



Governance Review

NZRU

Ko te kai a te Rangatira,
ko te kōrero

Independent review of the
constitution, governance structure
and processes of the New Zealand
Rugby Union Incorporated

August 2023

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KUPU WHAKATAKI

INTRODUCTION

Ko te kai a te Rangatira,
he korero.

Tena tatou katoa i te Ao e hurihuri haere ake nei. Ki a ratou kua mene ki te Po, me mihi kia ngawari te okiokinga, ki a tatou te hunga ora e noho morehu nei ki te ngaki i o ratou tumanako tena hoki tatau.

Ka tika te korero arataki a o tatou matua tipuna.

Ko te pae tawhiti, whaia, kia tata!

Ko te pae tata, whakamaua, kia tina!

Koena te korero i tae ki a matou mo tenei kemu te whutuporo o tatou.

Na te mea ka tatu ki nga hau e whau o te motu, he piringa tangata, he taura tuitui whanau te kemu, a, he whakatu poho kereru a te wahine, a te tane, e whakamauna i te kakahu takaro. He whakaora i o ratou whanau hoki.

Tatu atu ki nga Kapa o Pango—ka tu whakahihini a Aotearoa katoa.

Koena hoki te wero i takaia ki a matau te Ropu Arotake nei. Kia rangona nga reo katoa i tukua mai, kia taea nga tumanako katoa i whiua mai, nara, mai i nga pitopito noho katoa o Aotearoa nei.

Discussion is the
sustenance of leaders

Greetings to you/us all in these turbulent and challenging times. A special tribute to our loved ones and forebears who have passed on, leaving their aspirations for us to realise and grow.

The need to set ambitious goals and then realise them is a common message in the feedback received during this review. As is realising the importance of the game's geographic and social reach and impact—providing a vehicle for community cohesion and pride, and enjoyment for children, women, men and their whanau. Not to mention the significance to the whole country of the teams in black.

That significance also constitutes the principal challenge for the review and those reviewed and their whanau—at all levels of participation in the game of rugby in Aotearoa. We want to ensure that this challenge is picked up and the potential retained, built upon and grown further.

We earnestly encourage those who will take this report forward to adopt the broadest possible perspective, making the necessary decisions in the best interests of the sport as a whole.

STATEMENT FROM THE PANEL

The Review Panel is pleased to present this review of the governance of New Zealand Rugby. We have been very conscious of the place of rugby in the history and identity of Aotearoa New Zealand. It is the purpose of this review to define a leadership framework that will ensure the sport remains strong and relevant in a changing world.

In responding to our terms of reference, we have first ensured that all voices have been heard. We have travelled the country and listened. We have received and reviewed hundreds of submissions and also interviewed nearly 200 people.

The Panel has pursued a robust process and the resulting report is thorough and soundly evidence-based.

New Zealand Rugby in the professional era is a large and complex international business. The structure it sits within was not designed for a business of this size and complexity. It needs change to address the many challenges. We are confident that what we propose is the best route forward. The conclusions are not novel, they exist and work in other organisations and environments. In that sense we are recommending good practice that has been shown to be effective elsewhere.

I want to thank my fellow Panel members whose experience, wisdom and guidance have been pivotal in reaching a strong consensus. Thanks also to all those who generously gave time in submitting to or talking with us.

We earnestly encourage those who will take this report forward to adopt the broadest possible perspective, making the necessary decisions in the best interests of the sport as a whole. To consider also the very wide range of stakeholders within Rugby Inc, particularly the thousands of people who gift their time and the fans here and around the world. They all deserve exemplary leadership within the sport.



David Pilkington
Panel Chair
31 August 2023



David Pilkington, Chair



Anne Urlwin



Whaimutu Dewes



Graham Mourie

THE REVIEW PANEL

The independent Review Panel includes three of Aotearoa New Zealand's leading professional directors—David Pilkington (chair), Anne Urlwin and Whaimutu Dewes—all of whom bring sport sector knowledge to the table. Former All Black captain Graham Mourie, the fourth member of the Panel, added invaluable insights from his long and ongoing involvement in the game.

The Panel was supported by specialist governance consultancy BoardWorks. BoardWorks' experience includes over 25 years' working with sporting organisations throughout Australasia.

Further background on the Panel and BoardWorks can be found in [the Appendices](#).



Rugby has always played a central role in Aotearoa New Zealand and will continue to do so.

Introduction

REVIEW METHODOLOGY

Understanding the central position of the sport in Aotearoa New Zealand, the Panel wanted to ensure everyone who wished to provide input was able to do so.

To that end, the review involved the following key steps:

- engaging with the commissioning parties—New Zealand Rugby Union Incorporated and the New Zealand Rugby Players Association—to review and agree a terms of reference and constitute a suitably skilled panel
 - panel formally engaged late December 2022
- providing an online capability for any organisation or member of the public to submit. This was widely advertised through stakeholder groups and rugby media
- targeted invitations to all key stakeholders to submit to the review
- 10 ‘Town Hall’ events from Whangarei to Invercargill, inviting the rugby community to meet and interact with members of the Panel
- over 90 planned interviews with individuals and groups, talking with nearly 200 people.
- reviewing key NZR documentation, wider research and referencing good practice in other contexts.

The Panel met regularly to reflect and refine the approach. Lists of those submitting, attending the Town Halls and interviewees are included in the appendices.

Details from the public submissions are in the [Appendices](#).

10

TOWN HALL EVENTS

110+

INTERVIEWS WITH
GROUPS & INDIVIDUALS

191

TOTAL PEOPLE
INTERVIEWED

169

PUBLIC SURVEY
RESPONSES

27

WRITTEN
SUBMISSIONS

INTERVIEWS AND QUOTATIONS

All our interviews were confidential. Quotations that appear in italics throughout the report have come from a range of sources—written submissions, the public survey and interviews. They are included because they are indicative of a broad sentiment or represent a useful perspective worth highlighting.

Attributed quotations are with permission.

TERMINOLOGY AND ACRONYMS

We refer to any board members throughout as directors.

Positions of influence within the game are considered to be any paid employment or governance role at any level in any rugby entity.

AFL	Australian Football League
AGM	Annual General Meeting
AP	Appointments Panel
ARC	Appointments and Remuneration Committee
Directors	Members of a board
Members	The formal members of NZRU as defined in the constitution
NSO	National Sports Organisation
NPC	National Provincial Championship
NZC	New Zealand Cricket
NZMRB	New Zealand Māori Rugby Board
NZR	New Zealand Rugby – the national body
NZRC	New Zealand Rugby Commercial
NZRPA	New Zealand Rugby Players Association, also RPA
NZRU	The wider federal entity
PU	Provincial Unions, the 26 regional member components of NZR
Review Panel	The four people leading this governance review (The Panel)
Rugby Inc	The wider world of rugby in New Zealand
SANZAAR	South African, New Zealand Australian and Argentinian Rugby
SGM	Special General Meeting
SportNZ	Sport New Zealand
SR	Super Rugby
Unions	Provincial Unions

RECOMMENDATIONS

Our primary recommendations are noted in the Executive Summary and the associated Summary of Recommendations.

At the conclusion of each section, we highlight Matters for Consideration—issues we recommend the NZR board addresses.

Recommendations are set out in detail in [Part 3](#), together with a complete list of all [Matters for Consideration](#).

We want to acknowledge the thousands of people who generously give their time to the sport.

OUR THANKS TO

First, and most importantly, we want to acknowledge the thousands of people who generously give their time to the sport of rugby. Without you, rugby would have neither a past nor future: coaches, referees, administrators and volunteers—the endless list of tasks you carry out are what makes the sport possible. You do a wonderful selfless job, and you deserve a matching standard of leadership and governance within your national body.

For this review, we acknowledge and thank the following who collectively have given hundreds of hours and patiently answered our queries:

- the Provincial Unions who generously hosted us as we moved around the country listening at the Town Hall sessions
- the many people who participated in the Town Hall sessions representing 50 organisations.
- the people who made time to contribute through the public submissions process
- organisations and individuals who responded to our targeted requests for submissions and information
- the 190+ people we interviewed
- the staff within NZR who provided information and responded with openness to our many queries, especially John Kirkup and Shelley Manning
- directors of the commissioning parties, NZR and NZRPA.

Detailed lists of submitters, interviewees and Town Hall participants are listed in the [Appendices](#).

The New Zealand Rugby Union (now known as New Zealand Rugby (NZR)) was established in April 1892 to administer the sport of rugby at the national level. The central purpose as outlined in the constitution¹ is stated as:

Amateur Rugby: The NZRU is incorporated for the purpose of promoting amateur rugby for the recreation or entertainment of the general public.

As the organisation and its operating environment have changed, so has the need to adapt and improve the structure and governance of the organisation.

ORIGINS OF THIS REVIEW

Since the advent of professional rugby in 1995, pressure has been growing on NZR to fund both the growth of the high-performance (paid) component of the game and community or ‘grassroots’ rugby. When NZR announced its plan to raise additional funding from private investors it was not universally well received. An initial NZR proposal in 2021 was agreed by its voting members but rejected by the NZ Rugby Players Association (NZRPA). Over a year later, however, agreement was reached by all parties on a revised proposal.

One component of that agreement was that a thorough, fully independent ‘fit-for-purpose’ constitutional and governance review would be undertaken, led by a group of leading governance practitioners. The report would be made public in full, and its findings should propose a governance framework to better serve the game as a whole.

The Panel’s full terms of reference are outlined in the Appendices.

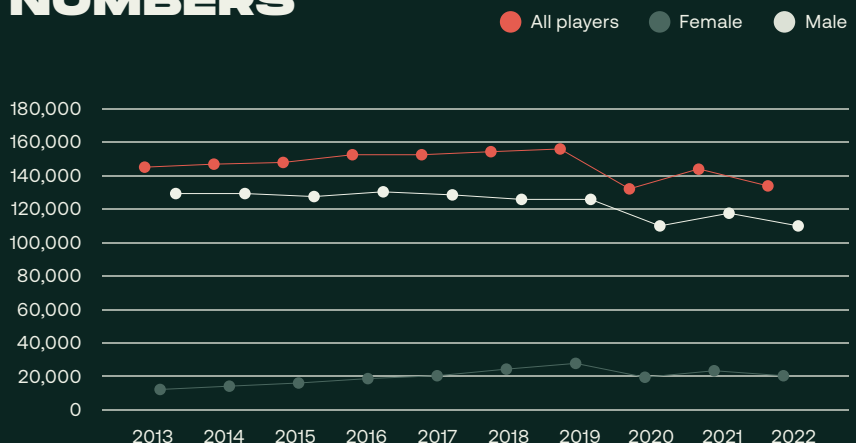
THE CURRENT STATE OF RUGBY IN AOTEAROA NEW ZEALAND

What are the challenges?

This is the matter where there is the most agreement. Our terms of reference, a myriad of previous reviews, and the information gathered and outlined in this report all point to serious concerns about the state of the game in New Zealand. The extent of the problem is widely agreed:

- Participation rates are static if not declining.
- The structure of professional rugby competitions in the domestic market needs addressing. It is financially unsustainable.
- Spectator numbers are down for domestic rugby.
- Fan engagement is under challenge.
- There is excitement and potential within the women's game. It brings a specific set of challenges and will require a different approach compared to the men's game.
- Māori and Pasifika players dominate many areas of the game yet lack a commensurate presence in leadership.
- Offerings within the wider sport sector continue to diversify and are increasingly provided outside traditional structures.
- There is a lack of alignment across the moving parts of the game. There are too many small struggling organisations within the game. It is inefficient.
- Planning is substandard. Funding flows from NZR to Provincial Unions are only partially aligned to strategy and mutual accountability is minimal to non-existent.

PLAYER NUMBERS





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 The purpose of this review is to ensure there is the best possible governance (people and structures) to address the challenges outlined.

- Of late, tension within the wider world of rugby has spilled over into the public domain, notably around the Silver Lake negotiation and the All Black coach appointment process. This has damaged the public perception of the sport and its leadership.

Many of these underlying issues have been patched over by the success of the teams in black and by increasingly large sums of money flowing out from the national body to Provincial Unions and other entities in the NZR orbit.

Yet—despite broad agreement on the challenges facing the game in this country, the governance structure of the sport has made it difficult to consistently attract and retain the competencies required to address these challenges. The longer this problem persists, the worse it will become. The people needed to lead will be even less inclined to make themselves available.

Compared to other major national sports, the governance of NZR and the wider rugby delivery system has not kept pace with the challenges facing the game.

The purpose of this review is to ensure there is the best possible governance (people and structures) to address the challenges outlined.

EXECUTIVE SUMMARY

If you want to be the best in the world, it is going to be hard. If you are not prepared to do that, you are in the wrong room.

Richie McCaw

What the Panel was asked to do?

The central questions in our [terms of reference](#) are:

Is the constitution and governance structure of the New Zealand Rugby Union fit for purpose? And if not, what changes should be made to allow it to be so?

and

Is the current structure conducive to a collaborative, all-of-game approach, where different views are respected, and debate encouraged?

The answer to both questions is an emphatic No.

The Review Panel reached its conclusions after six months of in-person consultation with rugby stakeholders across Aotearoa New Zealand, a well-publicised submission process and extensive research.

Key recommendations

The Panel recommends two key changes:

1. the creation of an independent professional process to ensure the appointment of an appropriately skilled, high-performing, independent board to govern the organisation
2. the creation of a Stakeholder Council (The Council) to ensure all key voices across rugby are heard and their interests represented in a collaborative forum.

An urgent need for change

That there is an urgent need for change is an almost universal sentiment across the sport. There have been multiple [recent reviews](#) of rugby in recent years. The problem definition is clear, broadly agreed upon within the sport, and laid out in detail in this review. Solutions appear elusive. In the Panel's opinion this largely a leadership issue.

Leadership of rugby in the contemporary world

NZR is a \$300 million international business with an estimated enterprise value² of \$NZ3.7 billion. Its total income for the 2022 financial year was \$270.8 million, with equity of \$15.6 million at 31 December 2022. It operates with close, ongoing media and public scrutiny. It has now partnered with a private equity investor and created a subsidiary entity, NZ Rugby Commercial, through the mechanism of a limited partnership.

Strong governance, enabled by a fit-for-purpose board appointment process, is essential to ensure an aligned and cohesive approach to all facets of the game. Rugby remains a hybrid professional/ volunteer structure operating as a federation (grouping of Incorporated Societies). Efficient functioning requires role clarity, aligned planning and—importantly—clear mutual accountability for all the moving parts within Rugby Inc. Many of those elements are absent or present in part only.

It is the Panel's fervent hope that this is the last review of this type and that 'walk' now replaces 'talk'.

The heart of rugby

The heart of rugby sits at the community level. The NZR constitution states that it exists for the advancement of amateur rugby. All other activities are ancillary to or contribute to that purpose. This speaks to the thousands of volunteers, fans and players who give to and seek enjoyment from the game. They all deserve a standard of governance that matches that commitment and passion.

Our recommendations

The Panel's recommendations are not novel; they exist in multiple different forms of organisation and are considered good-practice governance. Many other sports codes have adopted similar approaches.

We have focused on the process to find and recommend the very best directors.

The current three-channel appointment process does not make that possible. The membership, when they come to confirm the candidates at the Annual General Meeting, should have confidence that they are result of a thorough professional independent process.

NZR and its members unions are only a part of Rugby Inc. There are multiple cross-sport issues to be resolved and no single forum to address them. The Council is intended to be a meaningful entity with purpose, mandate and influence to both advise and assist NZR.



SUMMARY OF RECOMMENDATIONS

The board

Create an independent process to ensure the appointment of an appropriately skilled, high-performing, independent board to govern the organisation.

Board appointment principles

- There should be a professional, independent recruitment and appointment process that delivers a board able to govern at the expected level of good practice.
- The board should have sound commercial skills, financial acumen, deep knowledge of the game and experienced leadership capability.
- Appointment is on merit.
- The board should be independent.
- The Panel will ensure that the importance of the relationship with tangata whenua is recognised.

Appointment process

A new group—provisionally called the Appointments Panel (AP)—will be established as a constitutionally mandated, independent panel, comprising:

- Two independent members recommended by the Institute of Directors, one of whom is the chair.
- One independent member appointed by the NZR board (not a current director).
- Two members appointed by the Stakeholder Council.

The process

- Nominations to the NZR board are open to anyone.
- The AP recommends to the annual meeting (via the board) the exact number of candidates to match the number of vacancies.
- The members vote on each candidate with a simple yes/no majority vote.

The Council

Create a Stakeholder Council to ensure all key voices across rugby are heard and their interests represented in a collaborative forum.

Principles

- The Council is a constitutionally mandated entity outside the Incorporated Society membership structure.
- It addresses the need for better cohesion and alignment among key parts of the wider rugby system.
- It will have an independent, remunerated chair.
- The relationship to NZR is at the governance level.

Membership

A maximum of 15 is proposed, including an independent chair, and nominees from:

Annual meeting of NZR (3), NZ Māori Rugby Board (1), NZR Pasifika Advisory group (1), Super Rugby clubs (1), NZ Secondary Schools Rugby Union (1), NZ Rugby Foundation (1), Women in Rugby Aotearoa, (1) Local Government NZ (1), Sport New Zealand (1)

Further detail on our recommendations

The Panel's full recommendations can be found in [Part Three](#). This includes a list of other Matters for Consideration that require attention by the NZR board. Those matters are across the areas of:

- planning and alignment
- the structure of the domestic competition
- diversity
- the perspectives of young participants
- communications
- performance and accountability frameworks
- NZR committee structure
- director remuneration
- alignment with NZRC
- the relationship with NZMRB.

PART 1

The Leadership Challenge

CENTRAL QUESTION IN OUR TERMS OF REFERENCE

Is the Constitution and Governance structure of the New Zealand Rugby Union fit for purpose?

To address this, we first need to understand the leadership challenges facing the NZR board.

The [Terms of Reference](#) for this review state unequivocally that the sport of rugby is at a crossroads. They note that rugby is an increasingly international and professional game that faces the prospect of substantial, and rapid change. These provide both challenge and opportunity for rugby in New Zealand. They go beyond the kind of issues that have historically challenged the administration of rugby.

To that end we have sought to understand the impact of changes that have already occurred and to explore the nature of the challenges and opportunities that might still lie ahead.

One thing stands out, rugby's challenges are both wide-ranging and complex.

Having an adequate awareness and understanding of the issues facing NZR, together with both domestic and global trends affecting rugby, are essential requirements for members of the NZR board.

Rugby is important to New Zealand. For many readers of this report this will be self-evident. Others, however, might wonder at how a sport might have gained such a significant place in New Zealand's national culture. As historian Jock Phillips has observed:

New Zealand had always – has always – had a certain insecurity about its place in the world. We've always got a certain anxiety that we are falling off the edge, that we don't really count. The [1905] tour gave New Zealanders a sense that they had a role to play in the empire.³

In the 1924-25 Invincibles tour to Great Britain, the team was unbeaten in 32 matches and so the legend was cemented in the national psyche. The late Colin Meads has commented that:

When we lost in our days, it was a national tragedy, a national disaster, and you got, not abused, but scorned by people.⁴

The importance of rugby beyond its immediate participants was emphasised during the 2011 Rugby World Cup when the idea of a 'stadium of four million people' was a distinctive rallying call.

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One thing stands out,
rugby's challenges are
both wide-ranging
and complex.

3 'The making of an All Black: how New Zealand sustains its rugby dynasty.' The Guardian, September 11, 2015

4 'The making of an All Black: how New Zealand sustains its rugby dynasty.' The Guardian, September 11, 2015



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Rugby as the historically dominant sport in New Zealand is particularly vulnerable. It can no longer assume its right to the premier position.

This deeply rooted place in our culture is an undoubted strength—but becomes a weakness if it creates barriers to change. There are concerning trends that, in some respects, New Zealand’s love affair with rugby may be waning. Significant headwinds certainly face NZR and the wider infrastructure of the sport.

So, to begin this report, we highlight many of the challenges facing NZR in its current and prospective operating environment. Rapid social, economic and technology changes are affecting the way sport is viewed and played in general, not just rugby. Compared to past generations, those in the most physically active phase of their lives have many more options for how they spend their leisure time, both as active participants and spectators of sport.

Rugby as the historically dominant sport in New Zealand is particularly vulnerable. It can no longer assume its right to the premier position.

However, we were encouraged that our extensive consultations found a remarkable level of agreement that, regarding the sport’s administration, the status quo is not an option. While we were made aware of impressive pockets of progress, it seems these are occurring more in isolation than as part of a systematic and aligned approach.

CHALLENGES FACING THE GAME

THE PACE OF CHANGE

There is a widespread sense that the world is changing faster than the sport's capacity to adjust.

This is not unique to rugby although it has long been viewed as one of the most conservative of this country's major sports. Despite clear problem definition and multiple reviews, big decisions needed in the interests of the game are not being made. A continued failure to keep pace with change will accelerate what is already in decline.

We have drawn on research evidence across several areas, including reflections on how sport should be organised and delivered to meet future expectations; the reality of a changing society; and canvassing experience from current participants within the rugby eco-system. This information is widely available and many people within rugby are well engaged with the issues and thinking forward.

The challenge is how to get those with governance responsibilities throughout the rugby delivery system to agree on meaningful responses before it is too late. We add relevant thoughts from those we talked with:

Sporting codes in this country are generally ill-prepared to deal with the nature and pace of change.

David Adams. Head of Strategic Foresight, Sport New Zealand

The conclusions in a short SportNZ paper⁹ considering rugby's changing world are that:

- significant mindset and governance changes will be needed
- new perspectives, capabilities and structures are required
- NZR will need to be proactive and transparent to retain social and cultural licences to operate.

These conclusions usefully summarise much of the thinking behind the Panel's recommendations on governance changes.

MACRO TRENDS⁶

As lifestyles change and communities evolve, structures and rigidity around training, match structures and schedules, for example, are all under challenge.

As the breadth and attraction of other recreational options increases, participation drops off in organised sports like rugby.

Participation in rugby globally continues to diversify. Most notably in New Zealand this is reflected in the rise of the women's game and Māori and Pasifika participation (43% of participants across the adult and secondary school games). Adult European male participation is dropping. The [percentage of the population under 14](#) will fall over the next two decades, further challenging recruitment of young participants.

Rugby and other codes have correctly been scrutinised, through several reviews, in recent years over culture and behaviours that do not align with players' best interests. For rugby, in particular, perceived injury and concussion concerns are increasingly front-of-mind for parents.

Rugby and sport in general depend on the generous gift of volunteer time—also under threat as the world changes. The thankless task of running often struggling clubs is fundamentally unattractive. Research⁷ published in 2014 confirmed this, but did show that people are still interested in 'front-line' assistance—coaching children etc. In general, younger people⁸ will willingly give time to causes they believe in but are less likely to be engaged in propping up structures previous generations have built. They use technology to bypass structures. Anything that can't be accessed from a smart phone is on the back foot from the outset.

One of sport's entrenched beliefs is that each code (67 National Sports Organisations in New Zealand) must have a separate vertical distribution system. This makes little sense in a country of just 5 million people. Many parents don't mind what physical activity their children are involved in as long as they perceive it to be safe, professionally delivered and enjoyable. Many pay-to-play offerings reflect this reality.

Multi-code sports hubs are among a range⁹ of emerging delivery models but these need different thinking, skills and practices. In some codes, the private sector has put attractive branded products into the market, e.g., in Touch Rugby.¹⁰

There are now so many options. Attraction easy, retention a lot harder.¹¹

We refer later to the idea of 'social licence'. An enterprise's right to operate in a community comes from below. It is granted and cannot be purchased or assumed. During our interviews, rugby's historic assumption of a social licence was repeatedly queried. Yes, the sport has and maintains a central position in the culture, but it does not have that by right. Any approach that takes social licence for granted will deservedly fail.

As the breadth and attraction of other recreational options increases, participation drops off in organised sports like rugby.

6 Extracts from The Dynamic World of NZ Rugby. A Sport NZ summary paper 2022

7 Volunteers - the heart of sport. SportNZ 2014

8 For a fuller discussion of the views of the next generation in relation to sport see True to Label. SportNZ. 2018

9 For further discussion on delivery models see Clarke, M & Page J. Incorporated Societies in Aotearoa New Zealand. Sport New Zealand. 2023

10 [Total Touch NZ](#)

11 Comment from one of the regional Town Hall meetings

PARTICIPATION IN A CHANGING WORLD

Simply put, numbers are down. Retention of players, coaches and volunteers is below target.

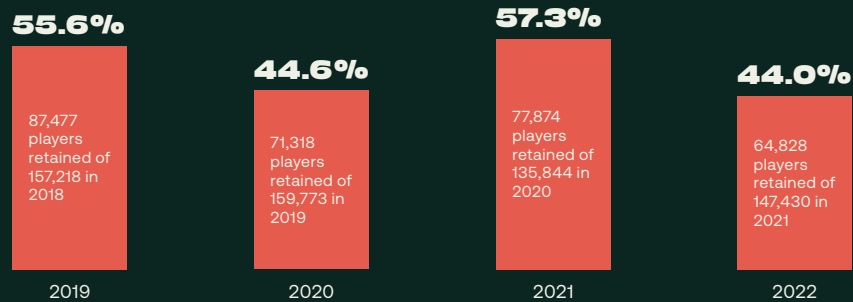
Simply put, numbers¹² are down. Retention of players, coaches and volunteers is below target.

Just 32,429 adults play the game (24% of the player base). Football by way of comparison had nearly 73,000 adults playing in 2019.¹³

Māori and Pasifika players are strongly represented in the player base (43%)—a level of participation not yet reflected in the leadership of the sport.

PLAYER RETENTION

The target is to retain **67%** of players from one season to the next



The preferred and pre-eminent place the sport has long occupied can no longer be taken for granted. Choice for children is wide-ranging and parents are nervous about contact sports. Sponsors are constantly looking at fit, especially in the crucial 18–35 age bracket. Despite the ongoing success of the teams in black, the world that produced the original All Black story no longer exists.

How to embrace the advent of the women's game is a challenge not being met by all. Women's player and team numbers are highly uneven across the Provincial Unions. Clubs face additional pressures to manage the women's game and provide suitable facilities.

¹² The graphs in the body of the report are from NZRU 2022 Provincial Union Participation Benchmarking Report. A full set of data is in the appendices

¹³ [Te Ara Encyclopedia of New Zealand](#)

VIEW FROM THE GRASSROOTS

The top-line data outlined in the [Appendices](#) reflect the difficulties faced by club administrators. Sub-optimal retention rates and broadly declining numbers are part of the concerns that prompted this review. However, as often noted, good work is going on. The detail below is intended to provide some balance and positive supporting data.

We thank Sport New Zealand for providing some very detailed research¹⁴ outlining the views of players and parents. This survey sampled 3,692 players and 4,440 parents in 2021 and 2,642 players and 3,519 parents in 2021 and 2022 across school and club rugby—delivering a very high level of confidence¹⁵ in the results.

Within club rugby, overall satisfaction sits at 75% but somewhat lower in schools, 56%, below the all-sport average of 66%.

The widely used customer satisfaction measure, Net Promoter Score¹⁶ (NPS), indicates the balance of positive and negative sentiments (likely to recommend their club or school rugby). In 2022, clubs dropped three points across one year from +63 to +60. Schools showed a drop from +19 to +15.

This survey indicated a high likelihood of both club and school players rejoining, something not borne out by overall NZR data ([see Appendices](#)).

