby being administered and owned exclusively by its 'not-for-profit' community membership – enter a new partner and a new dynamic. For the first time in NZR history, NZR now had an 'outsider' with a 'hand on the steering wheel', alongside the traditional and long serving (member) Provincial Unions.

Whilst there is a scattering of sport ownership models that combine private and member equity at the ownership and governance table, few are as significant or varied as New Zealand's mixed ownership design for its Super Rugby licences highlighted in this study (Karg & Ingley, 2020). At one end of the spectrum NZR had a Crusaders licence which introduced private equity in the form of a private equity underwrite of a 100%-member owned entity. At the other end of the spectrum NZR had a Highlanders licence which had a 77% private shareholding.

Building on existing knowledge (Chapter Two) of sporting organisation's grabbling with matters of commercialisation, ownership and governance (Bradbury & O'Boyle, 2017; Dowling et al., 2010; Gomez et al., 2008), the mixed ownership design presented by NZR supports our understanding of sport moving from amateur ideals to business design. The NZR Super Rugby decision of 2012 adds new knowledge of a sport ownership design that combines private investor with member investor, helping to answer the broader question of 'what happens when ownership changes?' Equally, what happens following the fusion of two investor types within the one entity, as viewed through the lens of those investors that participated in this model? At a higher level, the NZR design also provides a unique context from which we can better understand how ownership impacts on the governance of sporting organisations.

The five key themes under investor motivations for involvement in a mixed ownership design, as presented in Chapter Four (Findings) were:

- De-risking through the introduction of capital
- Keeping the game local
- Financial Gain (Return on Investment)

- Thrill Capital
- Business Skills and Intellectual Capital

For sports looking to attract the private investor, having an appreciation of the motivation for investment not only assists the sales process, but plays a key role in governance design. For example; if a member-owned sport organisation desires a short-term dividend return, then including an investor who is looking for long-term capital gain creates an immediate challenge. If a member-owned sport organisation seeks a silent shareholder and investor, then incorporating an investor who is investing as a means of expressing his/her love of the game, creates another challenge.

The experiences of the Provincial Union (member) investor in the NZR mixed ownership model have been summarised under six key themes:

- Establishing the ‘right’ ownership model,
- Connecting with the ‘local game’,
- ‘Rugby’ is the core business,
- Cooperation between Investors,
- Financial Restraint,
- Governance versus ownership.

The experiences of the Private Investor in this same mixed ownership model have been summarised under four key themes:

- Control, Influence and Trust,
- Governance Structure,
- Investing for the Long Term,
- Passion for the Investment.

Super Rugby’s Provincial Union (member) owners generally presented as a conservative partner; an acknowledgement that their own governance was represented by individuals answerable to a broad (sizable) membership and that the Provincial Union owner was recognised as the guardian or protector of the game of Rugby at all levels. This is contrasted with the Private Investor who saw their ownership and governance role not as guardian or protector, but as promoter of growth and on/off field success. Whereas the Provincial Union was cognisant of their wider responsibility to the community and rugby, the Private Investor was more aligned to the ‘success’ of the team and brand.

A review of existing literature, discussed in Chapter Two, helped to establish the context for the present study and identify three relevant topics to guide the study of mixed ownership. They are:

- The Commercialisation of Sport,
- The link between Ownership and Governance,
- Ownership Design (and the mixed ownership model).

Against this literature framework, I have discussed the NZR's mixed ownership Super Rugby model from the investor's perspective, by linking the motivations and experiences of these same investors.

## The Commercialisation of Sport

The ownership models in Australia and New Zealand have been challenged over the past 20-30 years, as not-for-profit (national) sport organisations have wrestled with a desire to balance the historic needs of its recreational members, with the commercial demands of running a 21st century entertainment business (Bradbury & O'Boyle, 2017). Representative sport in the 1970s was typified as being amateur and best summed up by the notion of 'playing for pride' as distinct to today's professional era of 'playing for payment'. Today, due primarily to the advances made by television (Dowling et al., 2014; Woods, 2016), a sporting code's relative success is often judged by the size of the audience, not the level of participation.

Nauright and Ramfjord (2010) and Garcia and Wellford (2015) both claimed an environment whereby the committed sports fan has become the customer of the sport, franchise and team. The customer is sold not just a seat to the game, but a membership to the franchise, along with player and team merchandise and more recently pay-television subscriptions. The prioritisation of sporting success over financial success, as proposed by UEFA in 2005 (Gammelsaeter & Jakobsen, 2008), has not eventuated in what is now a highly competitive international sport entertainment market.