Some good messages are evident. Club rugby is perceived as being value for money for 85% of those surveyed. The NPS is significantly higher than the all-sport average—+60 vs +46. However, it is worth noting that the NPS is significantly lower in the 13–18-year group, just +40 in 2022. This is slightly lower again in non-European groups.¹⁷

Clubs are seen as welcoming and friendly (83%), encouraging of fair play (82%), a safe environment for both adults and children (81%), having good coaches (75%), promoting equal player opportunity (75%) and a providing a good social environment (74%).

And 92% of parents have a positive view of club coaches, with an appropriate emphasis on having fun.

Gender equity at clubs is viewed generally positively. We note, however, that our interviews with women in leadership roles in the game offered noticeably less favourable views when looking at the provincial level and higher in the sport.

All sports suffer from occasional poor behaviour. Rugby players who experienced inappropriate behaviour occasionally or more frequently (violence, racism, sexism or poor coaching practices) sit at 29%, slightly under the all-sport average of 32%.

Factors of note include that the main reason for belonging to a club is to have fun, more than double the desire to play competitively. This is a very strong view among parents. The desire for competitive play unsurprisingly declines with age. Helping players fulfil potential stands at #2 after having fun.

Clubs are seen as welcoming and friendly

¹⁴ Voice of the Participant (Rugby). SportNZ. October 2022

¹⁵ A margin of error of +/- 1.3% and a confidence level of 95%

¹⁶ NPS scoring can be contextual. Great companies have +70 ratings, but few get there. +60 is good within sport. +15 for schools less desirable. Anything approaching or going below zero is certainly cause for concern

¹⁷ See [Stats NZ](#) for ethnicity definitions

In schools, the leading driver (36%) is first, competitive, and second, to have fun.

The competitive imperative is lower for females (23%). Overall satisfaction of female players in schools is low at 52% and a NPS of +7. Overall satisfaction for Asian and Indian players sits at 34%, having recently plummeted to this level. Poor sideline behaviour is common in school rugby (46% of players have experienced it at least occasionally), far higher than the all-sport average of 32%.

Parents' perceptions of school coaches is positive (85%), and a generally supportive environment is 81%.

A range of positives can be taken from this data and credit must be placed where due. But, despite this, the sport is not growing, presenting serious challenges for its leadership.

THE IMPACT OF PROFESSIONALISM

Rugby is perceived as one of the last of the major sports to emerge from the amateur era.

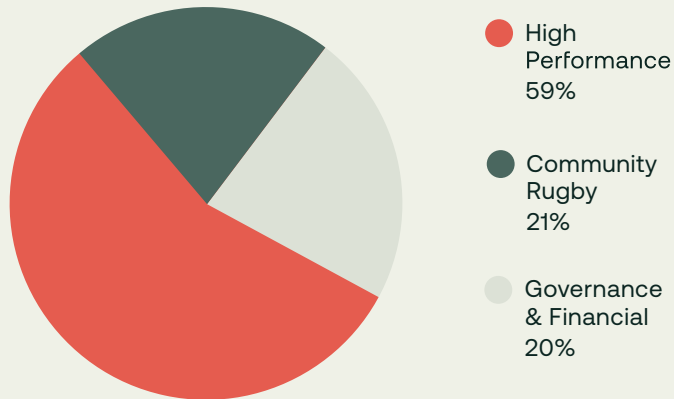
Many of the challenges facing rugby in New Zealand are associated with the professionalisation of the sport. This has created the need for greater commercialisation to deliver the revenue needed to support the changes professionalisation has brought. Arguably, rugby has not maximised its commercial potential on the world stage. Private equity investors have been attracted to rugby for the opportunities they perceive to further develop the economic value of the sport. The money NZR has obtained from one of these investors, Silver Lake, has been readily accepted and there is no retreat from the professional era. But the professional game and the entry of private investors demand a matching standard of governance. The initiation of this review is explicit acknowledgement that this is not yet in place, nor the need fully recognised.

Player power is here to stay, and a more nuanced, mutually beneficial relationship between players and administrators is needed. This is evident to some degree at the operational level but not yet across governance. Conflict, especially when played out in public, is diversionary and destructive.

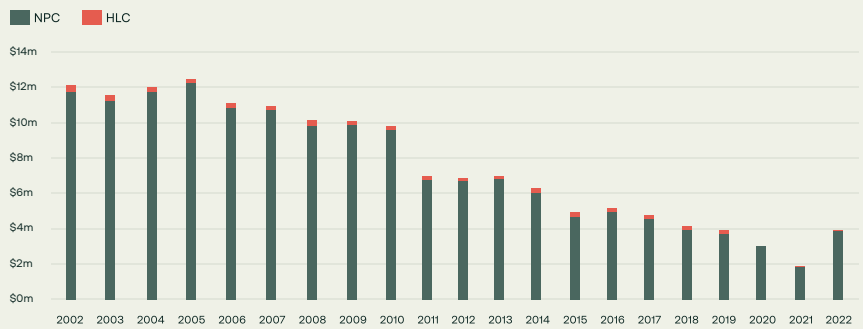
We could find no one who believes the current model for professional domestic rugby is sustainable.

Six New Zealand-based Super clubs (counting Moana Pasifika) and 14 NPC teams in a country of five million people is not working financially. On average, 59% of the NPC Unions' expenditure is on high performance, arguably at the expense of game development. Both competitions face rising costs and have seen drastic falls in game revenue. For the Provincial Unions, the gap has been filled by money flowing from the centre.

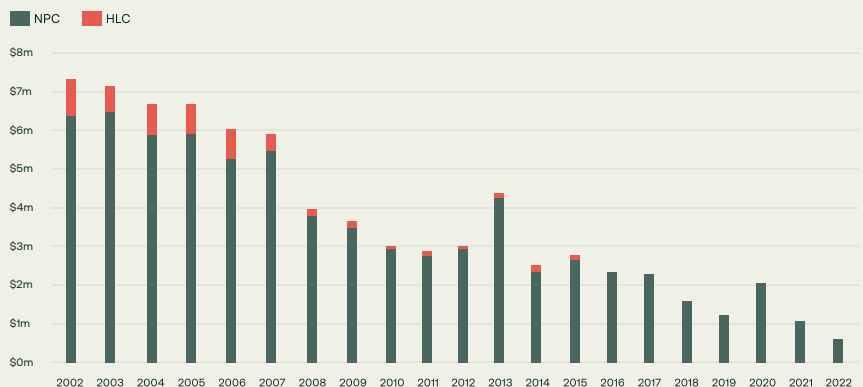
NPC PUs



CONSOLIDATED GAME INCOME REVENUE



CONSOLIDATED SUPER RUGBY REVENUE RECEIVED BY PROVINCIAL UNIONS



THE WOMEN'S GAME

The most recent World Cup win catapulted the women's game into the public consciousness. NZR has responded with a detailed ten-year strategy and solid investment in the current year: \$21 million. There were 24,447 women players in 2022 (17.8% of the total).

Despite this, it is unclear if everyone is onboard with developing the women's game. Team numbers across the unions and clubs vary widely. There is a sense that the opportunity is yet to be fully realised.

The women's game has its own set of challenges, and some were concerned that this is not reflected in the approach being taken:

Still old thinking being applied to the women's competition.

What has made men's rugby successful is not necessarily transferrable.

It was suggested that the key consideration needs to be what the home life of the players looks like. The women's game is family-based; the simple question of access for prams, for example, was cited. The game is different: different audience, different experience, different after-match culture.

Despite the playing numbers and the fact¹⁸ that 48.2% of volunteer administrators are female, only 9.3% of rugby coaches and 5.7% of referees are female.

These are central challenges for the game's leadership. There certainly are male champions, but the game needs more women in leadership roles:

There must be structures and support networks different to the men's game in order to develop the women's game.

The women's game has its own set of challenges, and some were concerned that this is not reflected in the approach being taken.

18 [NZR Women in Rugby Strategy](#)



NO WHOLE-OF-GAME PERSPECTIVE

NZR directors are legally required to act in the interests of the whole business, not a component or representative part.

Passion is an essential element of sport. Close identification with a team or region is a normal and desirable behaviour. This is one part of the federal model—belonging to a local community or tribe. But without the broader perspective of belonging to a wider grouping (Rugby Inc), the federal model becomes inefficient.

One without the other can lead to parochialism. There is some evidence of this within the domestic environment. In recent times, NZR has been perceived as taking a narrow rather than a broad perspective within the international game.

NZR directors are legally required to act in the interests of the whole business, not a component or representative part. This discipline has not been consistently applied.

Driving meaningful change through the current governance system has in the past run up against narrow interests. The present structure enables rather than deters this form of behaviour.

At present there is no established forum for conversations across Rugby Inc to address whole of game issues. Our recommendation for a stakeholder Council addresses this need.

DEMOGRAPHIC AND SOCIAL CHANGES

The structure of sport delivery is changing quickly, varying by code. Rugby in its full version needs 30 players, a referee and a large piece of grass, making it less flexible than other sports. But variants are already in play: Touch, Sevens, Tens and Ripra Rugby for children, for example.

Dedicated channels of delivery for each sporting code are under stress and illogical from an efficiency and systems perspective. Rugby may have an exceptionalism problem in this regard—too big and important to have to work with others. It is often overlooked, but pride in a team or jersey is essentially separate from the organisational structure that supports it.

The world in which rugby operates is vastly different to that of a generation ago and the pace of change is accelerating.

Sport New Zealand's recent research¹⁹ on future options included a synopsis of preferred sport system characteristics. This broad consumer-centric inquiry asked what would encourage participation and retention within the sports system and to what extent was this related to structure. The following themes emerged about desired attributes of the system:

- a strong feeling of trust and empowerment should exist across organisations
- groups operate as a broad and loose network, to help people be active for life in any ways they choose
- communities determine their own needs and are trusted to identify the best solutions for those needs
- people working across the network have the confidence and trust to share their knowledge and practice with others to lift everyone's capability
- everyone has open access to a store of information on 'what works and doesn't work'.

This speaks to a mindset that may exist in some areas of rugby but is far from widespread. The following sentiment is one we heard from many quarters and one that NZR needs to take a central role in facilitating:

*We need a learning organisation approach – ensuring good things are going around.*²⁰

Many proven variants, experiments, partnerships etc already exist within the wider sporting system. These include branded products (Cardio Tennis), private providers (Touch Rugby modules), virtual groups (cycling, running), facility-centric programmes, multi-code cooperation, provision of shared services, event-based activities (Round Taupo cycle race) and sports hubs (Toitū Pōneke).

*[Rugby] Still operating with a traditional single code silo model – little cross code cooperation – facilities, services – so much duplication.*²¹

The world is changing quickly. The themes above and models already in play will challenge all sports, requiring a flexible leadership open to considering new routes to the same outcome: attracting and retaining happy players, parents and volunteers.

The world in which rugby operates is vastly different to that of a generation ago and the pace of change is accelerating.

In NZR, plans and resources are being applied (people and money) to address the reality of the changing world. The internal equity, diversity and inclusion process is reported as making gains.²²

[Ample reviews](#) have been undertaken and the issues are known.²³ Change will take time but is not optional. Boards should understand their broader constituents. That goal remains a work in progress across rugby.

¹⁹ [SportNZ](#)

²⁰ From a regional Town Hall meeting

²¹ Ibid

²² [Equity Diversity and Inclusion Progress Report](#)

²³ See, for example, [Respect and Responsibility Review. Homophobia in Sport](#)

Women in governance

In 2016 Dame Farah Palmer became the first NZR woman director. She was the constitutionally required nominee of the Māori Rugby board. Notwithstanding her obvious credentials, she may not have been successful in an open election process. The board only recently met the Sport New Zealand criteria of 40% minimum of male/female, the last national sporting organisation of 67 to meet the standard. That was achieved in the face of some resistance and under threat of funding withdrawal. There is now, of course, a new landmark with Dame Patsy Reddy as the first woman chair.

In the Provincial Unions, we reviewed the 23 boards listed online: 28% of directors are women and only two boards would meet the Sport New Zealand 40% mark. There are no female chairs and only two female PU chief executives. Yet the sport relies on women for it to run.

VOLUNTEERS



Of 4,497 total in 2021

Data source: Provincial Union Participation Benchmarking Booklet

We interviewed some very talented and committed women directors from the Unions—a dedicated and stoic group who have had to face and overcome some long-standing headwinds. Not all their experiences have been pleasant:

The process of getting onto rugby boards is intimidating.

Women trying to get on the NZR (and other boards) have application fatigue. They have given up and moved on.

Women do not have time or any enthusiasm to put themselves through the politicking process associated with board elections. There was a consistent view that that women have zero chance of getting onto the NZR board through the current elected or nominated routes, so in most case they don't bother.

The governance of NZR will not be excellent and stable until the governance of its component parts, the Provincial Unions, is also at a high standard, which at a minimum means more women around the table.

We acknowledge that NZR is supporting, facilitating and cajoling in this area. There is a useful quarterly 'check in' gathering for women directors.

Sport New Zealand has a long-running programme on encouraging gender balance on boards. Lessons from that indicate the issue is not on the supply side but on the demand side. As with other sectors, there are more than enough talented women, but the barriers are significant and longstanding. The term 'old boys' network' may be cliched but came up repeatedly during our consultations.

Māori participation

Rugby has a prominent place in Māori society. In addition to their participation in distinctively Māori teams, Māori players have historically been to the fore in most of our national rugby teams competing internationally.

The proportion of Māori playing rugby has been significantly higher than the percentage of Māori in the total population (currently 27% of all players). Numbers of registered rugby players have dropped nationally, but Māori rugby player numbers in provinces with a high proportion of registered Māori players²⁴ have grown significantly. However, despite the significance of Māori in the rugby-playing population, those who identify as Māori have a much less positive experience in rugby than other ethnic groups.²⁵

See also the [wider discussion](#) on Māori in rugby.

Pasifika peoples

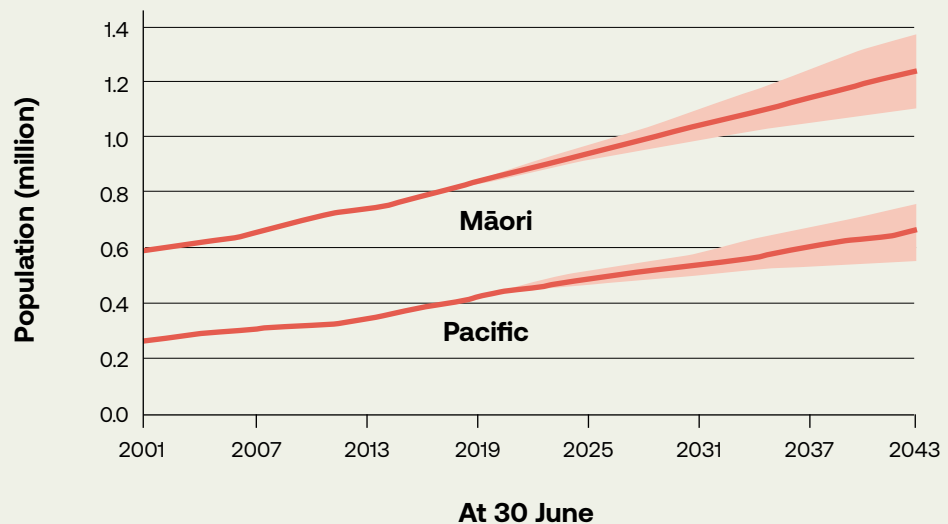
Pasifika make up 16% of all players. We were given figures of 50% in high performance and 65% in Auckland schools. Their contribution to teams in black is acknowledged as central and pivotal to their success.

Yet at the leadership level there is serious under-representation.

Pasifika (and Māori) population growth rates are high²⁶ and the overall percentages within Aotearoa New Zealand will continue to increase. Combined they are projected to be 33% of the population by 2043.

The Pasifika advisory group within NZR is only 12 months old, and while the Pasifika strategy is apparently being developed, we have not yet seen it.

MĀORI AND PACIFIC POPULATIONS 2001–2043



It was noted that Pasifika peoples are now the largest group contributing to Auckland rugby:

There needs to be a more explicit recognition of the contribution the Pasifika community makes to New Zealand Rugby.

²⁴ For example, East Coast, Poverty Bay, King Country, and Wairarapa Bush. Other provincial unions with a high proportion of registered Māori players include Northland, Bay of Plenty and Hawke's Bay.

²⁵ NZMRB submission to this review (para 13) referencing a 2019 Sport NZ community sport survey including 12,000 community rugby participants.

²⁶ Statistics New Zealand

Realistically the problem starts at the club level. If the Pasifika voice is not influential at that level, then people will not attempt to get onto union boards and certainly not to Super Club or national boards.

This will take time and some careful thinking to address. NZR must ensure it engages with the right people in the community and develops a level of cultural competency. It is important to understand that mana and respect are crucial and key to leadership effectiveness.

Young participants

All research across sport—and there is ample to draw from—comes to one conclusion: most children just want to have fun with their mates. Certainly, this is happening in some areas but for many there seems to be no pathway for non-competitive participation nor coaches to address these needs. High performance is for the 2% who are or aspire to be good enough. Too much of the system is built for them and not the other 98%.

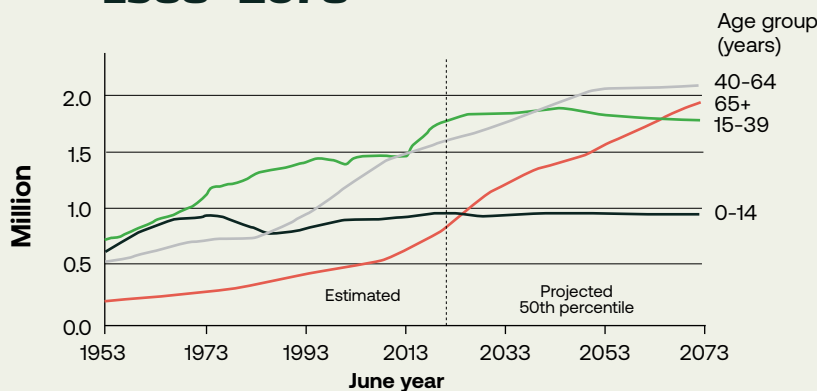
In 2022²⁷ there were 105,098 junior and teenage players; 76.4% of the player base.

Participants need to be at the centre of the player experience, so youth expect a voice in sport. Participation seriously drops at age 17, with key reasons being cited that the fun has gone, not feeling valued and the style of coaching is not working for them. Young people need to be brought 'into the tent'.

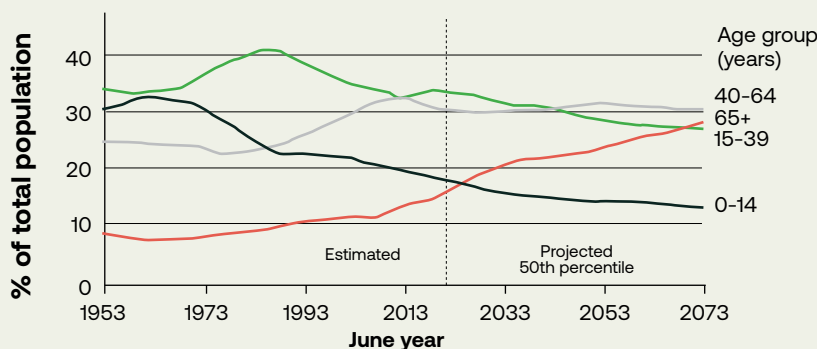
The absolute number of young people (0-14) is projected²⁸ to remain static but decline as a percentage of the population. The same is true for the core playing age range (15-39).

Most children just want to have fun with their mates.

POPULATION BY BROAD AGE GROUP 1953–2073



AGE DISTRIBUTION OF POPULATION 1953–2073



Youth voice in governance

An instructive example is the Hurricanes Youth Council, which covers the 13-20 age group (girls and boys). Before it was formed, development programmes were described as ‘all over the place’. The executive board of the Youth Council has two representatives from each of the eight unions in the Hurricanes region, plus a Hurricanes club representative. It receives an annual grant from NZR and functions as a strong coordinating body. It is cited as a:

... reliable, tested governance framework.

It also gives young people some governance training, essentially leadership development.

There is ample resource and research²⁹ on young people in sport. Contemporary perspectives and understandings are required around the board table. Historic approaches may no longer work and involving young people in the discussion is essential.

The following is a pertinent observation from an experienced community sport practitioner:³⁰

If you want to work with teenage girls, that may not necessarily be through traditional structures and certainly not the competitive ones; it will more likely be small and nimble operators.

Inclusivity

There is an active wheelchair rugby³¹ community, with championships at the national and international level.

Just this year, Campbell Johnstone became the first openly gay player to have worn the All Black jersey. There are gay-inclusive teams in the main centres. In 2022, NZR signed up to the Pride Pledge and the LGBTTQI+ community is referenced in the NZR Equity Diversity and Inclusion plan, which commits to pathways for diverse talent.

The 2016 international report³² on homophobia and transphobia in sport, Out On the Fields, showed that 80% of all sport participants had witnessed homophobic behaviour. An update in 2019 indicated that nearly 90% of LGBTQ people believe homophobia and transphobia remain current problems in sport. Again, these are live issues for any contemporary leadership.

29 [SportNZ Youth Sport](#)

30 Wong, R. quoted in True to Label. SportNZ. 2018

31 [WheelBlacks](#)

32 [Homophobia in Sport](#)



FUNDING THE SPORT

Rugby should, in theory, have the resources needed to assure the health of the sport.

Can rugby in New Zealand continue to command its current level of funding?

Rugby in Aotearoa New Zealand is unique in the amount of money that flows from the centre primarily to the member Unions (\$41.9 million in total from NZR in FY2023).

Rugby, across the whole sport, also enjoys a privileged position within the distribution of Class 4 gaming money (\$23.4 million in 2022),³³ approaching twice that of the next code in the list, football. Rugby should, in theory, have the resources needed to assure the health of the sport.

But the 26 Provincial Unions represent very different businesses, with no one-size-fits-all solutions. What may work in well populated urban Auckland is unlikely to be directly transferable to the rural East Coast. The Heartland Unions have a strong community focus but aim to balance attention to the health of the game at the grassroots with a desire to be as competitive as possible at the senior representative level in their group.

NZR has agreements covering funding and working relationships with the Provincial Unions.³⁴ Relationships at the operational level—NZR rugby staff working into the Unions—are generally good. The recent advent of three dedicated relationship managers has been viewed positively.

Within the Provincial Unions, a strong and aligned chief executives' group is committed to change.

33 Department of Internal Affairs NZ - GRANTED GOVT NZ

34 Relationship Agreements and Funding and Monitoring Policy

THE NEED FOR MORE CLEARLY DEFINED ROLES

There is insufficient role clarity between NZR and the member Unions.

Members appoint the NZR board. Once in place it should be empowered to do its work. A board meeting cannot be an extended member conversation. A necessary separation is needed for efficient functioning.

Within NZR, the Provincial Unions—directly and through the directors perceived to be representing their interests—are seen to involve themselves far too deeply in the business, often communicating directly with NZR management.³⁵ Yes, the Unions are also the delivery arms for the sport and there should be frequent staff-to-staff liaison. But here, NZR staff are looking over their shoulders worrying ‘what will the Unions think?’. This too easily leads to dysfunction and a poor quality of decision making.

Both sides are at fault here.

There is insufficient role clarity between NZR and the member Unions.

Agreed frameworks of accountability are not consistently adhered to, and the formal NZR corporate strategy insufficiently assigns roles and responsibilities. Both parties need to be able to hold each other to account. For example, we were informed that, in some cases, funds granted for the community game have been rerouted into high performance. Subsequent attempts to enforce accountability failed. Progress is challenging when money cannot be applied with confidence to a stated purpose.

REVIEW FATIGUE

One of the challenges facing the Panel was ‘review fatigue’—not another group of people asking the same questions as last time. We have some sympathy with that view.

As noted, there is strong agreement on problem definition, rather less on how to achieve consensus on the necessary actions. In the past six years the world of rugby in New Zealand has been subject to these reviews:

Complete

Respect and Responsibility Review	2017
Secondary Schools Review	2018
Referees Review	2017
Review of Rugby (McKinsey)	2020
Aratipu, Super Rugby Review (McKinsey)	2020
Nga Miro, Transformation Review (McKinsey)	2020
Black Ferns Cultural & Environmental Review	2022
Māori Rugby Regional Governance Review	2023

In progress

Future of Rugby Clubs Review
Independent Governance Review (2023)
Community Rugby IT Systems Review

³⁵ There are legitimate reasons for individual directors engaging with staff but usually only where there is a specific functional channel. For example, the chair of the Audit Committee will necessarily have a relationship with the Chief Financial Officer. However, the problem reported to us appears to be beyond those expected frameworks and is likely a consequence of the inexperience of elected directors, in particular.

CHALLENGES FACING KEY STAKEHOLDERS

The range of people and organisations this review engaged with reflects the broad, complex stakeholder environment that NZR operates within. As has been noted, the formal membership is only part of the wider Rugby Inc world.

Our consultation began with the Minister for Sport and Recreation and extended beyond the membership to Super Rugby/ schools' rugby/ venues/ local government/ Associate Members/ tangata whenua/ Pasifika voices/ local government/ broadcasters/ sponsors/ international rugby bodies/ players/ coaches/ referees/ volunteers/ fans/ voice of youth/ the women's game/ Silver Lake/ NZRC directors/ current and former NZR directors and staff.

This section sets out some of the groupings in the wider stakeholder environment and summarises issues we heard from them.

ASSOCIATE MEMBERS

NZR has nine formal Associate Members:

- New Zealand Defence Force Sports Committee
- New Zealand Marist Rugby Football Federation
- The New Zealand Universities Rugby Football Council
- New Zealand Rugby Union Foundation
- New Zealand Schools' Rugby Council
- New Zealand Colleges of Education Rugby Football Federation
- New Zealand Deaf Rugby Football Union
- The Rugby Museum Society of New Zealand
- New Zealand Barbarians Rugby Club.

Associate Members have limited rights. Two delegates from each may attend general meetings and may speak if invited to do so but have no vote. The Associates are bound by the constitution and the rules of the game but there is little formal guidance on what role they should play defining them only as:

...any New Zealand national rugby organisation admitted as an associate member of the NZR in accordance with clause 3.

We received one written submission from this group and interviewed representatives from three more. Some appear more active than others. Positive aspects of the engagement with NZR were relayed to us. The Associates are managed through the community rugby function of NZR, and each contributes in some way to the wider rugby eco-system. All Associates received funds because of the Silver Lake deal (Stakeholder Sustainability Payments). Some receive annual funding, which seems to be based on historic precedent. The Rugby Foundation is by far the largest recipient. In some cases, there are crossover directors with the NZR board.

SUPER RUGBY

Super Rugby is a fundamental part of the rugby landscape, directly affecting talent development and the wider financial sustainability of the game, especially the NPC competition. These issues were a factor in our thinking about the need for a new stakeholder forum and the recommendation to create The Council.

Super Rugby, as we know it, started in 1996 with the formation of SANZAAR and a professional competition of 12 teams across Australia, Aotearoa New Zealand and South Africa. At its largest, the competition was 18 teams. Following the forced Covid break, South Africa pursued a northern-hemisphere-aligned future, and the competition was relaunched as Super Rugby Pacific with five teams each from Australia and New Zealand plus the Fijian Drua and Moana Pasifika.

The New Zealand teams operate under a licence issued by NZR, which also acts as employer for the players. Each team or 'franchise' has a varied model of ownership, usually comprising a mix of private equity and a local Provincial Union.

The early success enjoyed by the competition has not endured. Super Rugby's relationship to the NPC competition and its pressing financial issues are two of the central issues that must be addressed by the sport.³⁶ These are not new and have been summarised and made clear in previous reports:

Currently Rugby Inc feels like a cooperative fighting in its domestic market.

But, from our submissions and interviews, little positive is to be gleaned from the current state of the competition:

Super Rugby clubs on both sides of the Tasman are struggling.

Financial and broadcasting information for this competition are understandably commercially sensitive and not as readily available as for the Provincial Unions. High-level information gives some optimism about viewer numbers recovering but the underlying financials remain challenging.

The central question appears to be whether Super Rugby is intended as a competition or as a mechanism for talent development. Some would say the latter:

Super clubs are in effect NZRU's outsourced high-performance department

If Super Rugby is to be a viable, commercially attractive competition that fans will want to re-engage with, difficult matters must be addressed and decisions made, as the current approach of 'a bet both ways' is simply not working. But the downstream reality of a commercial approach will not please everyone.

The current competition was described to us as a 'dog's breakfast'. Fans are unclear on when the competition will start, which players are available and how they should relate to both Super Rugby and NPC. Super Rugby is in danger of becoming a television-only experience because the fans have not been put front and centre.

If Super Rugby is to be a viable, commercially attractive competition that fans want to engage with, difficult matters must be addressed...

It is hard to escape the conclusion that either the necessary leadership is not in place, or it is incapable of making these decisions. We were repeatedly referred to the Australian Football League (AFL) Commission. It is acknowledged that they do have a mandate of complete control over a sport that exists only in one country. However, once appointed, they are efficient, effective and probably a bit ruthless. Here, competing and conflicting interests prevent this approach.

Few—if any—would contend that a country of five million people can support six professional franchises and 14 NPC teams with a high and growing investment in professional players (see [Appendices](#)). More than one person said straight out, ‘the lunch is getting smaller, and the number of mouths are increasing’.

No one wants NZR to ‘run’ Super Rugby nor is anyone seeking direct seats at the board table. There are moves to create a separate governance structure for the competition. We have no view on that but for Super Rugby to prosper in Aotearoa New Zealand, the domestic issues outlined need to be addressed. At present that does not seem to be happening:

Good relations exist with management, with the Players Association and with the NZR chair, but as soon as we deal with the board as a whole, it becomes apparent there is no clear strategy, politics intrude into the process and there is a sense of adhocery.

It is reasonable that the Super Clubs should expect to see someone at the table that understands their world and they do need to be more influential in the wider governance framework. A board seat by right is not sought, but influence in the board appointment process is seen as desirable from Super Rugby people we engaged with:

We believe one of NZR’s main purposes, in the modern world of sport, must be to help develop and oversee the whole high-performance pathway in conjunction with the stakeholders in the game who are responsible for delivering in this area (primarily the Super Clubs supported by the Provincial Unions).

The recommendation to create a Stakeholder Council and the related appointment process addresses the need for greater input into decision making. But it does not detract from the reality that pursuit of high performance across both Super Rugby and the NPC competition is financially unsustainable and needs effective leadership to address.

MĀORI RUGBY

Māori rugby has a rich history. There has been a separate advisory group since 1992, now formally the Māori Rugby Board, (NZMRB) . Māori players form 27% of the player base. We discuss the relationship with NZMRB in detail [later in the report](#).

Few—if any—would contend that a country of five million people can support six professional franchises and 14 NPC teams...

PASIFIKA IN RUGBY

The impact of Pasifika players on the game is growing quickly. They currently make up 16% of the player base but numbers are significantly higher in Auckland. The Fijian Drua and Moana Pasifika have recently augmented the Super Rugby competition. We have discussed the associated leadership challenges in a [previous section](#).

Over 75% of rugby players are 18 or under and over 50% are 12 or under.

RUGBY AND YOUTH

Over 75% of rugby players are 18 or under and over 50% are 12 or under. Club numbers in 2022 showed a junior membership of 61,667 from a total of 74,245 players 18 or under. An estimated³⁷ 30,000 secondary school students are active in rugby. Schools form an important part of the rugby system, but schools' rugby has been and remains a vexed area. The 2019 review³⁸ highlighted the need for governance reform:

The lack of an overarching governance body for NZ Secondary School Rugby is a message that was consistently reinforced by the full range of stakeholders. Subsequent efforts by NZR—encouraging schools to join Provincial Unions and come under the governance umbrella—have met with resistance from schools and a limited support from Provincial Unions:

*[We should] resist all attempts to take the governance of school rugby away from schools. To do so would have tragic consequences.*³⁹

Some believe the Silver Lake deal will mean schools are now to be viewed as a talent pipeline, while yet others have criticised NZR for not taking enough leadership.

Opinion on schools' rugby runs the full spectrum. Schools still using rugby success as brand leadership attracted little positive comment from those we talked with:

There should be no such thing as 'high performance secondary school sport'. It's an ego thing with principals and coaches, and in private schools, it is financial.

Views on whether school rugby can be centrally led seem mixed. Despite three years of effort, NZR management have concluded they have been pursuing an outcome that cannot be controlled and have wisely refocused their efforts on an overarching 'teenage approach' to rugby. This includes a strong focus on girls and young women, quality coaching, and in general a participant-centred approach. This is consistent with good practice in other sporting codes.

The lack of an overarching governance body for NZ Secondary School Rugby is a message that was consistently reinforced by the full range of stakeholders.

37 [NZR Review of Secondary School Rugby 2019](#)

38 [NZR Review of Secondary School Rugby 2019](#)

39 A letter from a principal of a leading boys school tabled at the NZ Secondary Schools Rugby Union AGM March 2023



Some commentators suggested NZR should lay down a best-practice framework to lead from:

NZRU needs to lay down a marker and likely 80% of schools will follow.

43

We were referred to a framework laid out by English Rugby⁴⁰ which takes exactly this approach.

Again, and consistent with other aspects of the sport, we encountered examples of cooperation between the clubs and schools within specific Provincial Unions:

Innovation is happening but localised and region specific.

Achieving success will take a joint approach. Clubs need to be perceived as welcoming. Despite the encouraging SportNZ research noted earlier, not all clubs are geared up to be the open environment they need to be. This is correctly a current NZR focus:

Lots of volunteers/ young people making decisions for other young people/ a welcoming culture/ being with mates and having fun

This is complex area, unlikely to have a single, simple solution. Consistent with other observations on efficient contemporary structures, this observation sums it up:

The governance model needs to allow flexible responses at the local level – not all centrally mandated.

INTERNATIONAL RUGBY

Aotearoa New Zealand remains a key player on the world stage of rugby, with a legacy of strong, positive contribution to the global game. For some time, New Zealand was regarded, at the international table, as taking a broad whole-of-game approach that would benefit all participants.

That sense has faded in recent times:

New Zealand has lost its way in the past 5-6 years when its stature around the table was probably a bit higher.

Some suggest that opposition to the restructure of the international game seems to be focused on its potential impact on domestic rugby.

There is frustration in the trans-Tasman relationship. It is acknowledged that the two countries need each other to prosper and recent disputes spilling into the public domain are not helpful.

There is a view outside the country that New Zealand hasn't always looked to innovation and variation if it wasn't seen as being in the interests of the teams in black—taking a narrow rather than broad perspective.

For some, New Zealand is seen as arrogant in its approach to international engagement—it could do well to address this.

BUSINESS RELATIONSHIPS

The business of rugby in Aotearoa New Zealand touches a lot of organisations. We spoke with venues, funders, sponsors, central and local government, economic development agencies and the primary broadcaster. These relationships should sit largely with management. Boards do expect involvement in key commercial decisions but, as with other matters, we have been surprised at the level at which the board becomes involved—not always to good effect.

The board's oversight of many of these key relationships should sit within a governance-level stakeholder plan that permits a line of sight on the quality of the engagement.

It should be noted that some positive feedback was offered but, in general, relationships were viewed as transactional (win/lose) not strategic (win/win) and therefore enduring.

Several themes emerged from conversations. Often rugby is a driver of the 'we need a new/ upgraded stadium' argument, but the working relationship with venues is not then perceived as strategic. Attempts have been made to align interests, seemingly with little effect. The AFL—with its 50-year agreement with the Melbourne Cricket Ground—was cited. NZ Cricket has a similar approach, working in close partnership with key venues:

Cricket sees us as an extension of their business which Rugby does not.

Sponsors noted good working relationships, but the line of sight has recently become less clear. That is to some extent understandable in the transition to New Zealand Rugby Commercial's (NZRC) leadership of commercial relationships.

Sponsorship within large organisations is a sophisticated business, with a constant need to understand where the market is going. There are several warning signs that rugby at all levels needs to take heed of:

Starting to see a shift in people's perception of their sponsorship of rugby.

We mention the idea of social licence [later in the report](#). The concept was raised in more than one interview. Corporate entities are increasingly conscious that their right to trade comes from others.

Growing need to prove to our stakeholders that we are partnering in the right places – doing the right thing for NZ Inc.

There is concern that this view of society is not duplicated within NZR. It is, as we noted, a rapidly changing world, and it is unclear if NZR is changing quickly enough to keep up.

PLANNING AND ACCOUNTABILITY

At present, despite a generous revenue stream compared to other sporting codes, rugby is something less than the sum of its parts. As one of our public submitters noted, the ideal is that:

Structures at every level [should] drive enhancement, performance, success and longevity of the game through inspirational leadership.

The obvious question is ‘what is preventing this?’ Certainly, some behaviours described to us are less than desirable. But our view is that the structure and the systems within the sport, over time, have permitted, encouraged and, to some extent, legitimised the narrow-perspective behaviours described.

Trust erodes in a climate that lacks clarity and accountability. Much of that clarity should come from a very clear strategic plan outlining the roles and accountability of the parties within it.

PLANNING

An insufficiently clear purpose

It is the essential responsibility of a governing body to maintain oversight of organisational performance. It follows, therefore, that a key factor in judging the effectiveness of the governance function is absolute clarity around organisational purpose.

Clarity of purpose is the starting point of any planning process. As is common in corporate constitutions, the current NZR document contains a list of ‘objects’ expressed in terms of broad-brush activities, for example:

Promote, foster and develop rugby throughout New Zealand and the world and to control rugby throughout New Zealand (Clause 2.1 (a))

Form and manage New Zealand representative rugby teams (Clause 2.1 (e))⁴¹

How much effort should be applied to these various objects and what should be achieved by that effort is effectively left to the board to determine. The board’s ability to decide these matters is underlined by the usual catch-all clause found in most corporate constitutions, to the effect that it can:

Do all such other things to promote the interests of rugby as the NZRU may determine from time to time (Clause 2.1 (h))

A subsequent clause in the constitution (2.4) does, however, take us closer to finding an all-embracing corporate purpose:

Amateur Rugby: The NZRU is incorporated for the purpose of promoting amateur rugby for the recreation or entertainment of the general public.

—

This is a clear statement, at the constitutional level, that professional rugby is a means to the end of promoting the amateur game.

In a general sense, therefore, all actions and decisions made by NZR—whether by the board or management—should be able to be justified in terms of whether they advance the interests of the amateur game.

The professional game is important too, not least for the revenue it generates, but taking the constitution at face value that is not the organisation's primary purpose. The title of clause 2.5 makes that clear:

Involvement in Professional Rugby for the Advancement of the Amateur Game

This is a clear statement, at the constitutional level, that professional rugby is a means to the end of promoting the amateur game.

Many people we spoke with said that NZR had lost sight of this constitutionally mandated purpose—they perceive that it gives the greater part of its time, attention and financial resources to high-performance (i.e., professional) rugby.

The other place we might expect to find a statement of why NZR exists and what it must achieve is in the [NZR Strategic Plan](#). In 'Strategy 2025' there is a vision statement (Our vision is to inspire and unify through rugby) and a series of strategic pillars. This vision and these pillars demonstrate worthwhile intent but offer little more in terms of a usable planning framework.

Together these constitutional provisions and high-level strategic plan statements offer little help as a starting point for the board when choices must be made between competing alternatives. Nor do they support the development of a rigorous framework for performance accountability.

Planning in sport

There is a tendency across sport to over-complicate and miss the point of strategic planning at the governance level.

Ultimately only two outcomes are sought: one, attract and retain happy players, volunteers and parents. Two, if you are in the high-performance space, then seek success relevant to your context. There are certainly areas of focus within that—women, juniors, ethnicity, geography etc, for example—but everything else is secondary or contributory. Sporting organisations have, for a long time, been very poor at crafting plans in a form that gives direction to inform the choices any organisation must make. Generally, these plans have little utility at the governance level and even less for management. That is the case for rugby.

The NZR plan

The high-level strategic plan (Strategy 2025)⁴² mixes up ends and means, desired outcomes and planned actions, strategies and tactics. Headline statements such the four labelled 'strategic pillars' (Winning with mana; Rugby at the heart of our communities; Loved game, loved brands; Unleashing rugby's commercial potential) may be good sound bites but do not create a framework for stakeholders to hold NZR accountable. They do not assist the NZR board to hold management to account either. To be useful at the governance level, this document must be clear about intended outcomes and how impact will be measured:

NZR strategic plan: glossy, touchy feely, short-term. No concrete performance targets to hold management accountable (and support them to be successful).

—

There is a tendency across sport to over-complicate and miss the point of strategic planning at the governance level.

The high-performance goal of ‘winning with mana’ indicates it will enhance the legacy and mana of rugby in New Zealand. That’s an inward-looking statement. The plan does talk about fans but is silent on the potential national identity and economic benefits. These are generally given as the justification for central and local government investment in high-performance sport and related events. Elite sport is not considered a charitable purpose so the benefit to people beyond those employed within the game needs to be made clear.

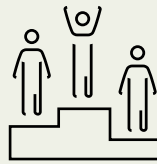
Our concern about planning is strengthened when the number of related documents are outlined. At present connected to NZR’s high-level Strategy 2025 are eight sub-plans with a further six in draft—a large number of planning documents especially if the top-level lacks clarity. It speaks to a lack of alignment.

NZR Statement of Service Performance outline

New reporting standards say a Statement of Service Provision (SSP) is now required reporting. This is intended to examine the alignment of organisational purpose and benefit created. NZR’s SSP starts by restating the incorporated society’s purpose outlined in the constitution.

Constitutions are typically poor points of reference for outcome-based planning. They present a list of verb-dominant activities—promoting, arranging, representing, fostering etc—and outline the actions to be taken rather than the benefit to be created and ‘for whom’.

NZR STATEMENT OF SERVICE PERFORMANCE FRAMEWORK



Teams in black winning pinnacle events



All Blacks ranked #1 in the world within the year



Black Ferns ranked #1 in the world within the year



Increase in total number of participants



Increase the total number of female rugby participants



Number of serious injuries in Rugby in NZ



Staff engagement survey satisfaction score above the NZ average



40% female directors on the NZR Board

As outlined in the SSP, there are three high-performance measures and two participation measures—one overall and one for women. Both those areas are in decline (see [Appendices](#)). The remaining three measures relate to injury, staff engagement and female directors. These are important and warrant tracking, but they are not at the level the SSP process contemplates.

The chief executive's reporting dashboard has 48 Key Performance Indicators (KPIs); most of them are tactical at best and lacking measurability. There is simply too much indistinguishable detail coming to the board. There needs to be a focus on a smaller number of measurable outcomes.

The lack of clearly stated outcome expectations in favour of statements of intended activity, and the multitude of low-level tactical KPIs mean that directors are drawn into the operational domain. This tends to fix the board as a supra-layer of management—driving into the future with its attention on the rear-vision mirror, doing the wrong job (or not enough of the right job).

This review is not a board evaluation, but our observations here do connect to our concerns that the present constitutional arrangements are not delivering enough of the competencies needed on this board, specifically in the vital areas of planning and strategy.

Alignment and accountability across the wider rugby delivery structure

Strategic plans in sport, as the NZR one, are often written as 'whole-of-sport' documents supposedly representing the aspirations of the whole code.

National sporting organisations (NSOs) have strong control over high performance. Certainly, that is the case here. NZR directly employs the majority of professional rugby players through teams in black, Super Rugby and NPC. But most NSOs rely on others to create the high-performance talent pathway. The development programmes ('academies') for talented young rugby players aspiring to become professionals face issues of alignment between Provincial Unions and Super Rugby Clubs. Again, greater coordination and cohesion is needed.

Similarly, in the community and participatory part of the game, an NSO needs the willing cooperation of others to deliver desired results.

What is missing here is role clarity—who does what and how will each party be accountable? What is the contribution that NZR, as an NSO, will make to the whole-of-sport picture? What can and should it achieve to fit with and complement the capabilities and actions of others in the total rugby supply chain? Are there things that NZR must achieve first that others depend on? And vice versa?

The [section on the challenges of federal structures](#) refers to modern variants on the model in which responsibility is moved out from the centre as far as possible. Certainly, many of the Unions we spoke to would agree with that approach. The Unions should be trusted to know their patch and how best to run their business within it—but not in an isolated way.

Plans at the Union level should reflect local reality but must be aligned to the centre. The money that flows from NZR does not 'belong' to a PU. It has been sourced ultimately from the rugby-watching public and should generate benefit consistent with the purposes of the NZR and its membership as a collective entity.

The Unions should be trusted to know their patch and how best to run their business within it—but not in an isolated way.

It is not clear if NZR can enforce accountability for use of funds.

The \$23 million that flows to rugby entities from class 4 gaming is delivered under a tight accountability framework mandated by the Department of Internal Affairs. This ensures that benefit is returned to the communities that generated the funds. In our view, money from the NZR to the Provincial Unions and other entities within the federal structure should be viewed in the same way. Clear intent and measurement of impact are required, together with a higher degree of accountability:

Clear targets and timeframes with consequences for non-compliance.

Some of this is in place with the Variable Investment Fund but is measured largely at the output level. Performance measures such as the number of people attending a coaching course have little meaning. The ‘proof of the pudding’ is whether attendees take any notice of the course content and are better coaches as a result. Better coaches should, in turn, have an impact on participation, the ultimate desired outcome. This lack of precision is a consequence of the current standard of planning.

It is not clear if NZR can enforce accountability for use of funds.

The mechanisms are there and signed up to, but politics intervene, and accountability is not enforced. Our recommended governance changes will address that systemic weakness.

A low state of trust currently exists across the game. The present structure and systems within it contribute substantially to this. Rugby needs to move to a knowledge-based strategy with high trust, delegating responsibility to the lowest possible level. But the necessary building blocks are weak or absent at present.

COMMUNICATION

It is clear from our consultations, however, that the relationship—NZR to PUs—is not equally functional in all areas. In discussions with Provincial Unions, descriptions of the relationship with the centre ranged from: ‘happy enough’, to ‘just give us the money and leave us alone’ and ‘need to sack the board’.

We heard a considerable volume of trenchant criticism directed at the NZR board and to some elements of the management team. A state of low trust is widespread. A loss of faith in the leadership related in part to issues that recently played out in the public domain have certainly not helped.

Communication needs considerable improvement, and the onus is on NZR to ensure this hits the mark. A common characteristic of successful federations and other politically charged governance environments, as in many cooperatives, is very active communication from the centre to members/ shareholders to the point of over-communication. This communication needs to be continuous and well targeted. For example, it cannot be assumed that communiques from NZR to Unions, addressed to their chief executives, will necessarily be passed on to their directors.

Unfortunately, over time, it has apparently become the conventional wisdom within NZR that the Unions cannot be trusted with sensitive information. It is understandable that this reluctance to share information with the PUs might be extended to NZR directors seen as owing their positions on the board to the member Unions. This is just one of many reasons for ensuring NZR directors are fully independent.

STRUCTURE AND GOVERNANCE

It is hoped that the Provincial Unions, when reading this report, will reflect on their own governance systems and processes.

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An excellent comment came from one of our interviews:

*Good leaders require good followers.*⁴³

Change within NZR will have little effect if the wider structure does not also embrace learning and development within its governance practices. We met some wonderful directors leading interesting work. They are in unpaid and time-consuming roles. No one volunteers to do an indifferent job.

A structure with 26 Unions has many moving parts. In 2019 McKinsey⁴⁴ looked at alignment, efficiency and cost saving across Rugby Inc. That work appears to have been sidetracked by Covid and effectively parked. Most of the report's conclusions are still valid and there are certainly efficiency gains to be made. The McKinsey process canvassed many of the same people as this review and the conclusions were largely the same, including:

Rugby Inc governance is complex and has not evolved over time.

That report drilled into the potential benefits of operational alignment and rationalisation, and also concluded that domestic professional rugby competition arrangements were not sustainable.

So, another review, another set of broadly consistent issues...yet no apparent change.

So, another review, another set of broadly consistent issues...yet no apparent change.

This kind of change in sport usually bumps into the 'blazer problem'—not wanting to forgo one's provincial playing colours. The solution others have found is not to touch competition colours and boundaries but to focus on the operational gains that can be made by cooperating across those boundaries.

For instance, Golf NZ has recently renamed its national office as a national support centre—less about telling you what to do, more about 'how can we help?' It is also merging operational staff previously employed by regional bodies into one directly aligned workforce, centrally employed.

43 Lesley Ferkins. Professor, Sport Leadership & Governance. Auckland University of Technology

44 Review of Rugby published 2020

MONEY IS NOT THE ANSWER

—
Sound strategy, aligned thinking, a relentless focus on impact and an unwavering clarity of purpose are required.

We were advised by many submitters and interviewees that the embrace of the Silver Lake offer ultimately came down to badly needed cash, particularly for some of the Provincial Unions. But money is not the sole answer; its demonstrably effective use is the issue. The state of English club rugby,⁴⁵ even after the infusion of private equity, is a cautionary tale. Money alone will not address the issues outlined above.

Sound strategy, aligned thinking, a relentless focus on impact and an unwavering clarity of purpose are required.

A genuine whole-of-sport ethos is needed, all fronted by great leadership. The distribution from the Silver Lake investment (\$1 million to NPC Unions and \$0.5 million to Heartland Unions) is not a long-term solution, just a stop gap measure.

45 [The Conversation](#) and [Daily Mail](#)



MATTERS FOR CONSIDERATION

Multiple issues and challenges are evident within the game and outlined in our terms of reference, throughout this report and in many other recent reports. The Review Panel expects that a fully engaged board would, as soon as possible, address the following areas. This list of key matters arises from our discussion in Part One of this report. It is not complete or exhaustive:

- the structure of professional rugby through the NPC and Super Rugby competitions
- the creation of an outcomes-based strategic plan with hard and measurable targets for all parties that makes clear accountabilities across the structure
 - that plan is centred on the purpose of NZR
 - the visible alignment of all funds to the plan
- ensuring continued focus on diversity in leadership, including but not limited to women, Pasifika peoples and Māori
- the development of the women's game as a central focus
- ensuring a deep understanding of the changing perspective of young participants is central to thinking across the sport
- the creation of a governance-level stakeholder strategy
- the Provincial Unions use this report to progress their own governance development
- the framework for member communication is reviewed and revised as required

PART 2

Is the current NZR
governance structure
fit for purpose?



—
...the current NZR
governance framework
does not satisfy these
desired outcomes.

The [Terms of Reference](#) for this review directs that the outcome of the review should be that:

NZR [has] the best possible governance structures, processes and organisational capabilities fit for its needs and the parties agree it should be run by the best possible mix of qualified directors with relevant experience. It [has] directors who can deliver the matrix of knowledge, experience and skills required to govern NZR and its subsidiaries effectively, and who, together, can engage authentically with the diversity of perspectives and interests that should inform NZR's decision making.

The Panel is grateful for such clarity from the commissioning parties. We can say conclusively that the current NZR governance framework does not satisfy these desired outcomes.

In this part of our report, we go deeper into the reasons it does not adequately equip NZR with the constitutional framework and leadership competencies needed to respond effectively to the trends and circumstances described in Part One.

NZR CONSTITUTIONAL STRUCTURE

INCORPORATED SOCIETY

Like most other national sporting organisations (NSOs) in New Zealand, NZR is an incorporated society, incorporated under the Incorporated Societies Act 1908. From October 2023, societies like NZR will be required to re-register under the replacement statute, the Incorporated Societies Act 2022, and must do so no later than 5 April 2026.

What is an ‘incorporated society’? A Cabinet Paper produced during the development of the new legislation, stated:⁴⁶

14. A ‘society’ can be described as a group of people who associate for a particular purpose other than their own financial gain and are organised according to certain rules. It might, for example, be a sports club, a ratepayers’ association, an educational institute, a charitable entity, or a marae. An ‘incorporated society’ is a group of such people who have registered under the 1908 Act.

15. The advantage of becoming an incorporated society is that the society takes on a legal existence, meaning it can sign contracts, sue and be sued. This means individual members of the society do not have to expose themselves to the legal risks of, say, being the legal tenant of the clubrooms (and so legally responsible for paying the rent).

Incorporated societies are useful entities. They are the backbone of what is widely known as the not-for-profit sector in New Zealand, increasingly referred to as the for-purpose sector. Incorporation defines members’ rights and responsibilities and creates a framework for the governance and operation of a society.

Every incorporated society must have a constitution or set of rules that states clearly how it intends to be run. These rules must cover certain basic functions and responsibilities, such as:

- why the society exists (its purpose)⁴⁷
- the conditions of membership
- how the society will hold meetings, make decisions and elect officers.

⁴⁶ Reform of the Incorporated Societies Act 1908

⁴⁷ Organisational purpose is a critical concept. Clarity of purpose (why it exists) is central to effective governance of an organisation.

How does NZR shape up as an incorporated society?

The formal membership of NZR comprises the Provincial Unions (referred to in the Constitution as the Affiliated Unions), Associate Members, Life Members and the NZ Māori Rugby Board (NZMRB). The NZMRB is also an incorporated society and, to remain eligible to be a member, an Affiliated Union must also be either an incorporated society or another incorporated entity that is exempt from taxation.

The NZR must hold an annual general meeting. All meetings of members other than the annual general meeting are referred to as special general meetings.

The 26 Affiliated Unions, as incorporated societies, also have both individual and organisational members.⁴⁸ These entities, especially rugby clubs, are a vital part of the overall Aotearoa New Zealand rugby ecosystem.

The Associate Members of NZR are a collection of nine different organisations with either historic or ongoing substantive connections to NZR.⁴⁹

Should NZR continue as an incorporated society?

The new Act gives greater clarity on directors' responsibilities, consistent with governance standards set in other legislation like the Companies Act 1993. These set higher and more appropriate expectations for NZR directors.

However, some components of the new Act are inconsistent with the need to strengthen the governance-level performance of larger incorporated societies like NZR. For example, the new requirement that an incorporated society's governing body must contain a majority of directors who are, in the NZR case, representatives of member organisations.⁵⁰

This provision conflicts directly with the need for governing boards to be equipped with the skills, knowledge and experience required to deal with the challenges they face. This is the key issue that this review must confront.

What might make sense for most incorporated societies—typically small, local, and run for and by their volunteer members—does not work for a large, international enterprise facing existential headwinds. An appointed board with independent directors does not conflict with the ability of an incorporated society's members to exercise ultimate control over their organisation.

As the main aim of the new legislation is to strengthen the governance of incorporated societies, this provision appears to be a drafting oversight.

We are optimistic that a solution will be found that will allow greater flexibility.

We consider it unnecessarily restrictive that a majority of directors should be representatives of NZR's member organisations, but every NZR director should understand the business of rugby at all levels. We would expect, for example, that NZR directors not directly acquainted with rugby at the local level should make time to experience the sport there—perhaps some sideline time at club or school matches, or even become a member of their local club.

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48 In the Canterbury Rugby Union, for example, besides clubs, other voting members of the CRFU include members of the board, life members, officers of the CRFU, and affiliated bodies like the Canterbury Primary Schools Sports Association, the Canterbury Secondary Schools Association, the Canterbury Rugby Referees Association, the Canterbury Women's Rugby Advisory Board, the Canterbury Māori Rugby Council. These all have at least one vote at general meetings. Clubs are assigned votes according to the number of teams they have up to a maximum of 5 votes.