In New Zealand, rugby, historically the bastion of amateur values and ideals, has not been immune to the commercial demands expected of a 21st century sports entertainment business (Ferkins et al., 2013). The NZR's Super Rugby brands were born from a need to compete for their historic fan and new customers; to ensure not only the sport of rugby remained relevant in the New Zealand market, but that NZR also generated new revenues to deliver the pathways within the game.

In 2008, NZR introduced and ultimately secured by 2012, private equity into the ownership and governance structure of its key Super Rugby entities. Within the research findings there is clear evidence that the primary motivation for both NZR and its member (Provincial Union) investors was the need to de-risk their balance dheet of the commercial risk associated with running the business of Super Rugby. Competing in the domestic and international sport entertainment market presented financial risks that the historic member owner of rugby in New Zealand had not needed to consider in their 20th century amateur governance era.

With the need for sport to commercialise its products, matters of television broadcast deals and sponsorship quickly became as important as 'winning games' from a governance and management viewpoint (Mansfield & Killick, 2012). As Mansfield and Killick (2012) also assert, to develop the grassroots amateur side of the game, a sport requires significant commercial revenues to deliver the game into local communities. In the instance of the Provincial Union member investors of Super Rugby, they not only looked for private equity to de-risk NZR's balance sheet, but to also ensure that Super Rugby games and revenues remained in their local region, for the growth of the sport within their local community.

This additional motivation, whereby the commercial returns were needed to support the development of the local game, supports research by Fort (2000). In an important distinction between the North American and European markets, Fort highlighted the minimal flow of professional revenues in the North American market, to fund the community game. Contrast that with NZR and its members, who saw Super Rugby commercial success as being critical to supporting growth at the community and grassroots level. The NZR experience highlights the crucial challenge of balancing a sport's modern commercial imperatives with historical community needs (Mansfield & Killick, 2012; Shilbury et al., 2013).

The introduction of the Private Investor and NZR's clear desire for commercial success of its Super Rugby brands, brought with it some uniquely 'business' experiences and challenges for all investors. Findings from the present study show that the Provincial Union (member) investor's need for short-term 'return on investment' diverged from the private investors' clear preference for long-term capital gain. For the private owner of franchises in the North American markets such as the NBA, long term capital growth was consistently sought over short-term dividend returns (Conn, 2016). However, faced with the need to deliver sport to their members and local community, the member investor of Super Rugby desired some form of annual dividend return to support the delivery of rugby at the community level.

Additional evidence, of the Provincial Union (member) investor being challenged by commercial matters was the Provincial Union wanting to 'save new capital for a rainy day'. New capital, to the Provincial Union, was viewed as a reserve for the weaker years, where a series of poor financial results might necessitate a call on new capital, or no dividend return. In contrast, the Private Investor was more inclined to view new capital, as the resource to build capability within their business; be that a new training facility, additional coaches or purchasing top players. As one private investor asserted, "we are in the business of spending to earn, not earning to spend".

## The Link between Ownership and Governance

As sport has evolved along commercial lines, so too has the definition and prominence of sport ownership (Karg & Ingley, 2020). In Australia and New Zealand, due primarily to the historic amateur nature of sport, sport ownership has been intrinsically linked to governance with sport 'ownership' most commonly defined in terms of the body that runs sport at a national, regional or community level (Ferkins et al., 2013). Until the last couple of decades, most governing bodies in Australia and New Zealand sport were owned by their members and represented at the governance table by member delegates. For these sports, ownership equated to governance, with the exclusively member steward determining who was elected to the sporting bodies boardroom (Ferkins & Shilbury, 2015).

However, over the past decade, we have seen two challenges to this historic 'ownership equals governance' positioning – the first was the emergence of the independent delegate to the governance of sport (Ferkins et. al., 2013; O'Boyle, 2012). Where once the boardroom directors were appointed by their membership, an increasing number of sporting organisations have since sought an independent voice in the running of their game. The second, and evidenced in this research, is the introduction of the Private Investor to the ownership and governance of professional sport teams/franchises (Karg & Ingley, 2020).

By introducing the Private Investor to the Super Rugby model, NZR needed to consider two voices within their governance that were not from their traditional membership and 20th century governance structure – the Independent Director and the Private Investor. The challenge for most sporting organisations (including NZR) was their ability to 'let go' and allow 'non-member delegates' to run their sport; against not only sporting and community objectives, but an overwhelming desire to be commercially successful so that the game could grow at all levels.

The findings from the mixed ownership model evidenced in New Zealand Super Rugby entities, highlight investors having to consider the connection between ownership and governance. One clear example was how each Super Rugby entity designed their board composition. Within the various mixed ownership designs, there existed evidence that the owners (Provincial Union and Private Investor) were directly included in the governance design relative to their investment (the Blues and Hurricanes). The one exception was the Chiefs which established an independence between ownership and governance.

Buchholz and Lopatta (2017) highlighted this challenge for sport. That is, the need to define the role of investor (no matter perceived type) in order to ensure good corporate governance is independent and strategic in purpose. Whilst it is early days for the NZR's Super Rugby mixed ownership design, findings from the present study demonstrate how initially structuring the boardroom balance between ownership and governance was important to both investor types.

As owners of the Super Rugby licences, decisions had to be made about the level of influence (and control) that each investor type wanted and would be permitted. Findings from this study show that this was especially difficult for the Provincial Unions (and NZR) who had previously equated ownership with exclusive governance, through the delegate approach to boardroom directorships (also supported by O'Boyle, 2012). It appeared equally difficult for the Private Investor, an acknowledgment that a key motivation for their investment in a Super Rugby licence was the thrill of ownership and being actively involved in something (rugby) they were passionate about. For some private investors, that ability to influence boardroom decisions was seen as critical to their investment and involvement in Super Rugby.

Chappelet and Mrkonjik (2013) defined seven basic indicators for better governance in International Sport as: Organisational transparency, Reporting transparency, Stakeholders' representation, Democratic process, Control mechanisms, Sport integrity and Solidarity. In reflecting on the fusion of member and private ownership at the Super Rugby governance table, findings from this study support the indicators of transparency and control within the theme of 'control, influence and trust'. The Provincial Union investor needed transparency as he/she had an obligation to report and be accountable to their membership. The Private Investor understood that being "on the inside" of the boardroom gave them the necessary influence to effect change and growth.

## Ownership Design (and the Mixed Ownership Model)

Faced with the introduction of a new partner in the form of private equity, NZR and its Provincial Union members needed to design an ownership model that protected their historic investment, whilst delivering new resources (capital and knowledge). Around the globe we can see evidence of sporting organisations being challenged to deliver a commercially attractive product that ensured their sport remained relevant in an increasingly competitive sport and entertainment market (Hamil et al. 2010; Ward et al. 2012; Ferkins & Smythe, 2013). The United States has a history of heavily private ownership of leagues and franchises, whereas some European and Australia/New Zealand markets have models of private and member ownership (Karg & Ingley, 2020).

Generally, sport ownership design at the franchise and league level falls into one of two types:

- Private Ownership (e.g. the United States NBA and NFL)
- Member Ownership (e.g. English County Cricket and the Australian AFL)

There does exist within many sport leagues (e.g., European Football and the Australian NRL), both ownership types at franchise (team) level. This variation is also evident at the national level, where many member owned national bodies retain some level of governance and ownership of the brand and competition that franchises play in (e.g., English Rugby and Indian Premier League for cricket), whilst allowing private equity to be represented at franchise level.

What makes the NZR Super Rugby model novel was a design that combined member and private ownership at the franchise level. With minor exceptions, international sport at the franchise level is represented by either exclusively private ownership or exclusively member ownership. The NZR Super Rugby model not only forced a fusion of investor type but offered variations on what this fusion looked like. From the Crusaders model whereby private equity was represented by a private equity underwrite of 100% member ownership, to the Chiefs with its 50:50 split ownership model with independent governance, to the Blues and Hurricanes with their more traditional split ownership and governance model, to most recently the Highlanders with its predominantly private ownership and governance.

Ultimately though, the design of the ownership model for NZR came down to a matter of control and influence. NZR was quick to assert this notion of control by limiting Super Rugby's external ownership to a 'marketing' licence for a Super Rugby team. In a somewhat unique decision, NZR would not only retain ownership of the individual Super Rugby brands but also centrally control player contracting and Head Coach appointments.

This notion of control and influence was shared by both Investor types in research findings, with most seeing control and influence as being fundamental to their investment. For the Provincial Union, control and influence would ensure the game stayed local and the community game benefited from the investment. For the Private Investor, control and influence meant they could actively participate in something (Super Rugby) that they were passionate about.

In further contrasting the experiences of each Investor type under a mixed ownership design, the Provincial Union (member) in Super Rugby was identifiable for their *'rugby first'* approach to investment. Provincial Unions highlighted their need to protect Super Rugby's connection with the local game, ensuring that the governance and ownership model delivered winning rugby for their members. The Private Investor experiences, on the other hand, presented an investor type who were passionate about their investment, knew what they wanted and were prepared to play a longer game to achieve a return.

The private investor talked of this boardroom control, influence and additionally trust, as aspects of the mixed ownership (governance) model that were important to long term success. Both investor types shared a common appreciation, that ultimately, good governance and ownership is all about good people. A notion endorsed by Doherty and Carron (2003) who asserted that having the right balance of people around the board table improves the performance of sport governance. The communication skillset of those charged with representing ownership, was paramount to a unified and ultimately successful Super Rugby entity.