49 New Zealand Defence Force Sports Committee, New Zealand Marist Rugby Football Federation Inc, New Zealand Universities Rugby Football Council Inc, Rugby Union Foundation of New Zealand Inc, New Zealand Schools Rugby Council, New Zealand Colleges of Education Rugby Football Federation, New Zealand Deaf Rugby Football Union Inc, and the Rugby Museum Society of New Zealand Inc.

50 Incorporated Societies Act 2022 s.45 (3) (b)

Despite NZR existing under a legal structure designed for thousands of small volunteer-driven, community-level organisations, we found no current alternatives that would be any better.

Despite NZR existing under a legal structure designed for thousands of small volunteer-driven, community-level organisations, we found no current alternatives that would be any better. And, over the years, the Act has allowed practical solutions to evolve. For example, regardless of their relative size, ‘for-purpose’ organisations face significant challenges to fund their core objectives. The 1908 Act has been flexible enough that NZR has been able to both embrace professional rugby and establish a commercial subsidiary (NZR Commercial) to broaden its revenue base.⁵¹

A far more significant factor in the governance of NZR lies with how the broad structure of the organisation has evolved, the definition of the constitutional rights of NZR’s members, and the customs and practices that have grown around those.

FEDERAL STRUCTURE

The challenges of a federal structure

A common organisation form in the business world is often referred to as a ‘unitary’ structure. It has a single governing board and management structure to cover the whole organisation. Distinct geographical (e.g., regional) or functional units operate with responsibilities and decision-making rights delegated progressively down from the ‘top’ of the organisation. Ultimately the future of the entity sits with shareholders or, in the case of incorporated societies, members.

NZR by contrast has a ‘federal’ structure. A federation is *an encompassing political or societal entity formed by uniting smaller or more localized entities*.⁵² Generally these ‘local’ entities unite because they share some form of common purpose or unifying interest. They come together to achieve what they cannot do on their own, ceding some of their self-governing autonomy authority to a central body to act on certain matters on their behalf. In a federation, power flows up from the local entities to the higher-level body—a sort of reverse delegation.

Many countries are governed as federations including Australia, Canada and the US. In Aotearoa New Zealand, it has been the predominant model for national membership associations and other not-for-profit organisations.

In a federation, membership with voting rights may consist of individuals or organisations, or, in some cases, even a mix. NZR has organisations (member Unions and the NZMRB) instead of individuals as its members.

Central to federalism are two key concepts. The first is dual citizenship. Its members live in and belong to a local community, but also have responsibility as citizens within the broader enterprise. When that is not acknowledged there is a push towards tribalism and parochialism.

The second element, essential in an effective and sustainable federal structure, is the principle of subsidiarity⁵³ or ‘the delegation of decision-making to the lowest competent level’. That means that the body at the larger scale should not undertake functions that are better carried out by a local entity, and vice versa.

Central to federalism are two key concepts: dual citizenship and the delegation of decision making to the lowest component level.

51 For a full explanation see Gregor Paul (2023) *Black Gold*. Auckland, HarperCollins

52 [Merriam Webster dictionary](#)

53 See for example, Charles Handy (1992) ‘Balancing Corporate Power: A New Federalist Paper’. *Harvard Business Review*, November – December. pp. 59–67.

The quandary with a federal governance structure is that it struggles to function as well in practice as theory suggests it should.

The essence of federalism in NZR and its consequences

It is understandable that rugby in the 19th century, as a relatively new form of organised sport, evolved along federal lines. The sport developed locally first and spread regionally. Then followed the need to collaborate nationally and form a body capable of carrying out activities that required collaboration, coordination and greater scale.

With the growth of rugby in New Zealand in the 1880s-1890s, the need for a governing body became apparent. In 1891, E D Hoben, secretary of the Hawke's Bay union, toured the country promoting the idea. A constitution was prepared for examination by the provincial union; in April 1892, a further meeting of union delegates took the next step, and the New Zealand Rugby Football Union was formed.⁵⁴

Like many national sports organisations, NZR in its turn also became a member of an international federation—World Rugby (formerly the International Rugby Board).

The quandary with a federal governance structure is that it struggles to function as well in practice as theory suggests it should.

We see this playing out in NZR in many ways. One reason is that balancing the autonomy of the local components with their dependency on services and (in the NZR situation) funding provided by the higher-level body, demands very sophisticated, effective governance and management. Without that, there is typically fragmentation, inefficiency and retreat into the kind of conflict frequently associated with personality politics.

Unfortunately, the two levels in a federal structure—in this case national and provincial—fall too easily into a battle for primacy, frequently resulting in reduced responsibility and accountability. Each has the other as a perfect object of blame for any difficulties or shortcomings. As Charles Handy has observed:

*...a federal organisation can be particularly exhausting to govern since it relies as much on influence, trust and empathy as on formal power and explicit controls.*⁵⁵

'...naked self-interest... is fundamental and seemingly inescapable in this governance model'

Further insight into the challenges of the NZR version of federalism comes from a comparative study of federal governance structures in sports organisations.⁵⁶ It identified two main kinds of federal structure: participatory and independent. In participatory federations like NZR, affiliate organisations (member Unions) maintain an active role in federation decision making and management. In independent federations (like the Australian Football League (AFL) referred to [later in this report](#)), the federation is controlled by an independent board with autonomy over day-to-day operations in which affiliate organisations have little direct involvement.

Research into the limitations of the NZR-type participatory model in a range of sports settings found that, among other performance issues, "...naked self-interest...is fundamental and seemingly inescapable in this governance model".⁵⁷ Research into NZR specifically, concluded that it was susceptible to the formation of 'disruptive cliques'.⁵⁸

54 [Rugby Museum stories](#)

55 Handy (1992), op. cit. p. 62.

56 McLeod, J., Shilbury, D., Parnell, D., & O'Boyle, I. (2023) 'Analysing the Australian Football League's (AFL) governance structure: how does it compare to Europe's "club run" leagues?' [Taylor & Francis Online](#)

57 McLeod et al (2023) op cit p.6

58 Meiklejohn, T., Dickson, G., & Ferkins, L. (2016) The formation of interorganisational cliques in New Zealand rugby. *Sport Management Review*, 19(3), 266-278

None of these research findings surprised the Panel. What also resonated with us was the reference to a condition common in participatory federations, described as governance rent seeking. This condition, research suggests, is present in:

...situations in which governance structures persist even after they have become demonstrably sub-optimal because of the presence and actions of parties who resist change, because it would reduce their private benefits of control while the efficiency gains of change would be shared...⁵⁹

Research comparing the relative strengths and weaknesses of participatory and independent federal models in sport has found that the main benefit of the independent variant is that it allows for strategic and regulatory decision-making processes unhindered by individual affiliate interests. The central administrative body is better positioned to introduce and maintain initiatives that facilitate progress of the whole federation, because it is not constrained by factional and political infighting among affiliates.⁶⁰

Federated sports are fractured sports.⁶¹

59 McLeod et al (2023) op cit p.12

60 Cited in McLeod et al (2023) op cit p.11

61 Interview: Prof David Shilbury, Chair, Sport Management, Deakin Business School.



Indications that NZR is not as functional a federal entity as it needs to be are visible almost everywhere.

Indications that NZR is not as functional a federal entity as it needs to be are visible almost everywhere. A ‘them vs us’ attitude coloured much that we heard. In relation to both core principles—dual citizenship and subsidiarity—we were frequently told of narrow (parochial and personal) interests at play, contrary to the good of the whole. Too many behaviours we observed and were told of are incompatible with a sporting organisation that, with all its parts combined, is a global business with combined revenue of more than half a billion dollars annually.

Both the centre and regional entities are equally guilty and, in our view, the way the structure operates at present is holding rugby back. Other sports—including cricket which also has a federal structure ([detailed later](#))—have changed key aspects of their governance structures and processes (including how they approach key relationships) and have moved on.

A key process of corporate governance is the allocation of decision-making rights within the organisation. As far as possible, the constitution of a federal organisation of any type should be clear about where decision rights sit in the structure. The NZR constitution does not do a good job of differentiating where the respective decision-making spaces sit between NZR and its member Unions.

Other documents may serve as an agreed formal expression of the relationship, but they do not seem to produce the result that has been agreed between the signatories. A further piece of advice from Charles Handy is apt:

There should be nothing vague or woolly about federalism or the place gets cluttered up with overlapping responsibilities and misunderstandings.⁶²

In the New Zealand rugby environment, we see a range of negative trends and the inability of the current governance arrangements to tackle them effectively. This is because of the fragmented nature of the wider rugby ecosystem and the undue influence of inherently conservative and understandably parochial interests of some of NZR’s members.

One of the consequences of that fragmentation is the many reviews that have needed to be undertaken as the result of problems that a more joined-up system and proactive governance might have avoided. In an earlier section we noted the [eight major reviews](#) completed since 2017 and the three in progress (including this one).

We were told these reviews have usually strongly agreed on problem definition but had rather less consensus on the necessary actions.

The people who govern and manage member Unions have good intentions. They do not want the New Zealand rugby system to fail. Far from it. They are simply responding as most in their positions would, taking advantage of the prevailing governance structure which requires two-thirds of them to support constitutional change proposals. We do not blame them for that, but we do unequivocally state that a successful future for New Zealand rugby is unlikely without upgrading the present NZR governance framework to its 21st century context. In a world with competing demands—for people’s time, attention and leisure spending—other sports with modern, competency-based governance structures, and a focus on the growth and the greater good of their sport, are providing strong competition.

...we do unequivocally state that a successful future for New Zealand rugby is unlikely without upgrading the present NZR governance framework to its 21st century context...

Where we saw member Unions attending closely to achieving outcomes they could control directly at the community level, we saw much to be positive about.

Are its affiliated members really NZR's 'owners'?

Provincial Union representatives we spoke with commonly described themselves as the 'owners' of NZR. However, membership of an incorporated society does not constitute ownership. It is more a case of granting opportunities to influence the direction and control of the entity than, for example, a beneficial and inalienable right to a share of its income and assets.

Indeed, the shareholder kind of 'ownership' widely spoken of, along with the sense of an entitlement to directly influence the decisions of NZR, suggest that member Unions, at best, misunderstand their membership rights and responsibilities:

Provincial Unions need to stop seeing themselves as 'owners' and start behaving as gardeners of community rugby—ensuring the best conditions to grow and thrive.

This ownership mentality brings the risk of considerable overreach by member Unions into matters that are—or should be—mandated to the national body. Besides being an unhelpful attitude to bring to a federation, it carries opportunity costs to their own performance, distracting them from attending to their own responsibilities. Where we saw member Unions attending closely to achieving outcomes they could control directly at the community level, we saw much to be positive about.

To be fair, however, we also question whether NZR is doing enough to assert its own leadership responsibilities in the organisational structure. Rather than keeping their eye on the ball, both NZR governance and management seem to have become accustomed to being continually looking over their shoulders, expecting to be tackled from behind by interests specific to member Unions. This inevitably narrows their perspective at a time when it needs to be broadened.



SOCIAL LICENCE AND MORAL OWNERSHIP

A social licence to operate can only be granted by those affected by an organisation's activities...

While the NZR board is primarily accountable to the voting members of the incorporated society, changes in the social and political environment have forced directors of all kinds of corporate entities to adopt a broader and more nuanced view of their accountability. The concepts of social licence and moral ownership have taken on far greater importance at the governance level.

A social licence to operate can only be granted by those affected by an organisation's activities; it cannot be demanded or purchased. A loss of social licence—often associated with the negative side effects of an organisation's activities, and even the conspicuously bad behaviour of individuals or groups within a sport—can be terribly damaging.

The moral ownership of an organisation can include many individuals and stakeholder organisations who, while not having a vote at an organisation's AGM, nevertheless associate themselves closely with the organisation. NZR cloaked the whole nation with this idea when New Zealand last hosted the Rugby World Cup.⁶³ It is arguable that rugby in Aotearoa New Zealand has, as a percentage of the population, one of the largest moral ownerships in the world.

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The concept of moral ownership certainly includes entities that are not voting members of the NZR constitutional structure, including the Associate Members, the Super Rugby franchisees, the schools, commercial partners, sponsors and service providers, and many others in the rugby 'supply chain'. It also includes parents of participants, volunteers and the fans. It is simply neither possible nor prudent to make decisions without regard to that broader ownership.

We conclude that the voting members of NZR should not claim for themselves a preferential and deterministic class of ownership based on misapplying the notion of ownership. Rather they should view themselves as a significant but not pre-eminent group among a very broad range of connected and mutually dependent parties which, collectively, constitute the moral ownership of New Zealand rugby. NZR governance should be independent and focused on what is best for the entire game, not dominated by the perspective of only one group of stakeholders.

DISTRIBUTION OF VOTING RIGHTS

The problematic distribution of NZR voting rights is another constitutional matter standing in the way of a decision-making environment better able to take a whole-of-rugby system view.

Only affiliated bodies (Affiliated Unions and the NZMRB) are entitled to vote in general meetings. In many similar federally structured organisations, each member entity has one vote (or the equivalent) regardless of its relative size.⁶⁴ However, that is not the case here. The voting power of NZR's member Unions are weighted according to the number of affiliated teams within each of their territories. Whether intentional or not, this has placed decision-making power in the hands of a small number of large Provincial Unions. Of the 27 entities entitled to vote at the annual meeting, nine Affiliated Unions together hold a voting majority.

With constitutional change requiring two-thirds or more of the votes,⁶⁵ significant proposals have often been blocked. As few as six member Unions can stand in the way of rugby's progress, meaning that the parochial interests of a minority of members may sometimes deny the interests of the majority.

Rugby is not the only national sports body in which member voting power is distributed to match playing strengths, but it is increasingly rare. This concentration of power can be too easily exercised, not just to block constitutional change but also—particularly by the larger Unions—to remove NZR directors, even the whole board. We were told that the threat of that option is sometimes raised to block or punish actions at the national level that are disagreeable to member Unions.

While that threat may wax and wane over the years, its very existence seems to cast a long shadow on the quality of governance in the national body. For example, it appears to be a factor in the relatively weak enforcement of the member Unions' accountability (under contract) for the way they use the funds they receive from the national body. Common but weak arguments (for example, that 'we are different') are too easily accepted.⁶⁶

Need to redefine and reset relationships

Many of those interviewed doubted that a participatory federal structure would be considered suitable if NZR was to be established today. The Panel considers there is nevertheless a strong case for a degree of autonomy at the provincial level if it does not compromise objectives that benefit the wider organisation and the sport as a whole.

To make this structure more functional, more work must be done between NZR and the member Unions to ensure that realistic mutual, agreed expectations (in some cases already defined and codified⁶⁷) are fully and consistently applied. Part of this process, as we note elsewhere, will be taking a more rigorous approach to defining outcome-based performance expectations and success measures to improve accountability mechanisms.⁶⁸

As few as six member Unions can stand in the way of rugby's progress...

64 For example, NZ Cricket

65 NZR Constitution, s. 21.1

66 In any organisational structure, decentralised units with similar responsibilities will always argue that they are different from their peers. Exceptionalism arguments are seldom more than an attempt to optimise position relative to peers and to maximise autonomy.

67 For example, the Provincial Union Funding and Monitoring Policy

68 Within the NZR/PU accountability regime, it is more common to find measures of activity/effort than of outcome/impact. That makes it difficult, if not impossible, to assess the return on funding provided to provincial unions.



NZR and its member Unions must be partners, not antagonists, in a shared search for win/win outcomes.

NZR and its member Unions must be partners, not antagonists, in a shared search for win/win outcomes. To advance this essential teamwork there must be:

- clear agreement on their respective roles, responsibilities and decision making rights
- an outcomes-oriented NZR strategic plan with sufficient clarity for everyone to work to (including member Unions in developing their own plans)
- clear, enforceable accountability frameworks throughout the system.

These matters are not as well defined and applied as they need to be between NZR and its member Unions at present, so key components of the organisation are not as well aligned as they need to be.

The Panel believes little is to be gained from proposing a shift to a unitary organisation. To do so would be to ignore, for example, not only their history but the continuing importance and relevance of the separate identities of Provincial Unions. The strong identities of the PUs and the parochialism inherent in the sporting competition between them is a positive dimension.

We do, however, consider governance structures and processes can, and should, be changed. Our proposals are intended to balance situations where the self-interest of the parts undermines the effective governance and management of rugby in New Zealand as a whole.⁶⁹

⁶⁹ In a management context we would expect effective leadership to result in more interprovincial collaboration on, for example, grassroots development initiatives, and more shared services at the operational level.

CURRENT NZR BOARD STRUCTURE

EVOLUTION OF THE BOARD STRUCTURE

Driven by the need to strengthen the NZR board's ability to govern in a rapidly changing environment, the NZR governance structure has been regularly reviewed since professionalism arrived in 1995. These reviews have often started with similar objectives to the present review. For example, from the 2011 review:⁷⁰

This report and its recommendations are not aimed at or to be taken as criticism of any person or group. The focus has been on finding the best structures and processes to maximise the opportunity for New Zealand Rugby Union to be governed:

- *to the highest standards*
- *with the highest degree of effectiveness; and*
- *in the best interests of rugby in New Zealand.*

We were told that, while the initiation of these reviews was generally supported by member Unions, they have not necessarily agreed to the recommendations. In at least one case, we understand that even review panel members could not agree among themselves as to what should be recommended.

Changes that have been variously recommended (and in some cases agreed) since 1995 include:

- introducing a three-term maximum for directors
- altering the composition of the appointments committee (e.g., to reflect provincial rugby interests more closely)
- increasing the extent of decision making by the appointments committee
- increasing the number of independent board members
- reducing the number of directly elected board members.
- providing for candidate assessment and alterations to their rights to stand for election without prior assessment
- removing a strict geographical basis for election
- giving all Unions the right to vote on all candidates for election (removal of the zonal system)
- deciding whether or not candidates for independent positions need to be nominated by a Union
- the number and relative size of different board member source categories and the channels for their election or appointment
- weighting the number of votes according to the player numbers in each Union.

Some earlier reviews have at least paid attention to the desirability of moving from the traditional, member-representative board to one selected on competency. A similar review of Rugby Australia also concluded that its board should reflect competency rather than affiliation.⁷¹ We wondered why people who would never contemplate black-jersey rugby teams being picked on anything other than merit would deny that to the NZR board. As one of our interviewees observed:

We have a team that wants to be best in the world and a management/ board that operates at a lower level.

Unsurprisingly, other sports that have progressed in the modern era have recognised explicitly that high performance on the field must be matched by high performance off it. NZR governance changes have done little to advance the transition from a governing board with a primary loyalty to member interests to a competency-based one, focused on the good of the game in all its parts.

Meanwhile, measures of the health of the game in this country have steadily deteriorated. It is hard, therefore, to make the case that NZR boards have consistently delivered stewardship of the sport at the level stakeholders expect.

In recent years, even allowing for the impact of the global pandemic, NZR has suffered a series of highly publicised missteps and, with those, a loss of wider public confidence and respect. Given honest self-reflection, NZR's member Unions might understand and accept that in being critical of the board they are being implicitly critical of themselves. The board they have is an outcome of the constitutional arrangements they have developed over time:

Everything the PUs complain about is a direct or indirect result of their own actions.

Arguably, regular international success, even when not particularly convincing, has enabled the decline in rugby to be glossed over. As a result, vital changes needed to address the game's fundamental challenges have routinely been parked until the need for the next review becomes unavoidable.

CURRENT NZR BOARD COMPOSITION

Since the 2020 Annual General Meeting, the Board has consisted of not more than nine board members, made up of:

- three elected board members
- three nominated board members, including the NZ Māori Rugby Board representative
- three appointed board members.

One board member from each category retires by rotation at each AGM. They may stand for re-election/re-appointment for a maximum of three terms. A board member may be elected or appointed for one or more further terms if the board is satisfied that 'exceptional circumstances' warrant further re-election/re-appointment.

Elected members are nominated by an affiliated union and seconded by another affiliated union. The two considered the most suitable candidates for each vacancy are recommended by the Appointments and Remuneration Committee of the board (ARC) and voted on by all affiliated bodies. Only recommended candidates may stand for election.

Nominated members are nominated by an affiliated union and seconded by another affiliated union, and the nominee considered the most suitable is appointed by the ARC.

Appointed members apply for the vacant position and the ARC appoints the person considered the most suitable.

We have discussed this structure widely with those who have either been on the board or closely observed it. Generally, they describe the structural design as, at best, a compromise. It has persistently remained dominated by Provincial Unions despite attempts to increase the proportion of appointed directors.

Getting the current structure approved—with the addition of the ‘nominated’ category—was not considered ideal but simply the ‘art of the possible’. Although it reduced the number of directly elected member ‘representatives’ from five to three, the political trade-off was to give the Provincial Unions effective control of the ARC. It turns out that the ‘nominated’ channel to the board, added in 2017, is little more than an alternative route to the board for directors favoured by the member Unions.

EXPECTATIONS OF NZR DIRECTORS

Those familiar with the NZR directors’ election and selection processes told us that directors coming through the Elected and Nominated channels are sometimes elected or appointed for reasons other than their ability to match the competencies sought in the skills matrix provided by the NZR board.

We noted that the current constitution requires that applicants for the Appointed positions must confirm they:

...will be able to, and will continue to, act and think independently of any particular stakeholder or stakeholders in New Zealand Rugby, and in the best interests of rugby across all of New Zealand.⁷²

This expectation does not apply to the Elected or Nominated members of the board. On the face of it, this suggests constitutional acceptance for two standards of performance within the NZR board—one for board members coming through the two channels dominated by the member Unions and another for those in the Appointed category.

Continuing a double standard like this would be inconsistent with the requirements of the new Incorporated Societies Act 2022 (sections 54 to 59). Directors’ duties are spelled out and reflect those commonly adopted in other legislation dealing with corporate governance standards. In future, directors of

72 [NZRU Constitution](#), Schedule 6, clause 6 (c)

incorporated societies must all (in summary):

- act in good faith and in what the officer believes to be the best interests of the society
- exercise power for proper purpose
- comply with the Act and the organisation's constitution
- when exercising powers or performing duties, exercise the care and diligence that a reasonable person with the same responsibilities would exercise in the same circumstances
- ensure the activities of the society are not carried on in a manner likely to create a substantial risk of serious loss to the society's creditors.

Perhaps most significantly in the context of this review, section 61 of the Act: 'Duties Owed to Society, states that:

The duties in sections 54 to 59 are owed to the society (rather than to members).

(emphasis added)

This law change means that the same standards of performance or fiduciary duties (like those applying, for example, to company directors, Crown entity directors, trustees, etc.) must in future be applied to all members of the NZR board.

Consistent with requirements on publicly listed companies, board and directors should be visible in a governance section in the annual report. Typically, this would include:

- a list of directors and their tenure to date
- biographies including matters likely to be included in a register of interests
- attendance at board and committee meetings
- directors' fees
- overall cost of governance including cost of any overseas travel for directors.

It would also be helpful to indicate to member Unions and others the approach to board and director performance evaluation. The chair's narration in the annual report should include the central matters the board has engaged with and where it intends to focus attention in the coming year.

NZR is one of the largest, most visible and most talked-about incorporated societies in New Zealand. The quality of its governance should, therefore, be unquestioned. So, it is no longer credible for any members of the NZR board to be selected by a process which, to a greater or lesser extent, is about testing their willingness to demonstrate a primary allegiance to a constituency interest.

Under the new Incorporated Societies Act, directors' responsibilities will be akin to those under the Companies Act.

APPOINTMENTS AND REMUNERATION COMMITTEE

The ARC is a vital component in the current board-making process. It influences individual selection in each category of board membership.

Purpose

The current ARC is responsible, according to the category of board membership, for recommending or appointing members of the board. The ARC also recommends the maximum annual amount of remuneration for board members and officers for consideration by the AGM.

Membership

The ARC has six members:

- **one board member** who is not seeking re-election or re-appointment
- **three chairs of Affiliated Unions** (two are elected by the chairs of the Premier Division Affiliated Unions, and one by the chairs of Division One Affiliated Unions).⁷³ They may serve up to a maximum of three one-year terms on the ARC. When nominating candidates for these positions on the ARC, Affiliated Unions are required to consider the skills and experience that their representative(s) should have to fulfil the role.
- **two independent persons** appointed by the previous two categories of the ARC members. If the ARC would otherwise consist of men only, one independent member must be a woman.

In any year in which the Māori representative is due for appointment, a representative nominated by the New Zealand Māori Rugby Board must participate in appointing a candidate to that position.

The ARC must elect one of the independent members to be the chair. The chair has a deliberative vote and, importantly, given the even number of members, also a casting vote. A quorum is four members.

Process

Broadly, the ARC may determine its own procedure, but the present constitution does impose some requirements. For instance, in making appointments (of Nominated Members and Appointed Members) and recommendations (for the Elected Member category), the ARC is obliged to take its lead from a skills and competency matrix.

This is updated annually by a four-person committee consisting of:

- the ARC chair
- the NZR board chair
- the NZR chief executive
- one of the three ARC members appointed by the Affiliated Unions.

In any year in which the position of Māori representative is to be filled, this group must be supplemented by a member of the NZ Māori Rugby Board.

⁷³ When voting for their representatives on the ARC, Affiliated Union chairs have the same number of votes their unions would have at the preceding General Meeting. They may only vote for the representative(s) of their own division.



We heard widespread concern about the politicking that necessarily accompanies securing and retaining the Elected and Nominated board positions.

We question the membership of the NZR chief executive on this committee. While it is appropriate for his input to be sought, the matrix is a tool of governance. Accountability for getting this brief right must sit at that level.

This committee is required to consider the needs of New Zealand rugby ‘at the time’. It may use such external support as it requires.

Once the committee’s review and update are complete, the skills and competency matrix is sent to the Affiliated Bodies with:

- a statement outlining any perceived skills and competencies needed on the board; and
- the Board’s priorities in the year ahead.

In making its decisions once nominations and applications have been received, the ARC must:

- have regard for the desirability of achieving an appropriate geographical spread (including, specifically, northern versus southern, metropolitan versus rural) on the board
- have regard for gender, ethnicity of players, and the need to reflect the whole of the NZ Rugby community generally
- not make any decision to appoint or recommend without that decision being supported by a majority of the Affiliated Union representatives.

We heard widespread concern about the politicking that necessarily accompanies securing and retaining the Elected and Nominated board positions. Close observers of the board (including past and present members) told us that the present structure and the accompanying processes for electing and appointing directors promote parochialism and interference in the board’s independence. They also fail to consistently deliver the capabilities and standards of conduct the board’s responsibilities and status demands:

On-field professionalism, but off-field amateurism.

We also note the complaints made to the Panel about how the process was ‘manipulated’ in the last cycle to enable NZR (against the inclination of some of its members) to meet the Government’s required⁷⁴ 40% female membership target on the boards of funded sports and recreation organisations. We further note that the need to do that is entirely a consequence of the current board composition and the channels to election or appointment.

We make a recommendation for a reconstituted Appointments Panel and a revised process for making board appointments in [Part Three](#) of this report.

An overwhelming proportion of those interviewed said unequivocally that the present arrangements deliver a board that, on balance, is insufficiently qualified to provide the leadership the sport needs.

BARRIERS TO SELECTING A HIGH-PERFORMING NZR BOARD

An overwhelming proportion of those interviewed said unequivocally that the present constitutional arrangements for election and appointment to the NZR board deliver a board membership that, on balance, is insufficiently qualified to provide the leadership the sport needs. We support that view for a range of reasons.

Our recommendations on measures to overcome these barriers are in Part Three of this report.