## Practical Implications for Sport Organisations

In order to develop a sport and by association its sporting leagues and franchises from amateur community motivated entities to commercially sustainable organisations, there may be a need to incorporate the Private Investor (or private equity) to de-risk the traditional member investor from the commercial demands of running an entertainment business. As broadcast and commercial revenues grow, to fund the delivery of the game at all levels, there is a growing expectation that sporting bodies build an infrastructure that satisfies their stakeholders collective desire to run a profitable and risk-free sport entertainment business (Mason et al., 2017).

This research presents a sport ownership design that practically demonstrates the introduction of the private investor to the sport ownership and governance table, whilst still retaining member ownership and governance at the franchise level. By highlighting the perspective of the member and private investors in a mixed ownership model, the sport and business community is able to reflect on the broader question of what happens when ownership changes; specifically, within this piece of research, what motivates the investor types to invest in a new ownership model, and what are the experiences from those that have invested in a mixed ownership design?

The practical implications from this research have been summarised under a series of questions that traditional member owned sporting organisations might consider, when determining an appropriate model for the introduction of a private equity partner.

1. **What is the motivation for the introduction of private equity?**

   NZR clearly determined that it needed private investment to 'de-risk' the NZR balance sheet as well as the balance sheet of its Provincial Union members. Effectively stating that it was not in a position to be the sole guarantor for the financial performance of all five Super Rugby entities. In addition, NZR identified that a Private Investor may also bring in a broader business skill set, knowledge and innovation to the governance table (NZ Rugby, 2008, 2011). Private equity might also bring new money that can be injected into delivering a more professional and higher performing team, or new strategies for marketing the sport to the end consumer. Understanding the motivations for introducing private equity and those that represent private equity, will influence matters of future ownership and governance design.

2. **What ownership and governance models are available?**

   NZR settled on a mixed ownership model at franchise level, that allowed private equity to take a variety of form and control. NZR was also very deliberate in its intent to retain ownership of the Super Rugby brands and players, before allowing its members to introduce private equity to the ownership of a Super Rugby marketing licence. By considering the various models and design of ownership, the traditional sporting organisation can establish the 'best fit' to achieve their stakeholder objectives.

**3. What are the motivations of the investor types?**

Understanding the possible motivations of investor types is important, so that sporting bodies can not only maximise the capital raised from new equity partners, but also consider how these motivations can be factored into ownership and governance design. The economic versus emotive motivations of investor types potentially has a direct relationship to how governance and management could be structured and ultimately how it performs.

There are two other matters that sporting organisations might consider, as evidenced from the experiences of both investor types in Super Rugby's mixed ownership model.

<u>Take your time</u>

A sporting organisation will generally only get one chance to introduce the Private Investor into its ownership and governance model. The outcomes from this study indicate the importance of carefully deliberating on this significant change with some rigour. The experiences of the investors in Super Rugby suggest that sporting organisations might consider the following:

- Do a due diligence on all equity partners (Private and Member);
- Establish the most appropriate governance structure within the shareholder agreement. Does ownership equal governance, or should ownership be independent of governance?
- Consider an exit strategy for investors within the shareholders agreement;
- Agree how new capital is to be utilised – rainy day or 'today'?
- Consider what will happen when new capital is required;
- Determine how the profits are to be used – dividend or re-invested? and
- Agree how the new entity might retain and structure its relationship with the local community.

Based upon the interviews with Super Rugby investors (Private and Provincial Unions) it became clear that not all these matters were fully explored and reconciled, prior to agreements being signed.

<u>It's all about the people</u>

An observation made by both investor types was that crucial to running a successful Super Rugby entity was the ability of the individuals that represented the Investors around the governance table. Even more important than their business skills, was the ability of the individuals to 'get along' and the desire of these same individuals to form long terms beneficial partnerships.

As with any business, when one shareholder is not on the same page as another, invariably conflict occurs, and tensions rise. When personalities clash and emotion (not economics) rule the boardroom, it often does not matter what type of investor they represent, it simply comes down to the ability of the *people* to work for the betterment of the business they are governing. In the present study at least one of the Super Rugby entities demonstrated that the ability of the investors to work in a collaborative manner around the boardroom table (for the benefit of the team) was being stalled by a lack of trust between individuals.

## Implications for Future Research / Theory

Within the governance structures of Australian and New Zealand franchise sport, we see professional sport leagues and teams performing for the benefit of multiple stakeholders. But what do we know about the ownership of these leagues and teams, and what impact might their ownership structures have on their governance decision making? What are the lessons from a competition such as the A-League (football) which has put its future in the hands of the Private Investor? Why did the Big Bash (Australian Cricket) exclude the Private Investor from its ownership model, when there was an early and quite compelling argument (via the Indian Premier League) that the Private Investor was a major factor in building commercial and marketing success?