A lack of independence

Present arrangements mean the NZR board lacks independence from vested interests and needs a wider range of competencies

Currently, all NZR board members must be independent.⁷⁵ To be considered independent, a board member must not be employed by, or be a member of the board of or an officeholder of NZR or any of its subsidiaries, or of an Affiliated Body or any of its subsidiaries. Independence in this sense does not preclude membership of the board of NZR, acting in a professional capacity for NZR or (for the Māori representative) being appointed to an office of the New Zealand Māori Rugby Board.⁷⁶

Independence, as the constitution currently defines it, is independence ‘of office’. Given other requirements and practices (especially those related to the Elected and Nominated categories of board membership) this is, at best, a weak proxy for the expectation that individual directors should be free to think for themselves and to act in the best interests of the entity they are governing.

All NZR directors, no matter how they make it to the board, should have the potential to make a valuable contribution to the NZR board. For those with the support of a constituency, as member-Elected or Nominated directors, the odds are against them fulfilling that potential because of their direct association with a sectional interest.

They must ‘campaign’ to gain election or nomination, under pressure to make commitments to their prospective constituents that can easily be ill-informed and/or unachievable. Once on the board, if they wish to be re-elected or renominated, they must be responsive to constituent concerns—even when those seek to advance sectional interests at the expense of the greater good.

We were told they are expected to represent the member union view of the world and are often under pressure to distance themselves from board decisions unpopular with the Provincial Unions even when they supported those decisions in the boardroom. They are regularly courted by Provincial Union peers and media contacts who would have them break ranks and disclose NZR board confidences. In fact, lack of confidentiality has been a major problem at times. NZR directors coming through the member union channels have often had little or no formal governance training, limited experience and limited understanding of the disciplines expected.

75 NZR Constitution s.8.4

76 NZR Constitution s.22.1 Definitions

All NZR directors should be selected on their ability to contribute the skills, knowledge and experience the board needs, without being obligated to a particular constituency.

Some NZR directors who have come through the Elected and Nominated channels acknowledged the perception that they owed their positions on the board to having won a popularity contest. This can put an extra burden on them to prove their worth compared to colleagues appointed to the board on (governance-related) merit. It is possible to conceive of situations where this will be detrimental to the dynamic of the board.

We are not saying that directors who bring a member union perspective should not be on the board. Nor are we passing judgement on the capabilities of any of the current members of the board. We do say, however, that in future all NZR directors should be selected on their ability to contribute the skills, knowledge and experience the board needs, without being obligated to a particular constituency. Any constituency is, by definition, just one of many interest groups that make up the rugby family.

Inability to make decisions

NZR is unable to make decisions needed to advance the game and the collective interests of all stakeholders.

This can be seen in NZR's apparent inability (to date) to rationalise the two separate professional rugby competitions (Super Rugby and NPC). We encountered a widespread view that the NPC, in particular, contains too many teams. Attendance statistics suggest it is also a programme of games with few fans.⁷⁷ Continuing the present arrangement defies logic but we were told challenging that logic has drawn threats of Special General Meetings from member Unions and the implicit threat of board censure or removal.

Declining fan engagement is a far bigger issue and directly relevant to the Super Rugby competition as well. There are likely multiple contributing factors: complex and difficult to understand rules, the timing of games, the number and frequency of games, poor stadium experience, and many other factors as well. These cannot be solved by any one of New Zealand rugby stakeholders alone, but it is another pointer to the breadth of perspectives required around the board table. If it is not NZR's role to take a lead in this, then who?

It is widely accepted that a key responsibility of Provincial Unions is to maintain the health of the community game. Yet, on average, NPC unions spend 59% of their turnover on high performance and only 21% on community rugby, where most rugby players (and the future black-jersey wearers) can be found.

Based on that damning statistic, it is to the credit of one NPC union that told us they have given up on any thought of being competitive in the NPC. The choice for them was stark: it would be financially crippling to invest enough to win the NPC. They have chosen to invest in supporting and developing grassroots rugby. As far as we know, no other NPC union has confronted this trade-off head-on and moved in favour of growing the game from the ground up. A decision to resolve the present professional rugby problem is obviously one that must be made at the national level. However, NZR's present governance structure does not support that.

NZR is unable to make decisions needed to advance the game and the collective interests of all stakeholders.

⁷⁷ The NPC is a programme of 75 matches that has around 200,000 total attendances. As 25% of those have complimentary tickets it means there is an average attendance of 2000 paying customers per match. NPC player payments amount to \$17m plus match costs of a further \$15m. In round figures this amounts to a per match cost of \$200k, not including player payments.

In normal circumstances the NZR board should be free to govern, acting as it sees fit in the best interests of the whole New Zealand rugby ecosystem.

We tested with some of these people their interest in going on the NZR board. Almost to a person they said, 'no way'.

We question not only whether New Zealand can support so many fully professional rugby players but whether it can afford the overhead costs of 26 different Provincial Unions. We recognise that history and tradition and associated emotional attachments run deep but 26 boards, 26 CEOs, 26 board and executive support teams? And, apart from cost, does rugby attract the number of people with the governance and management skills needed by the game at the provincial level? Where is the push for shared support services and other economies of scale? And what has happened to the pre-COVID McKinsey review of cost structures and its conclusion that there are potential efficiency gains worth \$20-30 million per annum? McKinsey suggested Provincial Unions should focus on driving participation and administering the club game at a local level, leaving Super Rugby sides to identify talent and develop elite players.⁷⁸

The NPC competition can only continue in its present form as a fully professional competition with extensive NZR financial support but Super Rugby clubs, supposedly commercial entities, are all struggling to make money as well.

The member Unions are financially dependent on NZR. We would expect the national body to use this point of leverage to resolve these kinds of problems. We were told by many, however, that the NZR board and NZR staff are constantly mindful of upsetting the member Unions and the threat of member Unions calling a special general meeting to remove the NZR board is ever present. It is a legitimate power but should only be contemplated in the direst of circumstances. In normal circumstances the NZR board should be free to govern, acting as it sees fit in the best interests of the whole New Zealand rugby ecosystem.

The affiliated unions are not the only potentially significant power bloc. The NZRPA can also exercise considerable influence over NZR as was the case with the proposed private equity deal with Silver Lake. However, the member Unions have considerable real power flowing from the constitution. But waving the 'we can sack the board' stick too often will (and arguably has) detracted from the board's ability to provide timely leadership and good stewardship to the sport in this country.

These problems are recognised by those who might be exactly the kind of directors to enhance the board's capability—both people with unimpeachable up-to-date 'rugby' credentials and those who bring other relevant subject-matter expertise. During the review, we tested with some of these people their interest in going on the NZR board. Almost to a person they said, 'no way'. This rejection contrasts with how much easier we were told it was to attract the interest of high calibre candidates when the NZRC board was being formed.

No consensus on competencies required

There is a lack of understanding of the competencies the NZR board needs 'post Silver Lake'.

NZR is a large business operating in an increasingly commercial and professionalised world. The organisation sits at the centre of a broad and complex sport, operating under constant scrutiny. The NZR board needs directors with skills, knowledge and experience relevant to the level its challenges demand. However, many of those who spoke with us from the perspective of Provincial Union affiliations are convinced the formation of the NZRC subsidiary means that the NZR board can now, in a sense, be 'slimmed down' and make a fundamental shift to being a more 'PU-oriented' or 'rugby' board.⁷⁹ One, it seems, that would be drawn largely from current and past Provincial Union directors. In our view, this would be highly irresponsible.

The assumption that 'non-rugby' matters have been transferred to NZRC reveals a fundamental misunderstanding of the structure and process of corporate governance in the organisation. While legally structured as a limited partnership, NZRC is a subsidiary of NZR. As the 'parent' entity, NZR remains accountable for the performance of its commercial offspring and signs off on many of its important decisions. NZRC is no more than a tool for NZR to use to achieve certain objectives. NZRC is not independent. Its strategy is a subset of, and a way to achieve, the NZR strategy.

For that reason, the NZR board continues to need directors who are competent to oversee the relationship, provide strategic input, ensure that the subsidiary performs as required, and manage the challenges and risks accompanying the partnership with private equity and, perhaps ultimately, other external investors.

Some submitters and interviewees suggested that if NZR had the benefit of a board appointed for its competencies, NZRC could have been (and might be in the future) no more than a committee of the board. The contrast with the formation of the board of NZRC is, therefore, instructive. This board was assembled via a wholly appointed process with a long list of well qualified candidates, which has produced a starting board line-up containing directors with strong governance experience and technical competencies at the global level.

Given the challenging strategic choices the NZR board must make, it undoubtedly also needs members who can contribute deep rugby nous. However, this should not be measured in how many games a potential director has played for their province any more than comparable weight should be given to how many boards a professional director has been on.

It should be the ability to bring and apply up-to-date knowledge and experience, forged in the professional era, and accompanied by an understanding of both the complex structure of rugby domestically and internationally, and the social and economic trends that motivate interest in the sport today. Only by chance will this capability be gained from adding more people to the board via the traditional pathway of long service to the game.

There is a lack of understanding of the competencies the NZR board needs 'post Silver Lake'.

⁷⁹ This attitude was typified by a current provincial board chair who told us that NZR is now essentially only a \$30 million business that can focus on rugby. That being the case, therefore, there is no need to have appointed (i.e., non-'rugby') members on the board and, further, that being on the board would not now be a particularly onerous job.

All over the world, governing bodies of substantial entities have been forced to recognise the inherent decision-making weaknesses that accompany homogeneity in their membership.

Insufficient diversity of thought

All over the world, governing boards of substantial entities have been forced to recognise the inherent decision-making weaknesses that accompany homogeneity in their membership. The starting point for addressing the risk of ‘groupthink’, unconscious bias and other dysfunctions has been to introduce a greater demographic mix (e.g., of gender, ethnicity and age) to board membership. Many governments and regulatory bodies have introduced quotas to, for example, increase the proportion of women on boards.

However, as we have seen in several well-publicised corporate collapses, this kind of visible diversity guarantees neither the diversity of thought that can counter decision-making weaknesses, nor its effective application. However, nothing so obviously reflects the conservatism of NZR’s voting membership as the tortuous process of gaining greater gender diversity on the national board. Prescribing some degree of gender and cultural diversity has been considered since at least the 2011 NZR governance structure review. This has been a bridge too far for many member Unions. Although some have achieved significant diversity gains on their own boards, only two meet the Government’s 40% gender diversity target mark.

We were surprised at the strong resistance that still exists in some quarters to the appointment of women to the NZR board—partly reflecting an aversion ‘on principle’ to ‘political correctness’ and to the Government’s imposition of a gender quota for funding eligibility. Others were concerned about what they considered the ‘manipulation’ of the Nominated category, to secure the appointment of women to the board.

Sadly, a more fundamental reason according to interviewees, is that this would be an impediment to a sort of entrenched ‘rite of passage’, even a sense of entitlement to progression, for male Provincial Union board members. To the extent that this is true, we can only describe it as anachronistic, at best.

Given the importance of Māori to New Zealand rugby, we also point out that the right of the New Zealand Māori Rugby Board to nominate one member of the board, while valued, is also problematic. It is too easy for some to think that this current provision ticks the cultural diversity box when the dominance of Māori and Pasifika numbers would suggest otherwise. A single voice of any kind on the governing board is too easily marginalised and ignored.

Constraints on the ARC’s ability to ‘pick the best (board) team’

We were told that when the current three-channel board structure was agreed in 2014, it was, at best, a compromise. The cost of increasing the number of Appointed positions from two to three was that candidates for two of the three Nominated positions must be nominated and seconded by Affiliated Unions. Further, three of the six ARC positions must be Provincial Union board chairs. Also, the ARC cannot recommend candidates for election, or appointment to the Nominated position vacancies, without that recommendation being supported by a majority (two) of the provincial union members of the ARC. From this latter requirement arises the threat of a PU veto over candidates preferred by a majority of the ARC, although we understand this power has not yet been invoked.

...the ARC is unable to select the best qualified candidates, even when they are available.

The current average length of service on the NZR board is just under 2¼ years

The process actively deters interest from well qualified individuals.

Comments by those who have experienced the ARC process (both on the ARC and as candidates before it) suggest that in its present form, the ARC is unable to select the best qualified candidates, even when they are available.

For example:

- Having to work with the three categories has reduced flexibility. In the most recent NZR director replacement process, for example, it was said that two thirds of the candidates who applied for the Appointed category would have enhanced the board's collective capabilities. The Elected and Nominated streams on the other hand offered the limited choices the member Unions were able or prepared to put up. This may be at least a partial explanation of the significant turnover in board membership recently. The current average length of service, as at the end of July 2023, is just under 2¼ years with only two directors having served more than three years. That is not a recipe for good governance or good management.
- The process actively deters interest from well qualified individuals. Women with an interest in rugby and already on the boards of substantial commercial and non-commercial corporate and/or other rugby entities, told us unequivocally they would not offer themselves through the Elected member channel. Partly it was the arduous nature of the electioneering over as much as two years, but it was more a case of not being willing to subject themselves to what one previously successful male election candidate described as 'character assassination'. Another male director who also successfully joined the board through that channel described the process as 'barbaric'.
- Both anecdotally and via our interviews, we learned that well-qualified directors (including some with impeccable rugby pedigrees) have declined to be considered because of the selection process, the present constitutional limitations on forming an effective board, and their perception of the incidence of unprofessional behaviour. They do not feel they could be effective on the NZR board and, therefore, prefer to stand aside to protect their professional reputations. These same concerns might deter potential recruits to senior executive positions in NZR.
- The skills matrix and statement of the board's priorities should be the basis for the ARC's recommendations and appointments. We were told, however, that these documents have not been as influential as they should be because they are not up-to-date and finely tuned and are often given little weight by some ARC members. Given the importance of the matrix for assessing the relative merits of candidates we were not surprised to have concerns expressed to us about the process for evaluating the relative merits of those competing for Elected positions. We were also told that 'ticking the diversity box' had meant better qualified (presumably male) candidates had been passed over.⁸⁰ In fact our observation would be that women directors both here and in other contexts bring considerable value to the table. Because the standard is not evenly applied, women candidates must often be demonstrably better than their male competition.
- Several ARC members (past and present nominees of member Unions) expressed concern that the independent ARC members have too much influence on its decisions. Many others who have been involved in the process expressed to us a contrary view.
- The time demands on NZR directors are very high, but member Unions have apparently resisted fee increases, insisting on a kind of 'community discount'. This also is a marker of the contrast between the performance expectations of the black-jersey rugby teams and the board team.

These and other perspectives show that views differ markedly between what some people think the board should look like and those who see that the board's membership, overall, is inadequately equipped to meet the challenges facing the game.

In [Part Three](#) we recommend a range of changes designed to remove these barriers.

80 Close observers reported a high regard for the contributions of the women on the NZR board, not least, they said, because they are governance professionals whose thinking is not cramped by obligations to sectional interests.

NEW ZEALAND MĀORI RUGBY BOARD

Māori rugby has had a rich history since the creation of the first rugby teams in New Zealand. As well as domestic Māori rugby teams, national teams have existed since the Native Representatives team toured the British Isles in 1888. The first New Zealand Māori rugby team was selected in 1910, playing games throughout Australia and New Zealand. Playing a distinctive style of running rugby, New Zealand Māori rugby teams have had notable success at the international level.⁸¹

Māori culture has had a significant and enduring influence on, and is conspicuously part of, the identity of all our national rugby teams competing at the international level. The pre-match haka is an obvious example, but the black jersey is said to have been chosen by the 1888 Natives Representatives team as the best colour to withstand the wet and sloppy playing fields expected in England.

Black also represents Te Korekore, the realm between nonbeing and being, symbolising emergence from long darkness.⁸² Te Kore is also central to notions of mana, tapu and mauri. The Silver Fern Leaf emblem was also used by that team and, like the black uniform, has since been adopted by practically all New Zealand's national sports teams.

The governance of Māori rugby

Arrangements for the governance of Māori rugby date back to the formation of the Māori Advisory Board in 1922. That board was represented on the NZR management committee, bringing Māori rugby formally under NZR auspices. The New Zealand Māori Rugby Board (Whakapumautanga) was formed in June 2000 as an incorporated society with its own constitution. Its voting members are three regional Māori rugby boards, each of which is an incorporated society in its own right. The provincial rugby unions are Associate Members.

Despite its separate corporate identity, submissions to this review have argued that the NZMRB has not been able to evolve to be more than an advisory or consultative body. Although it is an Affiliated Body and a voting member of NZR, it has operated largely as a committee of NZR. It is worth noting that of the 90 votes that can be cast by voting members at an NZR general meeting, only two belong to the NZMRB. In terms of voting power, the NZMRB equates to no more than one of the smallest Provincial Unions.

“Rugby at the heart of our communities” is one of the ‘pillars’ of the NZR strategic plan and yet nowhere is rugby more at heart than in predominantly Māori communities. Leading organisations throughout Aotearoa New Zealand aspire to greater partnership with Māori. For these and other reasons we understand why some submissions to this review have characterised the NZR approach to partnering with Māori as a little more than ‘box ticking’. NZR clearly has some way to go to convince Māori otherwise.

In terms of voting power, the NZMRB equates to no more than one of the smallest Provincial Unions.

81 The Māori All Blacks have won 80 of their 126 international fixtures.

82 In terms of tikanga Māori re Te Kore ki Te Ao Marama; i.e. the view that we move from the world of darkness to the world of light.



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 NZMRB has demonstrated its capability by producing one of the most comprehensive and best presented submissions to this review.

The NZMRB has recently conducted its own independent governance review—a substantial exercise—and its findings and recommendations demand NZR’s close attention. Although heavily dependent on volunteers, the NZMRB also demonstrated its capability by producing one of the most comprehensive and best presented submissions to this review.

In May 2022 NZR made a number of commitments to the NZMRB that would enhance its contribution to the governance of matters of mutual interest.⁸³ Submissions to this review and interviews conducted by the Panel do not give confidence that those commitments have progressed to any great extent.

NZR is the primary focus of this review, but the special role of the NZMRB within rugby cannot and should not be ignored. Despite the significance of Māori rugby—reflected in several NZR plans and publications (including the appropriation of Māori terminology)—the governance arrangements between NZR and the NZMRB appear, in practice, to be little more than lip service.

The NZR has ‘talked the talk’ of increasing diversity.⁸⁴ However, it appears to have fallen short in supporting Māori rugby and recognising the potential leadership capability and contribution of the NZMRB. Better positioned, the NZMRB can not only enhance Māori rugby and Māori *in* rugby, but also improve the viability of New Zealand rugby in general (including its commercial value).

In recognising and respecting the contribution of Māori to New Zealand society and economy, NZR seems well off the pace compared to the steps taken by other New Zealand institutions of comparable significance:

There is a genuine shared kaupapa – a love of rugby.

A recalibration of the relationship is needed.

83 ‘Renewed Commitment Letter from NZR to the NZMRB’, 13 May 2022

84 See, for example, [this Stuff article from 2017](#).

NZMRB recommendations

The situation described could be improved, and the relationship enhanced in some obvious ways. These include:

- **greater direct contact between the two boards.** The two boards should consider meeting formally to discuss matters of mutual interest at least annually. Both the NZMRB's submission to this review and its own governance review have identified a wide range of matters in the relationship that the NZMRB should expect the NZR board to address. One of the first topics for discussion should be seeking continuous and consistent alignment between the two bodies on the purpose of NZMRB and the contribution it can and should make to the promotion and delivery of Māori rugby and New Zealand rugby in general.
- **improved resourcing.** Current NZR financial and staffing support is nominal at best. The NZMRB should be resourced to be able to contribute in a timely fashion to the evolution of thinking about initiatives that affect or could take advantage of a Māori rugby dimension.
- **improved recognition of the significance of the relationship in the governance structure of both organisations.** This could be done, for example, by:
 - placing reciprocal obligations in both constitutions. The NZR Constitution is notably silent about the relationship it has with the NZMRB, despite it being a member of and an Affiliated Body of NZR. We agree with the NZMRB that the respective constitutions of NZR and the affiliated unions should include an obligation to work in partnership with NZMRB.
 - including performance measures within the NZR strategy relating to investment in Māori rugby
 - in the changes we propose to the board appointment process (including to the skills matrix mechanism), ensuring that there is always at least one and preferably more individuals on the NZR board who would meet with the approval of the NZMRB.
- **removing the requirement for NZMRB to get prior written approval of the board of NZR for any changes to its own constitution.** For example, the current NZMRB constitution requires the NZR Māori board appointee to be the chair of the NZMRB. It is hardly mana-enhancing that NZMRB is not even allowed to select its own chair.

We have formally recommended changes on the NZMRB in [Part Three](#).

NEW ZEALAND RUGBY COMMERCIAL

In 2022, as part of NZR's goal to realise greater commercial potential from globally recognised brands, and to enhance its ability to invest in the game, it entered into a partnership with [Silver Lake](#). Silver Lake, a private equity investor, has invested capital in NZR in return for a share in its future revenue. It was selected by NZR not only for its ability to provide additional capital but because Silver Lake is a global leader in technology and sports industry investment.

NZRC is effectively a subsidiary company.

NZRC, created as the vehicle for this initiative, is a company registered under the Limited Partnerships Act 2008. A limited partnership (LP) consists of a general partner (New Zealand Rugby Commercial GP Ltd), and at least one limited partner (Silver Lake). The general partner is essentially the manager of the partnership while the limited partner(s) are the other investors.

Despite this constitution, NZRC is effectively a subsidiary company with its own governing board, with nine directors including two from the NZR parent board plus the NZR chief executive. Silver Lake has appointed two directors and the New Zealand Rugby Players Association, one director. The remaining three (independent) directors, including the chair, were appointed by NZR through an open recruitment process.

Silver Lake has invested capital of \$NZ200 million. Additional capital of at least \$62.5 million is planned to be raised from New Zealand investors and/or Silver Lake in due course.

NZRC is seen as the customer and commercial arm of NZR. It engages with customers (e.g., marketing, broadcast, content) and with commercial and sponsor partners, and looks to build new relationships. It intends to drive technology as a critical enabler of customer and partner relationships.⁸⁵ Growing the commercial value of NZR through an engaged and expanding global fanbase is a particular focus.

The capital investment from Silver Lake has allowed NZR and member Unions⁸⁶ to rebuild reserves that were run down to see them through the Covid pandemic. It has also provided investment to establish an endowment fund (the Legacy Fund) that will support initiatives "to ensure rugby in New Zealand remains strong into the future".⁸⁷

The board was not fully formed until early this year and the Panel is conscious that it is still settling into its work and has only just appointed a permanent chief executive.

NZRC matters relevant to this review

The Panel has looked particularly at how the relationship between NZR and NZRC will be conducted.

Our first concern is the common thread through our discussions with Provincial Union personnel, that the establishment of NZRC means that the board of NZR, having transferred commercial matters into another entity, can now apply itself exclusively to 'rugby' matters.

We have explained elsewhere why this would be a problem. However, this lack of awareness of the realities facing the NZR board indicates the size of the step-up facing many directors coming to the board through the member union-dominated Elected and Nominated board recruitment channels.

To illustrate how much even the (narrowly defined) 'rugby' world has changed,

85 'What we do' [New Zealand Rugby Commercial](#)

86 Initial \$20 million. \$1m to each NPC Union and \$5m to each Heartland Union

87 NZR [Annual Report 2022](#)

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NZR needs an even stronger board today than pre-Silver Lake.

looking at the All Blacks of the 1970s and 80s—and the nature of the game and its demands both on and off the field for those playing then compared to now—might be useful.

NZR needs an even stronger board today than pre-Silver Lake. The board needs to understand the nature of complex social and economic changes in NZR's operating environment. Then it must have the skills, knowledge and experience to successfully confront the challenges and increasing complexity that go with those changes. NZR will also need directors competent to manage the relationship with a private equity partner.

Regardless of the formation of NZRC and the delegation of certain responsibilities to that entity, the parent board remains accountable for its performance. Just as it was considered important to ensure there were directors on the NZRC board who understand and respect the culture of rugby in Aotearoa New Zealand, so it is important that the NZR board can live up to its ultimate responsibility for the performance of NZRC.

It is important, therefore, that NZR maintains appropriate direction and control of NZRC. We are not confident that the board is yet sufficiently clear what influence it needs and wants to have with NZRC. For example, it was apparent there is still work to do to reach clarity about what NZR will hold NZRC accountable for and the boundaries within which it will allow NZRC to operate. 'Commercial' can mean many things to different people.

We acknowledge that articulating the details of this relationship is a work in progress. A lack of clear, mutually understood definitions of respective roles and responsibilities, however, could lead to unproductive competition and transactional angst. We note that, in relationship to securing sponsors, this situation already exists between some Provincial Unions and the Super Rugby clubs they are connected to. A clear delineation will not only help avoid duplication and overlap but protect against significant opportunities falling into gaps between the two entities.

Greater clarity would also have other benefits. For example, a lack of clearly defined accountabilities can be a justification for the two boards to have directors in common. While the NZRC board has only just been formed, this should be kept under close review by the NZR board. NZRC has a relatively large board but having parent board directors mainly for oversight is an imprecise method of control and takes up board places that might be better allocated to competency-based appointees.

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It is important, therefore, that NZR maintains appropriate direction and control of NZRC.

A barrier to achieving clarity is the lack of an adequate high-level NZR corporate strategy, expressed in terms that can readily be converted into key performance metrics. NZR should not leave NZRC to develop its own strategy independently. Any initiatives taken by NZRC should be linked directly to supporting the achievement of the NZR strategy.

Another alignment issue concerns the point strongly made by the NZMRB that a great deal of the international brand value of NZ rugby that NZRC is charged with monetising depends on the Māori cultural dimension. Considering the many comments made to the Panel about the fragmentation and lack of alignment and interconnectedness of the New Zealand rugby ecosystem, we consider that there needs to be a close working relationship between NZRC and NZMRB—the body charged with oversight of Māori interests in New Zealand rugby.

NZRC will no doubt want to be sure that it not only has authority to commercialise Māori-related IP but that it is realising the synergies that might be possible from actively partnering with Māori and other stakeholders. We are pleased to note that awareness of this among NZRC directors was apparent during our interviews with them.

BOARD COMMITTEES

The primary value in a board establishing committees (referred to as sub-committees in some contexts) is to explore in greater depth matters for which the board has ultimate responsibility. A board committee will gather information relevant to its terms of reference, consider that information, and fashion it into recommendations (where appropriate) for the board.

A board committee supports the work of the board. It does not exist to assist management. Management committees may exist, but at management instigation. The board decides if it needs the assistance of a committee. So does management. Committees assisting management may connect to the board at management's discretion. Directors, if invited to contribute, do so as advisers and do not carry the authority of the board.

A board committee with the power to co-opt can also extend the range of competencies on the board itself. To get the appropriate balance of skills and experience, two of the three NZR committees can co-opt up to two suitably qualified persons from outside the board.⁸⁸ Co-opted members have the same voting rights and responsibilities as NZR board members who are members of the committee.

Corporate governance practice varies as to whether board committees are delegated the authority to make decisions. Where they are, a significant risk is that the board itself becomes fragmented into a series of 'mini boards'. Because committees tend to work very closely with staff at different levels it can also be confusing to both board and staff. Directors are exposed to often conflicting and competing views among more junior staff. Senior staff can easily feel that different committees are pulling them in different directions.

That does not appear to be a significant NZR risk, at least not on paper. The Terms of Reference for the board's three current committees make it clear they have no authority independent of the functions delegated to them by the board.⁸⁹ It is also explicit that any decisions made by the committees do not relieve the board of its responsibilities. From their respective terms of reference, it appears committees have little decision-making power.

The current three board committees are:

- Risk, Investment and Audit Committee
- People Committee
- Rugby Committee.