As individual 'historically amateur' sporting bodies consider the introduction of private equity into their ownership and governance models, the design experiences of other sports may provide valuable knowledge in determining the most appropriate structures. What trends are evident from those sports that have included the Private Investor and what trends are evident from sports that have shunned the Private Investor in favour of member only or hybrid ownership models?

Another, more overarching question, for the scholar, may well be who owns sport in the commercially driven 21$^{st}$ century? In markets such as New Zealand and Australia, are we seeing a loosening of member ownership and control in favour of private equity partners? What control does the digital broadcast partner have in the commercial success and longevity of a sporting code? And what about the fan, does he/she own and control a sport through participation, attendance and/or viewership?

This question of who owns sport will also add to the research and theory behind the governance of sport. If as we suggest, ownership and governance are linked, then what happens when the ownership models are changed; what is the resulting impact on how sport is governed? If good governance is viewed as independent strategic thinking, and the independent skills of the directors are valued (Chappelet & Mrkonjic, 2013), then how do we reconcile the passionate Private Investor or equally passionate Member Investor in the sports governance model?

## Concluding Remarks

It will be intriguing to reflect on this research into the NZR's ownership model of its Super Rugby entities in 15 years' time. Whilst the All Blacks brand is currently New Zealand's foremost commercial sports property, what happens as franchise rugby (e.g., Super Rugby and European Champions Cup) continue to dominate rugby's annual sporting calendar at the expense of 'country versus country' fixtures? Quite reasonably the focus of the NZR might shift to the performance of New Zealand's Super Rugby entities and their ability to deliver commercial revenues for the NZR for the support and delivery of the community game. What will the role of Private Investor and Provincial Union look like in 15 years' time when new investment is needed to grow commercial revenues and franchise infrastructure? Will the new private investors need for control and influence, as evidenced in the evolution of American sport leagues such as the NBA and MLB, see the Super Rugby entities challenge NZR's ownership of key commercial properties?

Until 1995 the then New Zealand Rugby Union (under the international rules of rugby) protected the amateur 'not-for-profit' ideals of 20th century New Zealand sport; ensuring that the ownership of the game of rugby remained with those New Zealanders that supported and played the game. By 2011, the New Zealand Rugby Union (NZR) had considered and agreed to the introduction of private ownership of its five flagship Super Rugby teams. Whilst retaining effective control of Super Rugby through the issuing of marketing licences, it nevertheless had opened the door for the Private Investor to have a say in how rugby in New Zealand is managed and governed.

One possible prediction is that within 20 years all Super Rugby licences in New Zealand are privately owned, and that their ownership rests in the hands of a small number of shareholders (akin to developments in American sport and European Football over the past 30 years). What may advance this will be the need for NZR and Super Rugby to introduce new capital to combat increasing competition from other sport entertainment products. The challenge for NZR will likely be what commercial properties it retains (especially digital) and what are assigned to the Super Rugby franchise owners and partners.

Another possible prediction is that the All Blacks brand itself within the next 20 years may be listed on the New Zealand stock exchange, inviting the private 'passionate' shareholder to be part owner of a dominant New Zealand international brand. Logic could follow that a model pitched somewhere between the Green Bay Packers 'local community' ownership model and Manchester United's stock exchange ownership is something NZR and its membership might consider.

In a similar circumstance, cricket in New Zealand is also facing some uneasy questions over the coming years. Faced with less 'country versus country' content, as national bodies around the world invest locally in their franchise based T20 leagues (e.g., IPL, Big Bash, T20 Blast, CPL), there will be a smaller window for international competition. So, what does a country like New Zealand do, when it is heavily reliant on the international games (ICC) revenues to deliver the New Zealand community game? Does it invest in its own private ownership domestic T20 competition, appreciating it has a very small local market; or does it re-invent itself on the international stage by seeking private investment in its own Black Caps brand? Does it purchase into overseas franchise teams playing in overseas competitions? Does New Zealand Cricket consider shaping itself as Private Investor, in the face of the global game of cricket being redefined from 'country versus country' to 'franchise versus franchise'?

It is evident that franchise sport is and will continue to be the main contributor in the commercial growth of professional sport in the entertainment market. The role of the Private Investor in franchise sporting markets such as Australia and New Zealand is still being shaped. Whereas the later part of the 20th century was noteworthy for sport moving from amateur to professional governance and management, the challenge in the 21st century (in Australia and New Zealand at least) may well be how sport includes the Private Investor stakeholder in franchise-based team sports. If sport is business, then who is best equipped to run successful business – the traditional amateur member owner or the commercially experienced private investor; or both?

The 2012 fusion of the traditional owner of Super Rugby (NZR and the Provincial Unions) with the Private Investor was a watershed moment for the sport of rugby in New Zealand. Motivations for, and learnings from, this decision will help shape how sport in Australia and New Zealand answer the above challenges.

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**APPENDICES**

## Appendix A – Information Sheet and Consent Form

# New Zealand Rugby and Super Rugby Licensee Participant Information Sheet

**Date Information Sheet Produced:** 20th February 2016
**Project Title:** Mixed ownership in sport – the case of Super Rugby in New Zealand.

**<u>Executive Summary</u>**

This Masters research seeks to contribute to the emerging body of knowledge relating to the governance and ownership of sport organisations. More specifically this research will explore the changing ownership design of sport organisations using the recent step by New Zealand Rugby (NZR) to allow partial private ownership of its Super Rugby licenses.

Through an understanding of Super Rugby's **<u>mixed ownership</u>** model, it is anticipated that this research will help explain and shape governance and ownership options for sport organisations in general.

The overall research question is: **What are the motivations for involvement, and experiences of, mixed ownership in New Zealand's Super Rugby?**

The two sub-questions that contribute to addressing this overall question are:
1. What were the objectives material to the investors' decision to participate in a mixed ownership model? and
2. What were the learnings from the investors' experience?

A case study approach will be used that explores this development through the eyes of the investors (private and member) in four Super Rugby Entities; **they being the Blues, the Chiefs, the Hurricanes and the Crusaders**. The investor's chosen will be a mixture of Private Investors and not-for-profit member investors (Provincial Unions).

**<u>Background Information</u>**

In July 2008, NZR commissioned a discussion document titled 'Licensee Structure Review'. Within its analysis NZR concluded that the advantages of private ownership would be **"the availability of new capital, both intellectual and monetary; and it would add an exciting new dimension to the operations of a Licensee in professional rugby"** (p. 20). By December 2011 and through its "Invitation to Submit an Expression of Interest in a License to Manage a Super Rugby Team" document, NZR concluded that private investment was a necessary development for New Zealand Rugby, although would be best served by limiting the role of private investment to minority shareholder.

This series of events culminated in a watershed moment in 2013 for sport in New Zealand (and arguable globally). For the first time in the history of the game, NZR allowed for partial private ownership of its Super Rugby licenses. Whereas previously the Super Rugby licenses were owned exclusively by NZR on behalf of its Provincial Unions (not-for-profit members), 2013 saw the **Private Investor and Provincial Unions combine** to govern and manage Super Rugby licenses.

The New Zealand Super Rugby situation is seemingly a novel approach and therefore potentially rich with new insight. In seeking to study **mixed ownership** in Super Rugby - a consequence of NZR's decision - motivation for this research is founded on the need to develop the small but growing body of knowledge about sport governance ownership issues.

It is through an understanding of the mixed ownership model evident in Super Rugby Entities that we can better define and shape the ownership of sport organisations in general, which have significant bearing on governance dynamics. **The case of Super Rugby in New Zealand will highlight the expectations of the Private Investor and not-for-profit investor, along with issues that emerged from their involvement in this new mixed ownership model.**

To date, research concerned with issues of sport ownership and design has almost exclusively explored the 'not-for-profit' (member) ownership model, or, the 'private equity' ownership model. Whereas the 20th century was dominated by the member 'not-for-profit' sector holding exclusive ownership, the 21st century and its commercial demands has seen the Private Investor through new ownership models, have a growing influence on sport governance and subsequent organisation performance.

European Football and American Pro Leagues were early pioneers in allowing private equity access to the management of sports teams. The generally held view was that for sport franchises to compete in the player labour market, private equity was a necessity. Sport organisations in countries around the globe are faced with the challenge of balancing a sport's modern commercial imperatives with historical community needs.

This private equity phenomenon is increasingly evident in New Zealand where the sport sector has limited resources due to the size and relative strengths of our New Zealand market. If New Zealand is to successfully compete on the international stage and more specifically in the player labour market, we need to consider and shape the role of private equity in sport ownership and governance. **A 'mixed ownership model' representing a fusion of member and private equity, is an emerging phenomenon and one only now becoming visible in sport ownership and governance, globally.** By allowing private equity into the Super Rugby Entities, NZR's fusion of 'public and private' investor is an emerging opportunity for sport ownership and governance structures. Furthermore, this new and potentially impactful development in sport has not, as yet, been examined through a scholarly lens.