The Terms of Reference for the first two indicate they are both comparable to the two governance committees standard in most organisations of any substance today. They appear up to date with current practice and are on a review schedule that indicates they are checked regularly.

The People Committee has oversight of board effectiveness, with responsibility for overseeing the regular evaluation of board processes and the performance of the board as a whole, as well as the contributions of individual directors.

There is also a Commercial and Technology Committee. This is not constitutionally mandated and, with the advent of NZRC, may not persist.

A board committee supports the work of the board. It does not exist to assist management.

⁸⁸ The exception is the People Committee.

⁸⁹ The expectations of NZR board committees are expressed in terms such as to: assist, oversee, review, recommend, monitor, champion, overview, consider, etc.

We suspect the Rugby Committee is an historical artefact.

Formal board and director evaluations, facilitated by an independent governance specialist, should be conducted at least once in a three-year cycle, with less formal internal evaluations undertaken by the board itself in each of the intervening years. Each evaluation should result in a clear schedule of agreed action points arising from the evaluation as well as a check in on progress in implementing previous reviews' agreed actions.

We support the continuance of both committees.⁹⁰

Rugby Committee

The third, the Rugby Committee, is similar in some respects to the kind of high-performance committees common in many national sports organisations (NSOs). Experience shows they can easily confuse accountability between governance and management. If not carefully designed and managed, any board committee can create that problem, but it is near inevitable when a committee, like the Rugby Committee, is directly assigned to the business of the organisation.

The NZR board and management are under intense and unrelenting pressure from the daily judgements of the news media and an extensive and complex stakeholder environment. However, something that attracts a great deal of public interest should not automatically be a board-level issue. Indeed, there is significant risk in reactive governance intervention when performance expectations are inadequately defined and assigned either to board or management. If a board has failed to do this, responses to inquiries and criticism will inevitably be underwhelming and unconvincing.

A recent case in point might be the decision on changing the All Black coach. The way this was handled caused undoubted harm to the public perception of NZR. The Rugby Committee is required by its Terms of Reference to overview NZR's coach and team management and selection processes. Well informed observers of the coaching appointment controversy told us that the committee lacked the experience that, in the exercise of its overview role, would have likely prevented the coaching decision and its timing becoming the staff employment and public relations problem that it did.

We acknowledge that appointing national coaches is a matter of great public interest in most high-profile sports. That is a reason to be very clear where the decision sits (usually with management) and for any governance involvement to be well defined. Ideally—as for senior executive appointments in other corporates—the board should be fully briefed, on a 'no surprises' basis. It requires considerable discipline on directors' parts for this to work as it should, so as not to compromise the confidentiality of the recruitment/appointment process nor undermine the ultimate accountability of the CEO.

These matters of delegation and any powers reserved to the board, should be recorded in a comprehensive fit-for-purpose Delegated Authorities Policy, understood and adhered to by all parties.

We see exposure to this and other problems writ large in the Terms of Reference of the Rugby Committee. We are concerned that that document could be an expansive invitation to the committee (and the full board?⁹¹) to dabble in operational matters.

We suspect that the Rugby Committee and the role outlined in its Terms of Reference is an historical artefact in much the same way as the tradition of the NZR board chair announcing the members of the All Black team. It does not appear to support the clarity of accountability we would expect to find in an organisation of NZR's size and value.

⁹⁰ We do note, however, that some boards have split 'audit' and 'risk' into separate committees. Whether there is a case for doing that here we leave to the judgement of the board.

⁹¹ From our review of a sample of board papers, and our interviews it appears the NZR board itself is also highly 'operational'.

THE COUNCIL (TE KAUNIHERA)

In submissions and throughout our consultation process, we heard about the absence of cohesion and alignment among key components of the Aotearoa New Zealand rugby ecosystem. There is concern about the lack of opportunities for rugby stakeholders to connect with each other and the NZR board.

We saw, as expected, active communication between NZR, its member Unions and other interest groups at the operational level. However there seemed to be few mutually satisfactory opportunities for genuine cross-sector dialogue about matters of significance at the governance level. We also saw many opportunities for improving the coordination and cooperation between the different parties who contribute to the delivery and stewardship of the sport in the New Zealand environment.

We considered several suggestions about how to address these shortcomings, including a substantial expansion of the formal membership of NZR, the organisation. But we propose a different solution: establishing a stakeholder council not only because of the need for improved communication and coordination, but also to involve a wider group in the pathways to membership of the NZR board.

The Panel has used the working title, Te Kaunihera. The word is commonly used among iwi organisations as reflecting a valuable grouping of many stakeholders who come together to share their wisdom and experiences. The Council is intended to help achieve the overarching objectives of NZR and reflect the aspirations of the broader rugby ecosystem. The final choice of name for this body is, however, a matter for The Council itself.

The role of a stakeholder council

The stakeholder council model exists in many different organisations in this country. Stakeholder councils play different roles, according to circumstances and need. Some act as an 'electoral college' for appointments to the governing body. Some are the principal vehicle for holding the governing body to account for its performance. Others have a more limited advisory role. Stakeholder councils are particularly valued for creating timely opportunities for conversations that would otherwise occur only randomly, if at all.

We recommend establishing The Council because of the need for a capable, 'whole-of-rugby' stakeholder body that brings together the perspectives of the main decision-making and service-delivery components of the New Zealand rugby ecosystem.

The Council should not replace or in any way disempower existing or future NZR/ Member forums, which are vital to a healthy incorporated society. The Council is intended to ensure that a wider range of stakeholder voices are engaged directly and jointly in considering matters vital to the future of rugby in Aotearoa New Zealand.

The Council is intended to be consultative, not a decision-making body or another layer of governance.

The Council should be independent of NZR in its composition and functioning...

The purpose of The Council

The main purpose of The Council is to create a cross-sector body that, with the best collective interests of New Zealand rugby at heart, can provide:

- meaningful input to the selection of the members of the NZR board by providing feedback to the NZR board on its competency framework and succession plan before these are passed to the Appointments Panel (AP)
- the direct appointment of two members of that panel
- perspectives that will inform the board's strategic thinking (e.g., a wider perspective on the challenges facing New Zealand rugby) before plans and medium and long-term strategies are finalised
- a forum that does not currently exist for cross-sector conversations and networking across the sport.

The Council is intended to be consultative, not a decision-making body or another layer of governance. Given the loss of confidence in the NZR board mentioned in submissions and spoken of in interviews, The Council is intended primarily to contribute to an improved governance-level dialogue about matters vital to the future of rugby in New Zealand.

We prefer this option rather than the expansion of the formal membership of NZR proposed by one of the submitting parties. This recommendation is a response to the same challenge, that of ensuring that the board in its composition and decision-making is not unduly influenced by any single group of stakeholders.

We expect that NZR management (or other sector bodies) may also want to inform and use The Council as a sounding board from time to time, but that is not its main purpose. The Council will be independent and responsible for determining the best use of its time. We would expect there to be close liaison between the chairs of NZR and The Council to ensure that the expected functionality of the council is fulfilled.

The status of The Council and its relationship to NZR

The Council will not have separate corporate status but, as with other similar bodies, we would expect its role, functions, composition etc to be outlined in the NZR constitution.

The Council should be independent of NZR in its composition and functioning although we expect it will have adequate administrative support paid for by NZR. The level of that support will need to be negotiated between the two bodies and reviewed at least annually. This support also needs to be sufficient to assist The Council chair to develop an appropriate workplan, and to enable the production of occasional think pieces as a basis for Council members to align their thinking and convey this coherently to NZR—and other parties—when relevant.

While reluctant to be over-prescriptive about the way it should operate, we recommend that The Council adopt the independent chair model that has been a feature of other successful stakeholder councils. As we note below, leadership of this group will be a demanding role and key to its success. There are obvious benefits in having a chair who is neutral in the eyes of the various, at times competing, interests that will be assembled.

The full membership of The Council should be convened at least twice each year, and at least one of those meetings should be directly with the full board of NZR.

Role of The Council in board selection

A key function of The Council is to have a direct role in the selection of the NZR board, which will happen in two ways:

- by direct engagement with the NZR board in the annual review of the board competency matrix
- by two nominees of The Council joining the Appointments Panel alongside the three independent members.

In choosing its two appointees (who need not be current members of The Council) we urge its members to remember that the Appointments Panel should contain diverse backgrounds and experience directly relevant to selecting the high-performing board needed to provide effective stewardship of the sport and overcome New Zealand rugby's greatest challenges.

Accountability

The chair, on behalf of The Council, should attend and report to the NZR AGM in public session on:

- its activities in the preceding 12 months
- its view on the organisation's direction and performance.

The Council might also be allotted space in the NZR annual report to report on its activities during past year and intended areas of focus for the forthcoming year, along with any other matters The Council wishes to report to the membership.

Potential Council membership

Members will be nominees of applicable 'peak' bodies or equivalent but unincorporated groups. Individual members must be capable of engaging on important matters at a governance level with fellow members and the board of NZR. This is not a forum for dealing with operational detail.

Nominating bodies would be expected to give proper attention to the need for diversity within The Council's membership to reflect the changing face of rugby in New Zealand.

This will require a group of sufficient size to embrace key stakeholder voices but not so large that all members could not get a reasonable share of the 'airtime' of The Council's meetings. We propose a maximum size of 15.

We recommend an annual review of the range of bodies with nominating rights to ensure this stays up-to-date and relevant to rugby's changing operating environment. Organisations wishing to join should make their case to The Council but a strict limit on the size of the body should be maintained. This means that some organisations may occasionally need to leave (or, in the member Unions' case, reduce their suggested entitlement) to make room for others.

In addition to an independent chair, we suggest the starting membership could be:

- 3 members with up-to-date knowledge of NZ rugby appointed at the AGM, at least one of whom should have a heartland rugby affiliation
- 1 member nominated by the NZRPA
- 1 member nominated by the NZ Māori Rugby Union
- 1 member nominated by the Pasifika Advisory group of NZR
- 1 member nominated by the Super Rugby clubs
- 1 member nominated by the NZ Secondary Schools Rugby Union
- 1 member nominated by the NZ Rugby Foundation

The work of the chair will be demanding—this is not a passive facilitation role.

- 1 member nominated by Women in Rugby Aotearoa
- 1 member nominated by Local Government NZ (grounds, facilities, venues etc)
- 1 member nominated by Sport New Zealand.

There should be no restriction on The Council members holding office in particular rugby or related entities.

The Council would also have the power to co-opt to support specific deliberations.

To ensure continuity of thinking and relationship building among its members, members should expect to commit to being directly involved in The Council's deliberations for a minimum of three years. To ensure its thinking stays fresh, the maximum term for any nominee should be two, three-year terms.

We further suggest that the chair be empowered to agree to the attendance of alternates but only in exceptional circumstances.

Members would be expected to use their reasonable endeavours to facilitate communication between their nominating body and the Council.

The role of the chair

The role of chair will be demanding. To be effective, they will need to be energetic and proactive—this is not a passive facilitation role. He or she will also need to exercise a high level of relationship building and diplomatic skill to build connections, a sense of common purpose and trust among The Council's members.

The chair will need to bring structure, discipline and continuity to the work of The Council. He or she will also need to focus the time and attention of The Council on matters that will create benefit for all parties in New Zealand rugby's 'supply chain', including those not represented there. The chair will also need to identify, understand and empathise with the interests of each of The Council's members—but not be captured by the interests of any one of them.

A significant requirement will be sufficient time available to actively conduct the role. So, while we expect that the organisations nominating members to The Council would meet their expenses, we recommend that NZR provide a suitable honorarium for the chair, recognising the additional responsibilities and workload involved in the role.

Members should receive meetings fees.

We suggest that the first chair of The Council be appointed for an initial term greater than three years to ensure there is leadership continuity beyond the first term.

Success factors for The Council

After a reasonable settling in period, we consider The Council could be judged on the following criteria:

- The Council has proven to be a body that is taken seriously and has an unquestioned 'seat at the table' when important discussions about the future of rugby in New Zealand are taking place.
- The Council has performed its core functions efficiently and effectively and is acknowledged as having added greater value in the wider rugby ecosystem than the sum of its parts would suggest.

LESSONS FROM OTHER SPORTS

We looked broadly at this aspect of our Terms of Reference and asked many well-informed people to suggest alternative models worth looking at. We started with other international rugby unions and found that—while the larger boards had a significant number of ‘independent’ directors—majorities were made up of representatives of member Unions. To all intents and purposes, therefore, they offered nothing different from, or better than, the present NZR model.

We have also looked at other sports governance models in Aotearoa New Zealand. Many well placed to make comparisons (including some closely associated with rugby) routinely referred us to NZ Cricket (NZC) as the best governed sport here. For a federally structured incorporated society (albeit one with many fewer member associations) we agree that it is a fine and relevant exemplar.

For a completely different alternative governance arrangement—the Commission model—all roads led to the Australian Football League (AFL). An academic comparison of the AFL ‘commission’ governance model with governance models in the European football leagues was also useful and we referred to it in a [previous section](#).⁹² We examine both NZC and the AFL in some detail below.

NEW ZEALAND CRICKET

Moving from a member-elected board of representatives to a board appointed based on defined competencies has been occurring progressively across New Zealand’s national sporting organisations (NSOs). Sport New Zealand has a long-standing commitment to this change and has invested accordingly.

Among these, New Zealand Cricket is arguably the most directly relevant example of how a sport blossomed after the removal of barriers to governance effectiveness like those affecting NZR.

The Hood Report

NZC now has a fully independent board. Its journey from a representative board to an independent board started in 1995 after the ‘Hood Report’.⁹³ A recently published study of cricket internationally credited that report and the subsequent governance changes that it stimulated as the primary reason for the turnaround in New Zealand’s international and domestic cricket fortunes.⁹⁴

Its relevance to the current situation facing NZR is compelling.

The review’s assessment and recommendations were framed against the following four objectives it set out for NZC:

- well respected and credible governance and management of the game
- a strong and respected international competitor
- a strong domestic game; the leading New Zealand summer sport
- strong and increasing levels of public and family interest and support.

⁹² McLeod, et al. (2023) op cit

⁹³ See New Zealand Cricket Review Committee. ‘A Path to Superior Performance’. August 1995. Introduction.

⁹⁴ Stefan Szymanski and Tim Wigmore (2022) Crickonomics: The Anatomy of Modern Cricket. Bloomsbury. Chapter 5: The rise of New Zealand: by luck or design?

During our extensive consultation process, only one person questioned the assertion in the Terms of Reference that New Zealand rugby was at a turning point.

The Hood review concluded that NZC was falling short on each one.

Similarly, during our extensive consultation process, only one person questioned the assertion in the Terms of Reference that New Zealand rugby was at a turning point. We received no other submissions nor spoke with anyone who was satisfied with the status quo. We can say with confidence that the NZC review statement of objectives is directly relevant to this review, and that NZR also falls short when considered against these objectives.

Also, the cricket review's identification in 1995 of three 'enormous challenges' facing administrators of high-profile sports are equally, perhaps even more so today, applicable to rugby:

1. changing public attitudes and loyalties
2. rapid growth in income
3. professionalisation of elite players.

The NZC review stated that in the light of those challenges:

... it is clear to us that new governance structures are needed. In particular, it is no longer possible to run sports industries with the amateur and parochially influenced governance structures that may have served them well in the past.

To be successful, the governance structure of successful sports must have:

- a policy-making and financial distribution process free of parochial pressures. Decisions must be made in view of 'what is in the best overall interest of the game'.
- a clear distinction in focus between the top (elite) level of the competition and the grassroots (volunteer) structures of the game.

The NZC review report contained the following statements, both worth quoting in their entirety, again because of their direct relevance to the situation now facing NZR:

To put these principles into effect, our recommendation is to establish a Board for NZ Cricket comprised of 7 capable people who have an appropriate mix of business management, media and marketing, strategic cricket playing and cricket administrative experience. A talented CEO must be appointed. Board appointees should not be representatives of particular provinces or other sectional interests. Their role is to serve NZ Cricket as a whole. Authority to run the national structure of NZ Cricket should be the responsibility of the Board and CEO, with the CEO being accountable for the management of the sport. The Board's major functions are to set the direction of the sport and to ensure that the objectives of Cricket are being met.

A professionally skilled and managed board and administration is necessary to lead NZ Cricket into the next century. This body must have independence in its day-to-day activities. It must be able to pursue strategies that will best position Cricket relative to other sports in ways that will maximise income and public interest, and must be able to allocate expenditures on facilities, player incomes, promotion/development and provincial/grassroots structures in the most productive way possible. To do this, it must be free of parochial pressures in its decision-making and resource allocation, but also be mindful of the need to develop and enhance the game throughout NZ.

Despite the major changes in the governance of cricket that followed, the report acknowledged that, in being able to remove the board and approve changes to the constitution, the ultimate power in the arrangement would still lie with cricket's equivalent of the provincial rugby unions—the Associations and Districts.

Referencing a report prepared 28 years ago on governance changes that have since proved their worth many times over, is just one pointer as to how much NZR's current governance structure and its resistance to change have tended to lock rugby in this country into its past rather than guide it to a prosperous future.

—
 ‘...it must be free of parochial pressures in its decision-making and resource allocation, but also be mindful of the need to develop and enhance the game throughout New Zealand.’

Current governance structure of New Zealand Cricket

The voting members of NZC are the Major (6) and District Associations (22). District Associations each have one vote and Major Associations (MAs) 20 votes, less the number of District Associations within their area.

The Board consists of up to eight directors elected by members at an AGM, from candidates recommended by an Appointments Panel. The Panel considers nominees from members and applicants, recommending one candidate for each position to be filled. To be eligible, no director can be a director, employee or contractor of a member. Directors retire by rotation, at least two per year.

The Appointments Panel consists of:

- one member appointed by the Board (Panel convenor)
- three MA chairs
- one person nominated by Sport NZ.

Members can seek the removal of the board by requisitioning a Special General Meeting.

One of the board's duties is to consult with members, then develop and keep up to date a competencies framework highlighting the range of skills, competencies and experience the board should have.

Although directors are independent of the members, the NZC board has a process of active governance-level engagement with the MAs. This includes formal and informal opportunities for directors to meet member counterparts. For example, every year the NZC board visits each MA for whole-of-board business and social interaction; MA board chairs and CEOs participate on rotation in NZC board meetings; and two to three times each year NZC and MA board chairs meet face-to-face, supplemented by regular post-NZC board meeting briefings.

THE AUSTRALIAN FOOTBALL LEAGUE

The direction, commercial operations, strategy, regulations and rules of Australian Football are in the hands of the AFL Commission and CEO.

The AFL has been a standout success story in Australian sport. Australian Football ('Aussie Rules') has the highest spectator attendance and television viewership of any sport in Australia, and the AFL is reputedly Australia's wealthiest sporting body. Its current seven-year broadcasting deal works out at approximately \$100 million per year more than the equivalent deal for the NRL, the next most valuable broadcasting arrangement. It also has the largest average game attendance, and the AFL Grand Final at the Melbourne Cricket Ground attracts over 100,000 spectators. In 2022 the Grand Final had the highest attendance of any club sporting championship in the world.⁹⁵

The AFL is a company limited by guarantee, a widespread legal framework among Australian sports bodies and other not-for-profit organisations. Each of the 18 clubs appoints one person to represent them as a member of the AFL. This effectively grants ownership of the AFL to the clubs. The shareholders elect an independent Commission (board) of between six and nine members (including the CEO) with complete authority to govern the organisation and the sport on behalf of shareholders. The Commission appoints and delegates specific responsibilities to the CEO. On the face of it, this is the standard corporate model except that the owners of the AFL compete against each other.

As well as being the administrator of the AFL, the Commission is also the governing body and shapes the league through its strategic and regulatory decisions. Its jurisdiction extends to both the community level and the amateur dimension of Australian Football. As well as the 18 teams competing in the AFL, a further 14 teams compete in the AFLW (the women's competition).

The direction, commercial operations, strategy, regulations and rules of Australian Football are in the hands of the AFL Commission and CEO. Although AFL clubs are members and owners of the organisation, their only constitutional means of decision-making is to remove and elect commissioners at the AFL's annual general meeting. Clubs can remove any commissioner by ordinary resolution, but this has only occurred once in the AFL's history. The clubs can also influence the admission of new clubs to the league and any decision of the Commission to terminate or suspend a club. The Commission may not relocate or merge clubs without their consent.

AFL Commissioners are independent and have no direct or indirect conflicts of interest with the clubs.

Potential board members are nominated by clubs then elected via a secret ballot. AFL Commissioners are independent and have no direct or indirect conflicts of interest with the clubs. The two longest-serving non-executive commissioners retire at each annual general meeting. The AFL constitution does not define 'independence' but the process of nomination (by at least three different clubs) and the secret ballot make it unlikely an individual seen as having too close a connection to a club, or some other conflict of interest, would be elected.⁹⁶

The CEO of the AFL is responsible for overseeing the day-to-day operations of the organisation, while working with the Commission to implement its strategies through established policies and procedures. The Commission plays a balancing role, overseeing the work of the CEO while working in close collaboration with them.

At the state level (other than in two states), management arrangements have been recreated as branch offices.⁹⁷

The AFL is three quarters of the way to being a unitary model.⁹⁸

Like NZC, the AFL is distinguished by its active engagement with its member clubs to ensure constructive relations between the Commission, its executive and the clubs. Among other things, the Commissioners convene formal meetings with the clubs twice a year to discuss a wide range of matters concerning the AFL's internal and external environment.

KEY LESSONS

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These two sporting bodies have different legal structures, and the AFL does not have the challenge of having to measure its success against international competition. However, they both have structural features and processes in common that we consider central to their governance effectiveness (and their obvious success, both sporting and commercial):

1

Independent directors, free to act in the best interests of the whole sport but who are ultimately accountable to member/shareholder organisations.

2

Active engagement between the governing body and member/shareholder organisations.

96 McLeod et al (2023) op cit p.9

97 Interestingly, national golf bodies in both Australia and NZ, are also bypassing regional governance. The staff of state/regional bodies have merged (5 of the 7 states in Australia and 8 of 16 in NZ) into a national office, all working off the same plan.

98 Interview: Prof David Shilbury, Chair, Sport Management, Deakin Business School.

MATTERS FOR CONSIDERATION

The Review Panel expects that a fully engaged board would, as soon as possible, address the following areas arising from our discussion in Part Two of this report. It is not intended as a complete or exhaustive list:

- Review and reset mutual expectations between NZR and its member Unions, clarifying their respective decision rights.
- Review the annual meeting voting structure.
- Review the NZR board committee structure (and the Rugby Committee in particular) to ensure it serves the needs of both board and management by operating at the right level.
- Review director remuneration⁹⁹ and disbursements to ensure they are consistent with accepted and transparent practice in comparable commercial environments.
- Develop a closer working relationship with, and improved resourcing for, the New Zealand Māori Rugby Board
- Recognise more fully in the NZR constitution the significance of the relationship with the NZMRB and increase its governance autonomy.
- NZR and NZRC to produce an explicit statement of mutual expectations and to agree on a 'Terms of Engagement'.

99 NZR main board base director fee is \$55,850, Deputy Chair; \$77,517, Chair; \$140,000. All plus committee fees. Source NZR 2022 Annual Report



PART 3

Review recommendations

Connection to the terms of reference

The Panel's recommendations respond to the central purpose of this review as outlined in our terms of reference:

The purpose of this review is to answer a simple question:

Is the constitution and governance structure of the New Zealand Rugby Union fit for purpose to:

- *ensure the appointment of a board that has the required matrix of skills, experience and qualifications to govern effectively; and*
- *confront the challenges, and maximise the opportunities, that will present themselves (including the establishment of a new commercial entity)?*

If not, what are the changes that should be made to allow it to be so?

The answer to this central question is that the current constitution and consequent governance structures are not fit for purpose.

They do not ensure the appointment of the very best possible board with the required range of competencies. This limits the ability to confront the challenges outlined in our terms of reference and explored throughout this report.

The Panel recommends the creation of an independent process to ensure the appointment of an appropriately skilled, high-performing, independent board to govern the organisation.

A range of entities exists within the wider game (Rugby Inc), with many sitting outside the formal membership of NZR. Their importance is reflected in the other key questions within our terms of reference and subsequent recommendations:

- *Are stakeholder voices heard, and their interests adequately represented, when decisions about the future of the game in New Zealand are being made?*
- *Is the current structure conducive to a collaborative, all of game approach, where diverse perspectives are encouraged and respected, their interests adequately represented, and debate encouraged?*

A significant theme in stakeholder input to this review is that they lack timely opportunities to be heard on matters about which they are knowledgeable, and that affect their interests and the future of rugby in this country. There is also little opportunity for their ideas to be tested against those of other participants in the rugby ecosystem.

The Panel's response to what we have described as Rugby Inc matters is the creation of a Stakeholder Council (The Council) to ensure all key voices across rugby are heard and their interests represented in a collaborative forum.

We have suggested the name Te Kaunihera as reflecting a grouping of many stakeholders who come together to share their wisdom and experiences to benefit the broader rugby ecosystem. Its members should, in time, make the final naming decision.

NZR BOARD

Key principles

In progressing this review and providing the following recommendations, the Panel has kept firmly in mind some key underpinning principles:

- Members should be confident that the candidates presented to the annual meeting are the very best qualified people that can be found through a good-practice process.
- There should be a professional, independent recruitment and appointment process that delivers a board able to govern at an expected level of professional practice.
- Appointment is on merit.
- The board should be independent.
- The board should demonstrate diversity of thought and background.
- The board should have sound commercial skills, financial acumen, deep knowledge of the game and experienced leadership capability.
- As a core capability, directors individually and the board collectively need the skills to interact with the wide range of stakeholders within the game.
- The members make, through the annual meeting, the final decision on all persons seeking board positions.
- Board positions are open to any individual. Anyone can apply or be nominated.
- The process outlined here is akin to current practice in shareholder-owned entities.¹⁰⁰

Recommendations

The board size remains at nine.

A new entity—provisionally called the Appointments Panel (AP)—will be established as a constitutionally mandated, independent panel.

The current Appointments and Remuneration Committee (ARC) will cease to exist.

The Appointments Panel will have five members:

- two independent members appointed by the Institute of Directors,¹⁰¹ one of whom shall be chair. It is anticipated that the Institute will consult with organisations knowledgeable in sports governance.
- one independent member—not a current NZR director—appointed by the board
- two members appointed by The Council, not subject to the same independence criteria and not necessarily current members of The Council
- the panel shall include knowledge of Māori and Pasifika rugby.
- Independence is defined as four years out of the game or out of positions of influence within the game. The panel, if necessary, will make final determinations on independent status of an individual.
- The AP is expected to be and be seen to be independent when executing its terms of reference. It will sign, annually, a statement confirming its independent status. That statement will be provided to the annual meeting.