## Research Question/Design/Plan of the Study

The overall research question is: **What are the motivations for involvement, and experiences of, mixed ownership in New Zealand's Super Rugby?**

The two sub-questions that contribute to addressing this overall question are:

1. What were the objectives material to the investors' decision to participate in a mixed ownership model? and
2. What are the learnings from the investors' experience?

This case study explores the phenomenon of 'mixed ownership' within the context of Super Rugby using a variety of data sources. The study will explore and interpret the case of Super Rugby through a series of face-to-face, semi-structured interviews with representatives of the key investors (private and Provincial Unions) of four Super Rugby licenses - **the Blues, the Chiefs, the Hurricanes and the Crusaders.** Each of these four Super Rugby Entities represent the fusion of private and member equity.

The study will use participant interviews and document analysis as the two data collection methods. The case study participants will be limited to the significant Private Investors of each Super Rugby Entity along with the significant Provincial Unions representing member equity in the Super Rugby Entity, totalling approximately 10-14 interviews. Significant investors will be defined by the levels of shareholding evident in the Super Rugby Entity; with interviews being conducted with the Investor's CEO, Chair and/or appointed spokesperson. Face-to-face interviews with these participants will occur over a period of three months to allow time for the interviews to be transcribed and partially analysed. It will also allow time for the researcher to identify themes that could be continued in later interviews.

Interviews for this study will be of a conversational nature, with open ended questions in order to guide, but not direct participant responses. Each interview will be recorded and transcribed by the researcher, with the interviews being done in a chronological order, beginning with the participant's initial objectives from the mixed ownership model, evidence of these objectives being met and what (if any) learnings can be promoted that will shape future governance and ownership decisions in sport organisations.

The secondary data collection method to be used will be document analysis. By reviewing literature on NZR's decision to allow private investment in Super Rugby, we will have a better understanding of the obligations and benefits that NZR expected from both Private Investor and Provincial Unions. In addition, providing further context to this research, we will undertake an examination of the media surrounding the decision of NZR, along with a review of the literature produced by fellow researchers in the field of sport management, sport ownership and sport governance.

## An Invitation from Mark Cameron

I am an AUT scholar completing a Master of Philosophy with a research attention to sport ownership and governance models. I have 20 years' experience in sports administration, both at CEO and governance level, and in a variety of sports. I am inviting you, as a key stakeholder in Super Rugby to participate in this research.

What follows is a series of questions and answers that will explain your involvement, should you be participate.

**How was I identified and why am I being invited to participate in this research?**

You have been chosen as you represent an investor in the current NZR Super Rugby mixed ownership model. You have a material stake in the ownership of your Super Rugby Entity, one that affords you an increased profile along with a greater demand for accountability of the entity's performance.

**What will happen in this research?**

This study will use participant interviews and document analysis as the two data collection methods. Sixty minute, face-to-face interviews with you are planned with various stakeholders over a period of three months from February to April 2016. This will allow time for the interviews to be transcribed and partially analysed. The research will also include a review of the current literature on the NZR Super Rugby mixed ownership model including NZR licensee agreements and relevant media commentary.

**How will my privacy be protected?**

The final documentation (thesis) will identify you (and your Super Rugby Entity) as the participant in the study. However, any quotes made by you within interviews and findings gained through this research will not be specifically identifiable to you – instead we will simply refer to interviewees / participants as either ‘Private Investor’ or ‘Provincial Union’.

Interview recordings and transcripts will only be available to the research team and at all times are considered confidential documents between yourself as participant and the research team. As research themes (findings) are developed they will be shared with you, respecting the fact that you have the exclusive right to retract or delete comments obtained through the data capture process.

The research paper in its final (publishable) form will also require your exclusive permission for content.

**What are the costs of participating in this research?**

There are no costs for taking part in this research other than your time and an understanding that this research will be promoted.

**How do I agree to participate in this research?**

If you agree to take part in this research, then I will need a consent form completed and signed at or before the interview.

ENDS

**Consent Form**

*Project title:* *Mixed ownership in sport – the case of Super Rugby in New Zealand.*

*Project Supervisor:* *Lesley Ferkins*

*Researcher:* *Mark Cameron*

- ○ I have read and understood the information provided about this research project in the Information Sheet dated 20th February 2016
- ○ I have had an opportunity to ask questions and to have them answered.
- ○ I understand that notes will be taken during the interviews and that they will also be audio-taped and transcribed.
- ○ I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- ○ If I withdraw, I understand that all relevant information including tapes and transcripts, or parts thereof, will be destroyed.
- ○ I agree to take part in this research.
- ○ I wish to receive a copy of the report from the research (please tick one): Yes○ No○
- ○ Are you happy for your name and organisation to be disclosed in the write up? (please tick one) Yes○ No○

Participants signature :

Participants name :

Participants Contact Details :

Date :

***Approved by the Auckland University of Technology Ethics Committee on 3rd November 2015 AUTEC Reference number 15/392***

*Note: The Participant should retain a copy of this form.*

**Confidentiality Agreement**

*Project title:* *Mixed ownership in sport – the case of Super Rugby in New Zealand.*

*Project Supervisor:* ***Lesley Ferkins***

*Researcher:* ***Mark Cameron***

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- ○ I understand that all the material I will be asked to transcribe is confidential.
- ○ I understand that the contents of the tapes or recordings can only be discussed with the researchers.
- ○ I will not keep any copies of the transcripts nor allow third parties access to them.