¹⁰⁰ NZ Corporate Governance Forum guidelines

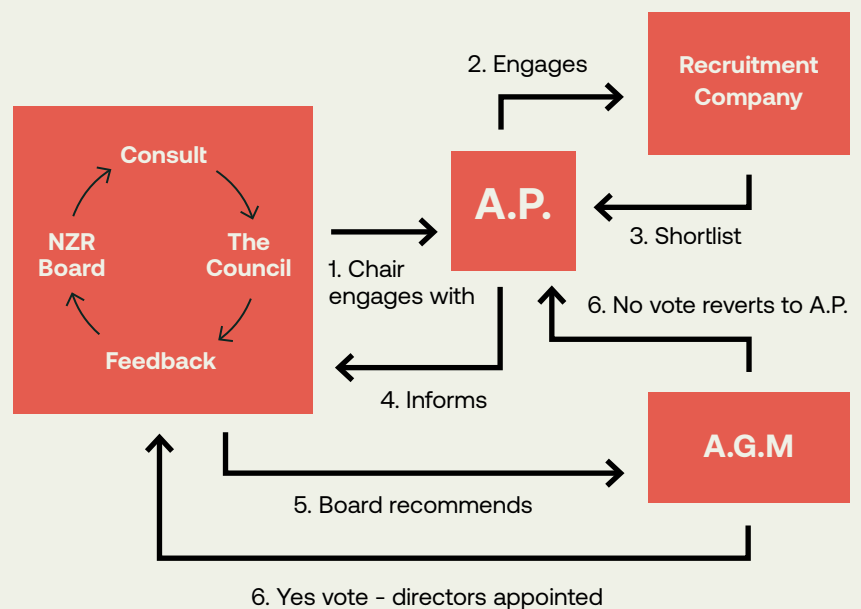
¹⁰¹ The Institute performs this function for a range of organisations. It generally refers the task to those best suited among its 10,000 members, although it is at liberty to look beyond the membership if needed.



- All AP members require a governance background, including experience as an independent director with organisations of significant size and complexity.
- The Council appointees collectively will bring a knowledge of the rugby ecosystem in New Zealand that includes provincial rugby, Super Rugby, school rugby, women's rugby and club rugby. They should augment and balance the skills of the independent members.
- The AP will exhibit diversity across gender, background and ethnicity. Panel members should have credible knowledge and experience of sport in Aotearoa New Zealand and an understanding of the significance of rugby in Māori and Pasifika communities. It is expected that the three appointing parties will consult to achieve, as far as is practical, the desired diversity.
- The necessary constitutional changes are made to effect these recommendations (see below for a list of relevant clauses).

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Board appointment process



Steps in the process

- The NZR board draws up a draft competency framework.
- The draft is provided via the chair to The Council for comment.
- The framework is finalised following Council input.
- NZR chair engages with the Appointments Panel (AP) including:
 - providing the competency framework
 - outlining the challenges and issues the board will engage with in the medium term
 - any specific skill or attribute gaps.
- The AP engages an external recruitment company to run the process, passing on the board's requirements.
- That company provides the AP with a shortlist and the reasoning behind it.
- The AP selects a group of candidates for interview. Following reference checking it selects those most aligned with the competency framework
- Candidates matching the number of vacancies are forwarded to the NZR board who then recommends to Annual General Meeting of NZR.
- The vote is by candidate, with a simple yes/no majority vote.
- Successful candidates then go through the induction process or are deemed reappointed for another term.
- In the case of a No vote, the AP must resubmit another option to a further General Meeting.

Professional search firm

The AP will be supported by an appropriately qualified professional search firm that can assess and reference check suitable candidates.

STAKEHOLDER COUNCIL

Create a Stakeholder Council to ensure all key voices across rugby are heard and their interests represented in a collaborative forum.

Principles

- The Council is a constitutionally mandated entity outside the Incorporated Society membership structure.
- It addresses the need for better cohesion and alignment among key parts of the wider rugby system.
- It will have an independent, remunerated chair.
- The relationship to NZR is at the governance level.

The Panel's response to the Rugby Inc matters is the creation of a Stakeholder Council.

Membership

A maximum of 15 is proposed, including an independent chair, and nominees from:

Annual meeting of NZR (3), NZ Māori Rugby Board (1), NZR Pasifika Advisory group (1), Super Rugby Clubs (1), NZ Secondary Schools Rugby Union (1), NZ Rugby Foundation (1), Women in Rugby Aotearoa, (1) Local Government NZ (1), Sport New Zealand (1).

Full details on The Council can be found in [Part Two](#).

NEW ZEALAND MĀORI RUGBY BOARD

- NZMRB has the power to alter its own constitution.
- NZMRB can appoint its own chair.
- There is no direct appointee to the NZR board. The competency framework will make clear that knowledge of Māori rugby and Te Ao Māori must be present within the NZR board, preferably from more than one director.
- The mutual obligation to work in partnership should be outlined within the constitutions of NZR, NZMRB and the Provincial Unions.
- The NZR strategy should include mutually agreed, measurable outcomes in relation to Māori rugby.
- For NZMRB to make an enhanced contribution, the currently nominal financial support is reviewed.
- As part of the consideration of the voting structure the current voting weight allotted to NZMRB is reviewed.

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ADDITIONAL RECOMMENDATIONS

NZR board

- Board tenure is a maximum three terms of three years, depending on satisfactory performance. Current terms will be changed (staggered) to ensure three terms expire each year (transitional clauses in the constitution).
- Terms may be extended beyond nine years in exceptional circumstances (e.g., the chair and chief executive departing within a short timeframe). The board will recommend but the Annual General Meeting (AGM) should confirm any such extension, which does not have to be for a full three-year term.
- The board will be required to have minimum of 40% each of men and women written into the transition clauses of the constitution. The Review Panel's view is that this requirement need only be a medium-term requirement, as the benefits are self-evident.
- All NZR directors should have some visibility at and understanding of the local or grassroots level of rugby. This may include as a local rugby club member or at least attending an occasional club game and/or club event.

Appointments Panel

- Some members of the AP must have experience in recruiting directors or senior executives.
- In constituting the AP, consideration in the short term shall be given to maintaining continuity among the current independent members. The panel will need to consider its own succession planning.
- The NZR chair is not a member of the AP but is expected to be the conduit from the current board to the AP, making clear the board's requirements and working with the AP to ensure correct process is followed.
- The AP may seek specialist advice or co-opt non-voting members to augment its understanding in specific areas (e.g., deeper knowledge of the game).
- AP roles are remunerated.
- The AP must be supported by a suitably skilled external recruitment specialist who will facilitate the recruitment and appointment process.

Appointment process

- The NZR board will maintain a competency framework and a board succession plan.
- The Council will be consulted annually for input into the framework to inform the appointment process.
- The Council's comments will be sought before the framework is submitted to the AP.
- The AP will present to the annual meeting (through the board) only the number of candidates that match the number of positions open.
- The annual general meeting will have a yes/no simple majority vote on each candidate.
- If any candidate is not confirmed by the meeting, the AP will reconvene and present another candidate to another general meeting.
- Decisions made in the general meeting during the election process may not result in the board becoming inquorate (having fewer than the constitutionally mandated number of directors required to conduct its business).
- The AP will ensure that the importance of the relationship with tangata whenua is recognised.

SUMMARY OF MATTERS FOR CONSIDERATION

Part One: The leadership challenge

- Consider the structure of professional rugby through the NPC and Super Rugby competitions.
- Create an outcomes-based strategic plan with hard and measurable targets for all parties that makes roles and accountabilities clear across the structure.
- Centre that plan on the purpose of NZR.
- Ensure visible alignment of all funds to the plan.
- Continue the focus on diversity in leadership including but not limited to women, Pasifika peoples and Māori.
- Ensure development of the women's game is a central focus across Rugby Inc.
- Ensure a deep understanding of the changing perspective of young participants is central to thinking across the sport.
- Create a governance-level stakeholder relationship and communications strategy.
- Ensure the Provincial Unions use this report to progress their own governance development.
- Review the framework for member communication and revise as required.

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Part Two: Ensuring NZR governance is fit for purpose

- Review and reset mutual expectations between NZR and its member Unions, clarifying their respective decision rights.
- Review the annual meeting voting structure.
- Review the NZR board committee structure (and the Rugby Committee in particular) to ensure it serves the needs of both board and management by operating at the right level.
- Review director remuneration and disbursements to ensure they are consistent with accepted and transparent practice in comparable commercial environments.
- NZR and NZRC to produce an explicit statement of mutual expectations and agree on a 'Terms of Engagement'.

CONSTITUTIONAL CHANGES REQUIRED

The following sections of the NZRU Incorporated constitution will need to change. Some additional sections will also be required.

The entire document will shortly require review to ensure alignment with the new Incorporated Societies Act (2022).

This list covers the main points but is not exhaustive. Specialist legal advice will be required to draft changes reflecting this report's recommendations.

Meetings of members

Add under Clause 5.2 (Business) the requirements to:

- appoint three members of the Council
- 5.2(b)—alter to confirm the recommendations of the Appointments Panel through a Yes/No majority vote for each candidate.

Board Members

Delete Clause 8 and replace with wording consistent with the report's recommendations.

Transitional Board provisions

- Update Clause 8.2 to ensure that three directors come to the end of their three-year term each year.
- Insert a clause requiring a minimum of 40% each male/female for two full board cycles (six years).

Independence

Update Clause 8.4 to reflect the definition of independence in this report.

Cessation of Board Membership

- Clause 9.1 should in time be unnecessary but may need to be updated during the transition period.
- Clause 9.2 will need to be updated.

Appointments and Remuneration Committee

Delete Clause 12 and replace with Appointments Panel wording consistent with the recommendations in this report.

Delete Schedules 6 & 8 and replace with the terms of reference and processes for the Appointments Panel.

New Zealand Māori Rugby Board

Clause 8.2—require one Māori representative.

Clause 9.2—reference the Māori representative (multiple clauses and references).

Clause 22—review the definition of NZMRB.

Schedule 1 & 2. NZMRB is not listed in the membership

The Council

Add new clauses creating The Council, outlining its purpose and connection to the board and membership.

PART 4

Appendices

CREDITS + THANKS

Administrative support

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Report design and layout

Zoe Tollenaar and Jim Davenport

Public surveys

Executive Coaching Centre



SURVEY RESPONDENTS

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Bay of Plenty Rugby's Senior Club Working Group
Hurricanes Youth Rugby Council
Nelson Rugby Football Club
New Zealand Amateur Sport Association
Northland College
Tamai Sports and Christ's College

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Andy Leslie
Nicki Nicol
Michael Fransen
Mark Peters
Chris Fairbairn
Sally Shaw
Lisa Andersen
Sharleen Nathan
Lou Wall
Ben Koch
Leah Campbell
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Matt Tait
Daniel Shanahan
Buddy Chaffey
Chris Mitchell
Pat Rae
Tim Gresson
Gordon Noble-Campbell
Ajit Balasingham
Kimberley Crocker
Peter
Jamie
Harry
Ollie
Alan

Anonymous

67 submitters

Whangarei

– 27th March 2023

Hosted by the Northland Rugby Union and attended by representatives of:

- Northland Rugby
- Hora Hora Rugby Club
- NZRU board
- Northland Referees Association
- Rugby Players Association

Auckland

– 28th March 2023

Hosted by the Auckland Rugby Union and attended by representatives of:

- Auckland Rugby Union
- North Harbour Rugby Union
- Manukau Rugby Football Union
- The Blues
- Auckland Referees Association
- Rugby Players Association
- New Zealand Rugby Foundation
- Aktive Auckland

Hamilton

– 29th March 2023

Hosted by the Waikato Rugby Union and attended by representatives of:

- Waikato Rugby Union
- Bay of Plenty Rugby Union
- King Country Rugby Football Union
- Sport Waikato
- Rugby Players Association

New Plymouth

– 4th April 2023

Hosted by the Taranaki Rugby Football Union and attended by representatives of:

- Taranaki Rugby Football Union
- Whanganui Rugby Club
- Sport Taranaki
- Taranaki Referees Association

Wellington

– 5th April 2023

Hosted by the Wellington Rugby Football Union and attended by representatives of:

- Wellington Rugby Football Union
- Horowhenua-Kapiti Rugby Football Union
- Hurricanes
- Wellington Referees Association

Napier

– 6th April 2023

Hosted by the Hawkes Bay Rugby Union and attended by representatives of:

- Hawkes Bay Rugby Union

Nelson

– 11th April 2023

Hosted by the Tasman Rugby Union and attended by representatives of:

- Tasman Rugby Union
- Tasman Referees Association
- Buller Referees Association

Christchurch

– 12th April 2023

Hosted by the Canterbury Rugby Football Union and attended by representatives of:

- Canterbury Rugby Union
- West Coast Rugby Union
- Crusaders
- North Otago Rugby Union
- Stewart Mitchell
- Sport Canterbury

Gisborne

– 13th April 2023

Attended via Zoom by representatives of:

- Ngāti Porou East Coast Rugby Football Union
- Poverty Bay Rugby Football Union

Dunedin

– 17th April 2023

Hosted by the Otago Rugby Football Union and attended by representatives of:

- Otago Rugby Football Union
- Otago Country Rugby Board
- Central Council of Clubs
- Southern Region Council of Clubs
- Highlanders
- Otago Referees Association
- Sport Otago
- New Zealand Schools Rugby Union

Invercargill

– 17th April 2023

Hosted by Rugby Southland and attended by representatives of:

- Rugby Southland
- Southland Referees Association
- Sport Southland

Provincial Rugby Unions

Southland
Counties Manukau
Whanganui
Mid Canterbury
Waikato
North Harbour
Canterbury
Tasman
Buller
Northland

Super Rugby Clubs

Blues
Crusaders
Hurricanes Youth Council

Referees Associations

Taranaki
Northland

Other organisations

New Zealand Rugby Players
Association
New Zealand Olympic Committee
New Zealand Māori Rugby Board
Sport New Zealand
New Zealand Universities Rugby
Council
New Zealand Amateur Sports
Association

Individuals

Russell Poole
Andy Leslie
Nicki Nicol
Michael Fransen
Mark Peters

INTERVIEWEES LIST

David Adams
Bryce Adie
Warren Alcock
Tony Alexander
Neil Alton
Ajit Balasingham
Craig Baldie
Jarrod Bear
Bill Beaumont
Cameron Bell
James Bentley
Stephen Berg
Keith Binnie
Steph Bond
Owen Booth
Nigel Bradley
Gina Brogi
Andrea Brunner
Reuben Butcher
Lucy Cahill
Bart Campbell
Jay Campbell
Sam Cane
Michael Carr
Jason Carruthers
Kelvin Carruthers
Raelene Castle
Doug Catley
Tony Catton
Tonia Cawood
Robyn Cherry-Campbell
Alex Chiet
Garry Chronican
Roger Clark
Richard Clarke
Sir Paul Collins
Mike Connors
Matthew Cooper
Liz Coutts
Amanda Cox
John Cribb
Debbie Curgenvin
Ian Dallas
Rowena Davenport
Professor David Shilbury
Terry Davies
Tanya Dearn
Matt Dennis
Grant Dermody
Stuart Doig
Adrian Donald
Ged Eller
Martin Enright
Jonny Errington
Stephen Evans
Sam Fellows
Matt Fenton
Islay Fowler
Brent Francis
Rob Fyfe
Steve Gear
Andrew Golightly
Mark Graham
Cara Haines
Sir Steve Hansen
John Hart
Tony Hayward
Rodger Hewitt
Sir Graham Henry
Andrew Hore
Traci Houpapapa
Mark Hutton
Brent Impey
Alan Isaac
Colin Jackson
Grant Jarrod
David Jones
Doug Jones
Tracey Kai
Duane Kale
Peter Kean
Corey Kennett
Lisa Kingi-Bon
Richard Kinley
David Kirk
Ian Kirkpatrick
Earle Kirton
Mike Knell
Steve Lancaster
Avan Lee
Scott Leighton
Chris Lendrum
Dave Loveridge
Pauline Luyten
Bailey Mackie
Brendan Mahony
Kevin Malloy
Shelley Manning
Amy Marfell
Andy Marinos
Stu Mather
Richie McCaw
Peter McCormack
Charlotte McLauchlan
Amy McNicol
Kurt McQuilkin
Glynn Meads
Jason Merrett
Brent Metson
Peter Miskimmin
Steve Mitchell
Stewart Mitchell
Chris Moller
Carl Moon
Bill Moran
Warena Morgan
Brendan Morris
Mavis Mullins
Dean Murphy
Sean Murray
Carla Na Nagara
Ian Narev
Angela Nash
New Zealand Māori
Rugby Board
New Zealand Rugby
Players Association
New Zealand Rugby
Union Board
Mike Newell
Nicki Nicol
Rob Nicol
Gordon Noble-Campbell
Mike O'Driscoll
Shannon Paku
Dame Farrah Palmer
Rana Paraha
James Parsons
Pasifika Advisory Group
Simon Patterson
Neil Paviour-Smith
Jo Perez
Greg Peters
Jeff Phillips
Russell Poole
Julia Raue
Dame Patsy Reddy
Craig Riddiford
Andrew Ritchie
Hon. Grant Robertson
Deb Robinson
Mark Robinson
Melodie Robinson
Georgia Rose
Catherine Rossiter-Stead
Andrew Rowland
Gerard Rushton
David Rutherford
Pelenato Sakalia
Mike Sandle
Catherine Savage
Darren Shand
Lionel Shaw
Peter Skerrett
Tony Smail
Llew Smart
Sir Wayne Smith
Martin Snedden
Alice Soper
Mark Sowman
Max Spence
John Sproat
Joshua Sproutt
John Stanley
Trevor Strang
Mike Summerell
Sunil Surujpal
Hayden Swann
Roger Taylor
Steve Tew
Richard Thomas
Ron Thomassen
Chris Thornley
Nikita Tomlinson
Eden Park Trust
Tom Turton
Simon Wallace
Dame Therese Walsh
Clarke Washington
David White
Alex Wyllie
Craig Wilson
Evan Wilson
Tammi Wilson
Pete Wincester
Natasha Wong
Jennah Wootten
Wayne Young

1. Background

1.1. The sport of rugby is at a crossroads. The global game faces the prospect of substantial and rapid change, which provides both challenge and opportunity for rugby in New Zealand. The issues faced are not simply those that have periodically challenged the administration of rugby in New Zealand in other eras, including:

- Participation and engagement in an environment where social and employment changes are challenging the status quo
- The health, safety and wellbeing of all involved in the game
- The balance and provision of pathways between community and high-performance
- The growing diversity within the game and continued growth of women's rugby
- The ongoing professionalisation of the game and the need to develop and retain talent to succeed on the global stage
- Staying true to the game's legacy and what it means to our culture, country and people
- Maintaining the game's integrity and enhancing its reputation
- Fostering strong relationships
- Growing competition from other sports and entertainment
- Emergence of large-scale capital providers seeking to exploit commercial opportunities
- The need to ensure the whole game is financially sustainable and well governed
- The need for management and governance capabilities that successfully address these issues

1.2. The sport now faces significant and fundamental change that will alter the global game and, of equal significance, the revenue that may be generated from it. The size and complexity of the New Zealand Rugby Union's (NZR) operations, and their value, have grown significantly since professionalism. It is now a complex global sports business of significant scale,

operating in a dynamic and growing global industry, balancing commercial and not-for-profit objectives.

1.3. NZR has embarked on a new business plan requiring major investment to drive uncertain growth. To that end it has entered into an agreement to sell part of its future revenue to a third party ('Silver Lake'). It has established a separate limited liability company (NZR Commercial Co) for that purpose.

1.4. NZR should have the best possible governance structures, processes and organisational capabilities fit for its needs, and the parties agree it should be run by the best possible mix of experienced directors. It requires appropriately qualified directors who, together, deliver the matrix of skills required to govern NZR and its subsidiaries effectively. Appointed directors need the qualifications, knowledge, experience and skills to take on the risks and opportunities involved. How NZR responds to these challenges and opportunities will largely determine its success or failure—and the health of the sport in this country—in coming decades.

2. Governance of other NZ rugby stakeholders

2.1. It is acknowledged that, through NZR's constitutional structure, its members (particularly the Provincial Unions) have significant influence over NZR governance, and—through the rugby players' collective employment agreement—the Rugby Players Association (RPA) has significant influence over New Zealand rugby's professional game. It is in the best interests of rugby in New Zealand that the Provincial Unions, RPA and other New Zealand rugby stakeholders are also well governed.

2.2. Provincial Unions and other New Zealand rugby stakeholders should be encouraged to take learnings from this review as they to seek to consider if their governance is also fit for purpose.

2.3. To this end, in 2022 the RPA/RPC will also be carrying out a review of its constitution and governance as part of a wider business planning process and will consult with NZR during that review.

3. The purpose of this review

3.1. The purpose of this review is to answer a simple question:

Is the Constitution and Governance structure of the New Zealand Rugby Union fit for purpose? And if not, what changes should be made to allow it to be so? To be fit for purpose they must:

- Ensure the appointment of a Board with the required matrix of skills, experience and qualifications to govern effectively
- Confront challenges and maximise opportunities that present themselves (including the establishment of a new commercial entity)

4. The underpinning key issues

4.1. It is contemplated that, in providing an answer to the fundamental question posed above, this Review will consider and express a view on at least the following things:

4.1.1. Who are the stakeholders of the game of rugby / NZR in New Zealand?

4.1.2. Are stakeholder voices heard, and their interests adequately represented, when decisions about the future of the game in New Zealand are being made?

4.1.3. What, if any, role should each stakeholder group have in the governance of NZR?

4.1.4. What is the best-practice process to achieve the appointment of directors / Board members and board chairs for the NZR Board and its subsidiaries moving forward?

4.1.5. If an Appointments and Remuneration Committee is best practice, how should it be structured to achieve the outcomes from the review?

4.1.6. How can the governance structure and the way in which the Board interacts with stakeholders ensure that stakeholders' interests are represented appropriately to

support the best overall interests of the game in New Zealand?

4.1.7. Is the current structure conducive to a collaborative, all-of-game approach, where different views are respected, and debate encouraged?

4.1.8. Are the current governance structures and processes conducive to attracting the best people to govern the game in New Zealand? This requires considering the type of person (and skillset) required to govern the game, and whether the best people available with that skillset are being attracted (and if not, why not?).

4.1.9. Do current structures and processes provide the best way of ensuring the organisation of functions needed to achieve the purposes of NZ Rugby? This includes, but is not limited to, the appointment of a Board that has the qualifications, knowledge and skills required to be fit for purpose. This will further require consideration of the appointment structures and processes employed by other organisations similar in scale, scope, complexity and size. This includes as potential examples the governance organisations of Iwi, other sports organisations, Health Trusts and listed companies.

5. Outcome of the review

5.1. The required outcome of the review is a recommendation about any necessary change to the Constitution and Governance structure of NZR, which would include the changes needed, and reasons for those changes.

6. Commissioning party

6.1. This review is commissioned by the New Zealand Rugby Union Incorporated. NZR acknowledges the importance of the review to NZRU's member Provincial Unions, the Māori Rugby Board and the RPA, in particular.

6.2. Any costs associated with this review will be borne by NZR.

7. Review Panel

7.1. This review will be undertaken by a panel of four individuals significantly experienced in sports governance and governance generally. As invited to do so, the provisional members of the panel have reviewed the Terms of Reference previously agreed by NZR/RPA. Minor modifications recommended by the panel for the sake of clarity are contained in this document.

8. Public Nature

8.1. This review process is not per se a confidential exercise. Recommendations that result from it will be made publicly available, and any participants in the review should be provided with appropriate notice of this.

9. Obligations to act on recommendations

9.1. New Zealand Rugby Union Incorporated, its member Provincial Unions and the Māori Rugby Board have agreed that any recommendations arising out of this review will be considered in good faith and acted upon by them to the extent practicable. It is acknowledged that any recommendation that requires a constitutional change would need to be approved by a majority of at least two-thirds of the votes cast at a General Meeting.

10. Timing

10.1. The final report will be presented to the New Zealand Rugby Union Incorporated, its member Provincial Unions, the Māori Rugby Board and the RPA by 31 August 2023, with interim updates each month from the commencement of the Review until delivery of the report. The panel will provide a progress report to NZR members at the April 2023 AGM.

10.2. The indicative stages and provisional timeframe for the work is as follows:

10.2.1. The panel will invite written submissions from key NZR stakeholders. The submission period will run from early November 2022 until late February 2023. Provision will also be made for others interested in the review—including members of the public—to make written submissions by that date.

10.2.2. After considering the written submissions, the panel will undertake consultation to enable them to inquire more deeply into matters raised by submitters and key stakeholders, in particular. However, the panel is expected to consult any organisation, group or individual that, in the panel's judgement, may be able to inform it on the matters set out in this Terms of Reference. Development and consultation on options will be integral to the consultation process. It is expected that the consultation phase may need to extend until June 2023.

10.2.3. Research and study of relevant documentation will be ongoing throughout the period of the review.

10.2.4. The panel will finalise and submit its conclusions and recommendations to NZRU no later than 31 August 2023.

THE REVIEW PANEL

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David Pilkington, Chair

David spent much of his executive career with the New Zealand Dairy Board in a variety of senior management positions in New Zealand and offshore, including President of NZMP (Japan) and CEO NZMP (North America).

In 2000 he was appointed Managing Director of New Zealand Milk Ltd, later Fonterra, the dairy industry's global foodservice and consumer products business, leaving in 2004 to form Excelsa Associates Ltd, establishing a fulltime governance portfolio.

David's directorships have included companies such as Zespri Group Ltd, Ballance Agri-Nutrients Ltd, Port of Tauranga Ltd (chair), Northport Limited (chair), Primeport Timaru, Restaurant Brands Ltd, Douglas Pharmaceuticals Ltd (chair), Rangatira Limited (chair), Tuatara Brewing, Heller Tasty (chair), Contract Resources, Ruapehu Alpine Lifts (chair) and Prevar NZ Ltd (chair). David also served for nine years as an independent appointee to the Wellington City Council Audit and Risk Management Subcommittee.

His current governance roles include Rangatira Limited (chair), Douglas Pharmaceuticals (chair), Fonterra Milk Price Panel (chair) and New Zealand Community Trust (NZCT), where he chairs the National Grants Committee. In this capacity David has overseen the distribution of grant funding to many of New Zealand's sporting codes.

He is a Chartered Fellow of the Institute of Directors and a Committee Member of the Wellington Branch. David completed the Advanced Management Programme (AMP) at Harvard University and attended London Business School. In 2019 he was awarded The Deloitte Top 200 'Chairperson of the Year' award.



Anne Urlwin

Anne is a professional director with more than 20 years' governance experience in sectors ranging from energy, property development, infrastructure and construction to insurance, as well as sports administration.

Anne has worked as director, chair and deputy chair with organisations at different stages from start-up to fully mature. She is currently a director of Infratil Ltd, Precinct Properties New Zealand Ltd, Vector Ltd, Ventia Services Group Ltd and City Rail Link Ltd.

Her former governance roles included directorships of Summerset Group Holdings Ltd, Queenstown Airport Corporation Ltd, Chorus Ltd, Tilt Renewables Ltd, Cigna Life Insurance New Zealand Ltd, deputy chair of Southern Response Earthquake Services Ltd and chair of the New Zealand Blood Service and of the Naylor Love Construction group. Anne has also had governance roles on the boards of two national sports organisations—NZ Cricket and Hockey New Zealand—and was formerly the independent chair of the Te Rūnanga Audit and Risk Committee of Te Rūnanga o Ngāi Tahu.

Anne is a Chartered Fellow of the Institute of Directors and a representative on its National Council. She is also a member of the Australian Institute of Company Directors, the New Zealand Shareholders Association and a Fellow of Chartered Accountants Australia and New Zealand. She was awarded an ONZM in the 2022 Queen's Birthday Honours for services to business.



Whaimutu Dewes

Of Ngati Porou and Ngati Rangitihī descent, Whaimutu graduated BA/LLB from Victoria University before joining the public service in 1977, becoming the office solicitor (chief legal adviser) in the Department of Māori Affairs. In 1988 he graduated with a Master of Public Administration from the Kennedy School of Government at Harvard University, followed by time as a guest scholar at the Brookings Institution in Washington, D.C., looking at Māori economic development.

Whaimutu has since worked in senior roles for Fletcher Challenge and held directorships at organisations including Housing New Zealand, Television New Zealand, Māori Television, Contact Energy, Ngati Porou Holding Company and as chair of Moana NZ and Sealord Group Ltd as well as serving as a member of the advisory boards to the Treasury and to AMP. He was appointed to the Treaty of Waitangi Fisheries Commission upon its establishment in 1990 until 2000, working with Iwi in that period to finalise the Treaty of Waitangi fisheries settlement.