Transcribers signature :

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Transcribers name :

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Transcribers Contact Details (if appropriate):

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Date:

Project Supervisor's Contact Details (if appropriate):

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***Approved by the Auckland University of Technology Ethics Committee on 3rd November 2015 AUTEC Reference number 15/392***

*Note: The Participant should retain a copy of this form.*

## Appendix B – Sample Interview Questions

These following introductory questions were applied in each interview with Investors – the approach varied somewhat dependant on investor type (private and member) and the direction an investor wanted to take some of their commentary.

**<u>What changes when ownership changes?</u>**

Overall Research Question: What are the motivations for involvement, and experiences of, mixed ownership in New Zealand's Super Rugby?

<u>How did you become an investor in []?</u>

- What is the structure of your ownership model?
- What is your role/investment?
    - What is your background?
    - Why did you get involved?
- What were your objectives in such an investment?
    - 'thrill', dividend, capital gain, philanthropic?
    - Other…?
    - Why this structure – number of investors, size of shareholding, inclusion/exclusion of shareholders?
- What flexibility did you have in respect of the level of shareholding created / received?
- How much capital was raised through investment? Dollars and … other?
- What is your Board governance structure?
    - Voting Rights
    - Selection Panel
    - Role of Chairperson
    - How engaged is the Board in the running of []
- Did you and would you (Private Investor or Provincial Union) consider 'going it alone'? Why and/or why not?
- Shared CEO to individual CEO's? Why this change?
- What were your recollections as to the motivations of NZR?

<u>Three Years later – How has it gone?</u>

- Have your personal objectives been met?
- Would you endorse your current ownership model?
    - Or 100% PROVINCIAL UNION or 100% PRIVATE INVESTOR?
    - Or something else?
- The notion that investors should/could be separate to governance – can this work in a sporting franchise model?
- Has there been any conflict between PRIVATE INVESTOR and PROVINCIAL UNION?
    - Between PROVINCIAL UNION's?
    - Between PRIVATE INVESTOR's?
- How has conflict been managed?
- How has the ownership / franchise performed in terms of:
    - Governance – ability to make strategic decisions
    - Management – ability to respond to issues with speed and effectiveness
    - Off field Generally
    - Return on Investment for owners
    - The fans
    - NZR

- What is your view of NZR and the model that see’s players and coaches employed by NZR? And key commercial properties (e.g. Television) be retained by NZR?
- How important is ‘on field’ performance?
    - If the team was consistently losing would you still support this ownership model?
    - What conflict/issues might arise if the team was on a losing streak?

The Future

- If you had a choice, would you make the same ownership/investment decision in XYZ?
    - Why?
    - What would you vary?
- Thoughts on changing the governance / board structure?
- What message would you like to share with NZR (and other sporting organisations) on your choice of ownership model?

THANK YOU

ENDS

# Appendix C - AUT Ethics Committee Approval

**AUT Ethics Committee Approval**

3 November 2015

Lesley Ferkins
Faculty of Health and Environmental Sciences

Dear Lesley

Ethics Application: **15/392 Mixed ownership in sport - the case of Super Rugby in New Zealand.**

Thank you for submitting your application for ethical review to the Auckland University of Technology Ethics Committee (AUTEC). I am pleased to confirm that your ethics application has been approved for three years until 2 November 2018.

As part of the ethics approval process, you are required to submit the following to AUTEC:

- A brief annual progress report using form EA2, which is available online through http://www.aut.ac.nz/researchethics. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 2 November 2018;
- A brief report on the status of the project using form EA3, which is available online through http://www.aut.ac.nz/researchethics. This report is to be submitted either when the approval expires on 2 November 2018 or on completion of the project;

It is a condition of approval that AUTEC is notified of any adverse events or if the research does not commence. AUTEC approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

AUTEC grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to obtain this.

To enable us to provide you with efficient service, we ask that you use the application number and study title in all correspondence with us. If you have any enquiries about this application, or anything else, please do contact us at ethics@aut.ac.nz.

All the very best with your research,

Kate O'Connor
Executive Secretary
**Auckland University of Technology Ethics Committee**