He is currently chair of Ngati Porou Forestry, deputy chair of Transpower, a member of the governance group of the High Value Nutrition National Science Challenge and has recently joined the Taumata Māori group advising the SportNZ. Whaimutu is also a prominent advocate for the revitalisation of te reo Māori, participating in the campaign that resulted in the te reo Māori 1972 petition to Parliament, which led to the establishment in 1975 of Māori Language Week and the Māori Language Act 1987. In 2018, he was awarded the Māori Governance Leader Award as part of the Māori Business Leader Awards.



Graham Mourie

Graham had a long and distinguished rugby-playing career. He captained his province, Taranaki, and played 61 matches for the All Blacks in the late 1970s and early 1980s, with 57 matches as captain, including the historic Grand Slam tour of Great Britain and Ireland in 1978.

Between 1985 and 1987, Graham was involved with marketing the first Rugby World Cup. He was a director of the New Zealand Rugby Union from 2003-2013 and on the International Rugby Board where he chaired the Rugby Committee. He is currently chairs the World Rugby Match Officials appointment group.

His achievements and contribution to the sport were recognised by induction into the New Zealand Sports Hall of Fame (1996), the World Rugby Hall of Fame (2014), and the Taranaki Sports Hall of Fame (2015). Graham was also made a Life Member of the Taranaki Rugby Football Union in 2018 and became its Patron in July 2019. At the 2023 annual meeting he was made a life member of NZRU.

Graham is a shareholder and executive director of ethical dairy investment fund Southern Pastures, with a portfolio of 19 dairy farms. Southern Pastures, which produces milk under its own 10 Star Certified Values programme, also owns Lewis Road Creamery.

Wellington-based, Graham currently holds governance roles in several trusts including the Rugby Foundation, QEII National Trust and the Graham Dingle Foundation Wellington.



BoardWorks

The Review Panel has been supported by leading governance consultancy, BoardWorks. BoardWorks principals and associates have extensive experience in advising boards, both domestically and internationally, on effective governance structures and processes. BoardWorks has particular expertise in the sports and recreation sector having conducted similar reviews for many other national sporting bodies both here and in Australia. For over 20 years BoardWorks has been a key advisor to Sport NZ in the development of governance capability in sports organisations.

boardworks.nz

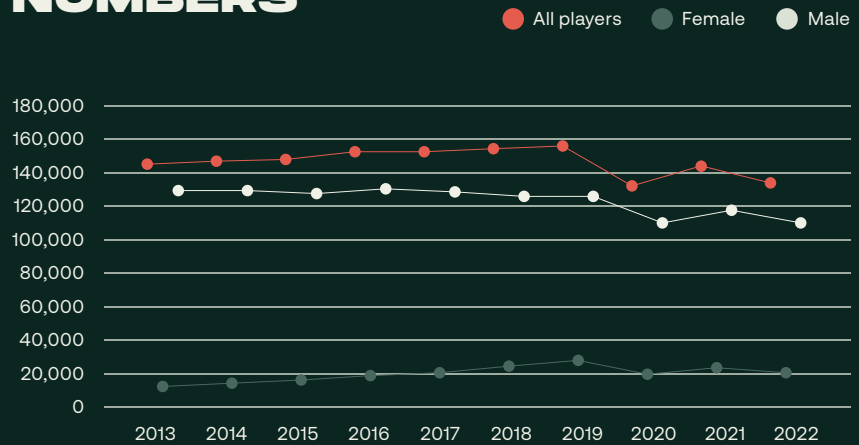
TRENDS WITHIN THE GAME

The issues within the game were alluded to on a consistent basis across the review process.

This section scans the available evidence, refers back to previous reviews and adds the hard data that sits behind the perceptions of those interviewed. We look at the high level across the game but acknowledge there is a lot of variance within the system. We acknowledge that some of the Provincial Unions are doing good work that is reflected in a deeper analysis of the numbers but is not necessarily visible at this aggregate level.

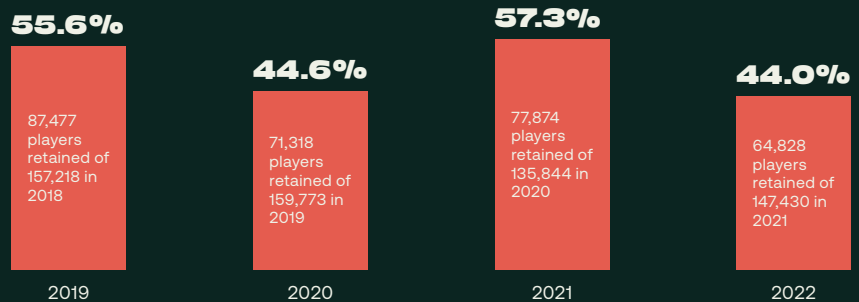
Data source: NZRU 2022 Provincial Union Participation Benchmarking Report

PLAYER NUMBERS

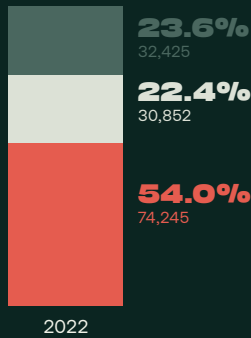


PLAYER RETENTION

The target is to retain **67%** of players from one season to the next

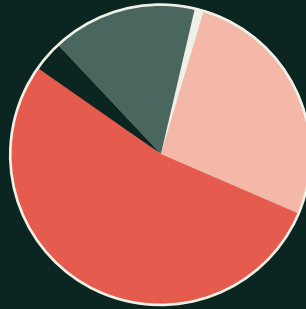


PLAYER AGE RANGE



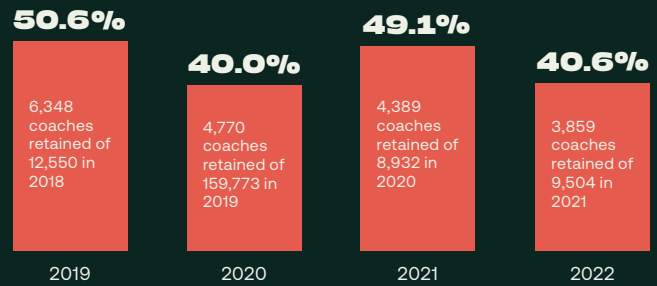
● Total 0-12 ● Total 13-18 ● Total 19+

PLAYER ETHNICITY

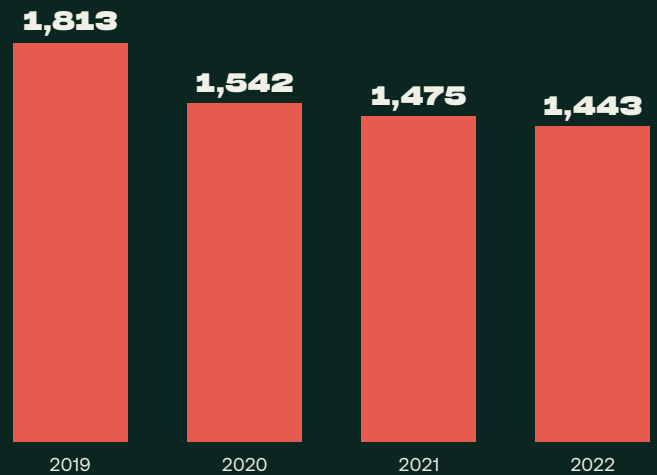


● NZ Euro 53% ● Maori 27% ● Asian 1% ● Pasifika 16% ● Other 3%

COACH RETENTION



NATIONAL REFEREE TOTAL



VOLUNTEERS

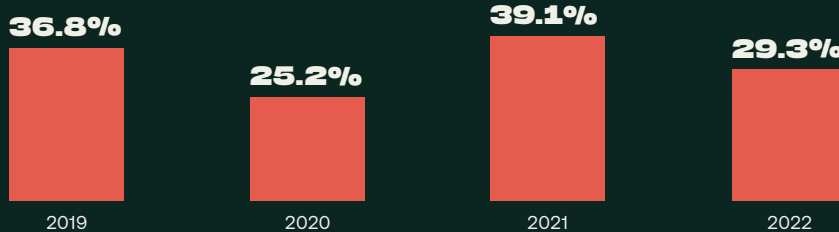


Of 4,497 total in 2021

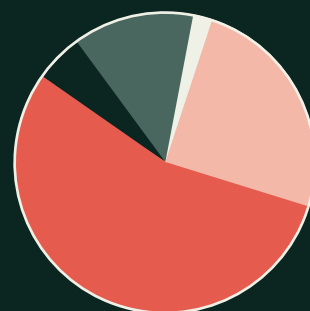
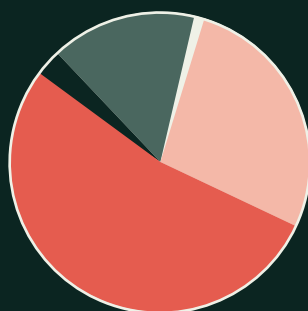
WOMEN'S GAME

PLAYER RETENTION

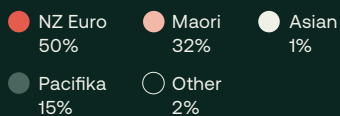
The target is to retain **67%** of players from one season to the next



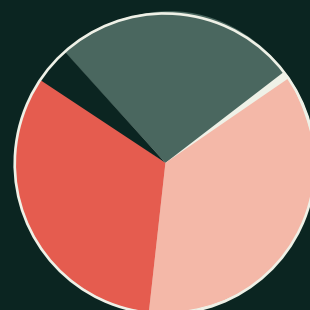
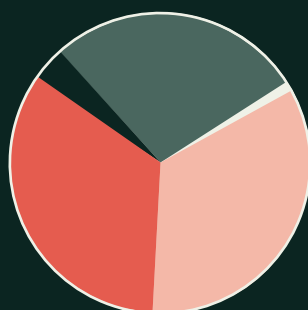
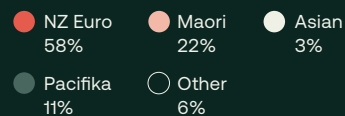
PLAYER ETHNICITY



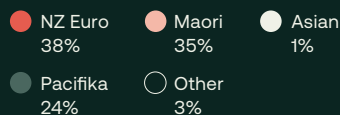
JUNIOR CLUB



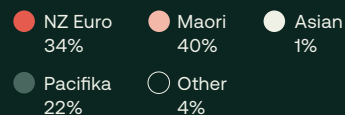
PRIMARY SCHOOL



SECONDARY SCHOOL



SENIOR CLUB



PROVINCIAL UNION FINANCIAL DATA

The NZRU 2022 Financial Benchmarking report presents consolidated financial data across the 26 Provincial Unions for the following:

- **Community Rugby:** Includes income from trusts and expenditure on growing and developing community rugby, including clubs and other Provincial teams.
- **High Performance:** Includes income from gate takings, corporate and ground signage income, cash and in-kind sponsorship. Expenditure includes A-Team players, coaches, management, marketing, running costs, and match day expenses including sponsor hosting.
- **Super Rugby:** All income and expenditure for Super games hosted outside of the Super competition and distributions received.
- **Governance & Financial:** NZR Funding and other non-rugby revenue is included in this section. Expenses included are interest, depreciation and other administration costs, a high proportion of which is salaries. Also included is national level rugby services such as hosted Test match net income.
- **Other Revenue:** Government subsidies have been included in this section. Note that SSI Payments are also included in Other Revenue.

Impact of Inflation

When considering these trend graphs, the impact of inflation needs to be considered. In Aotearoa New Zealand the Consumer Price Index (CPI) has moved 62% from 2002 to 2022. 2022 reflects the impact of the Silver Lake funds distribution to the Unions.

Data source: NZRU 2022 GARAP Financial Benchmarking Report

NPC = NPC Unions

Consolidated = NPC and Heartland Unions combined

HLC = Heartland Championship Unions

PUs = Provincial Unions

Impact of Silver Lake funds

Balance sheets were positively impacted by the flow-through from the Silver Lake investment. Each NPC PU received \$1m and each Heartland PU received \$0.5m.

2022 EXPENSE BY TYPE

HLC PUs

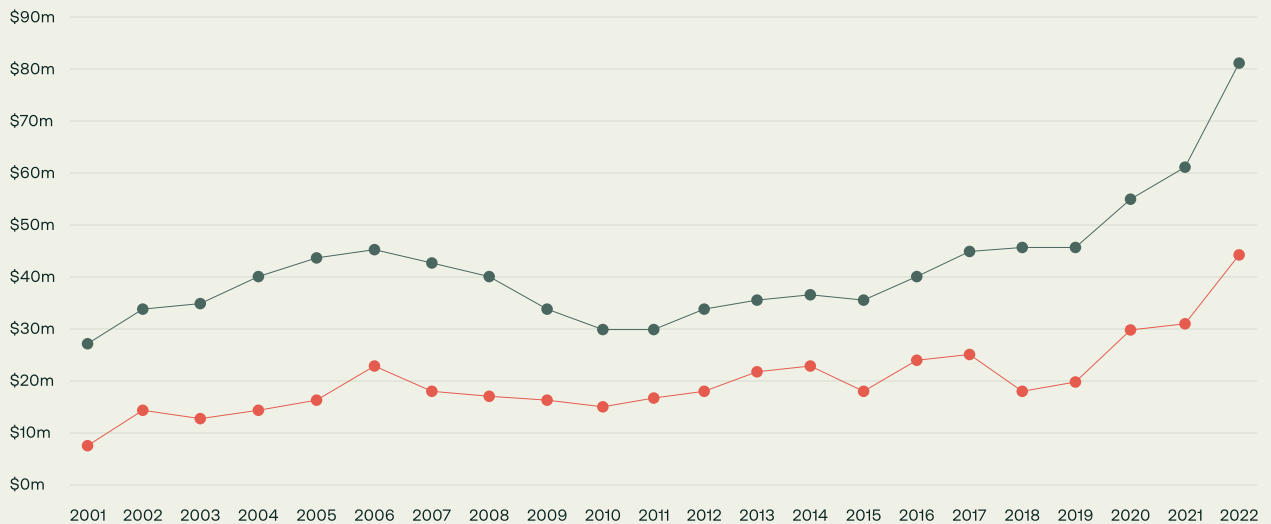


NPC PUs

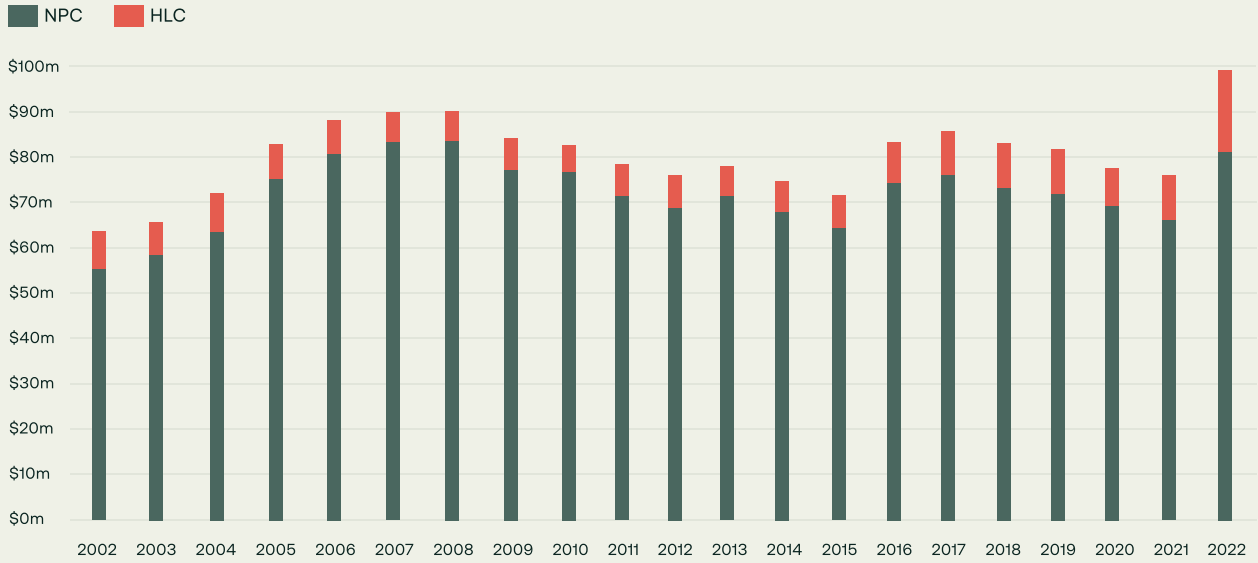


CONSOLIDATED BALANCE SHEET RESERVES & CASH BALANCE

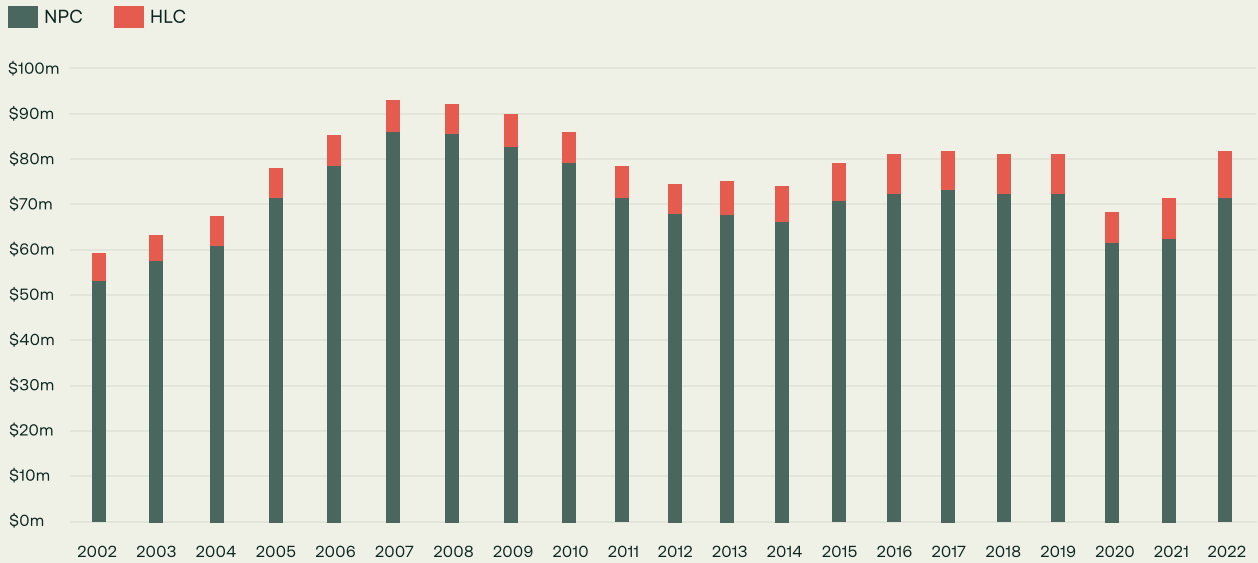
● Reserves ● Net Cash Balance



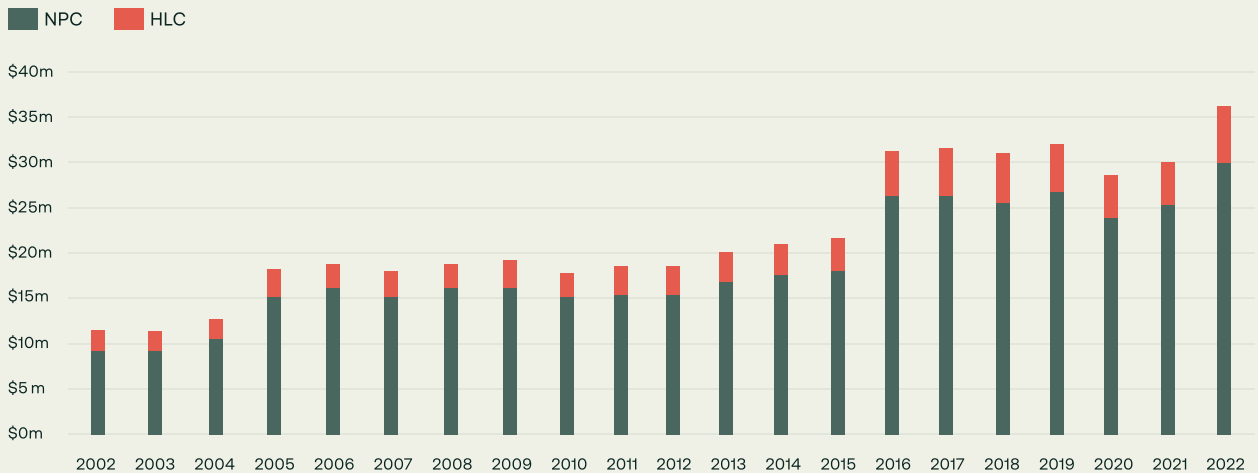
CONSOLIDATED TOTAL REVENUE



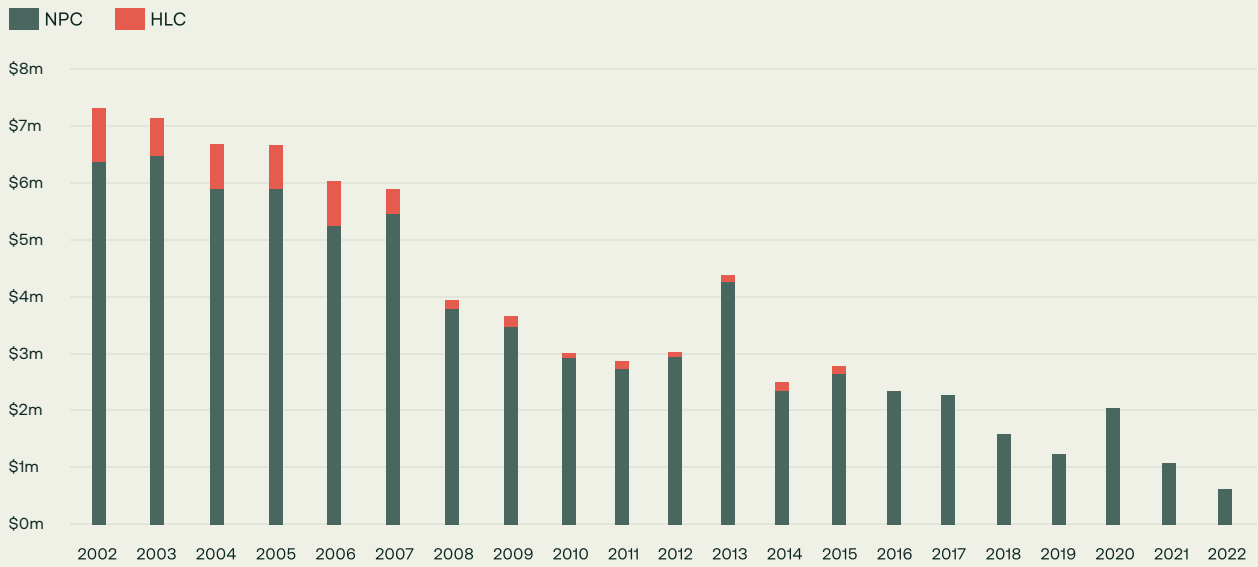
CONSOLIDATED TOTAL EXPENSE



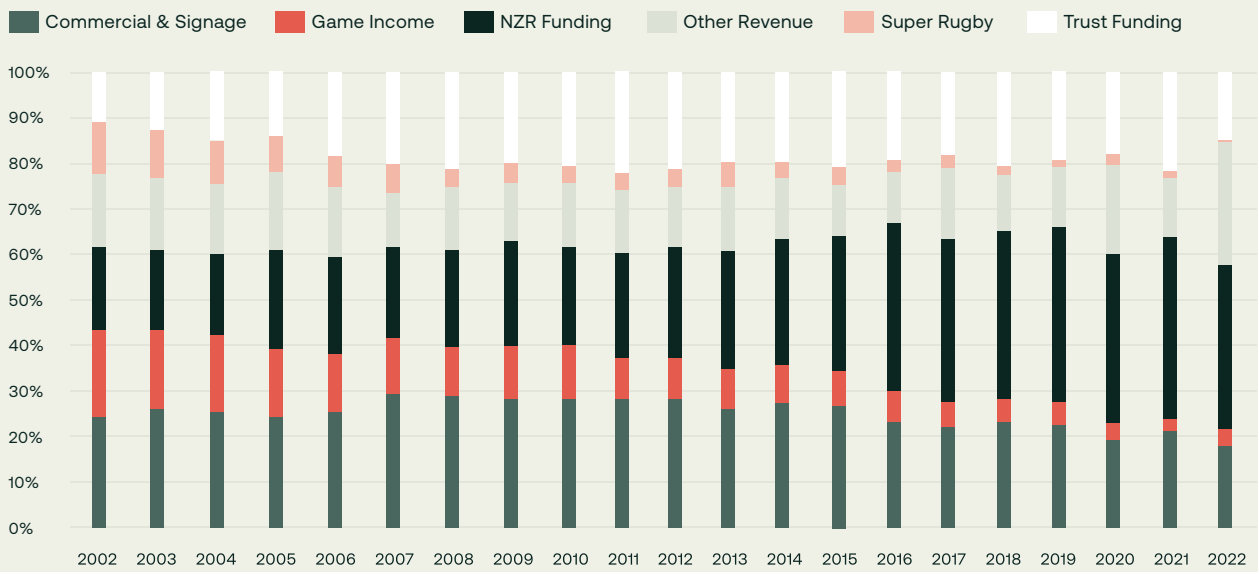
CONSOLIDATED NZR FUNDING REVENUE



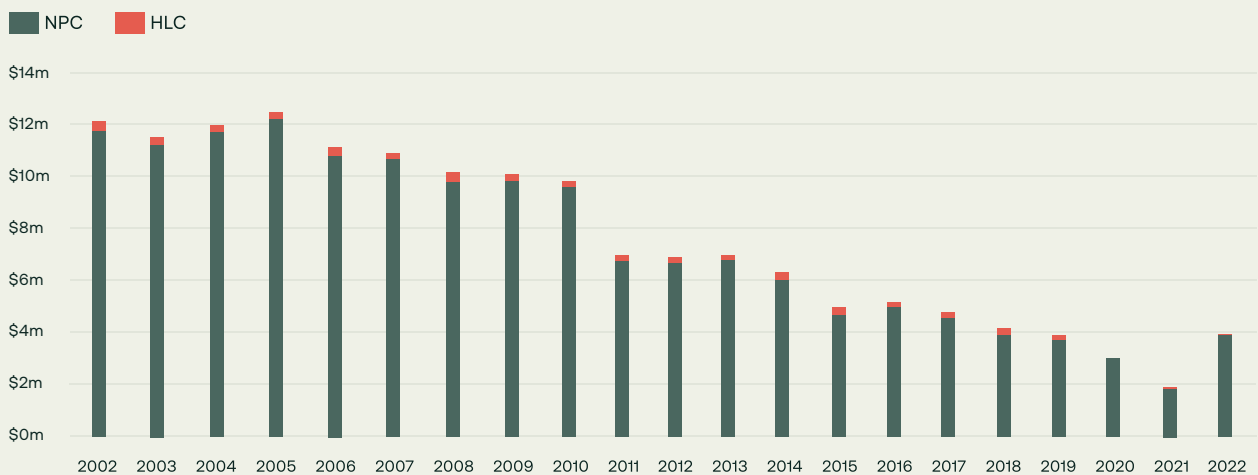
CONSOLIDATED SUPER RUGBY REVENUE RECEIVED BY PROVINCIAL UNIONS



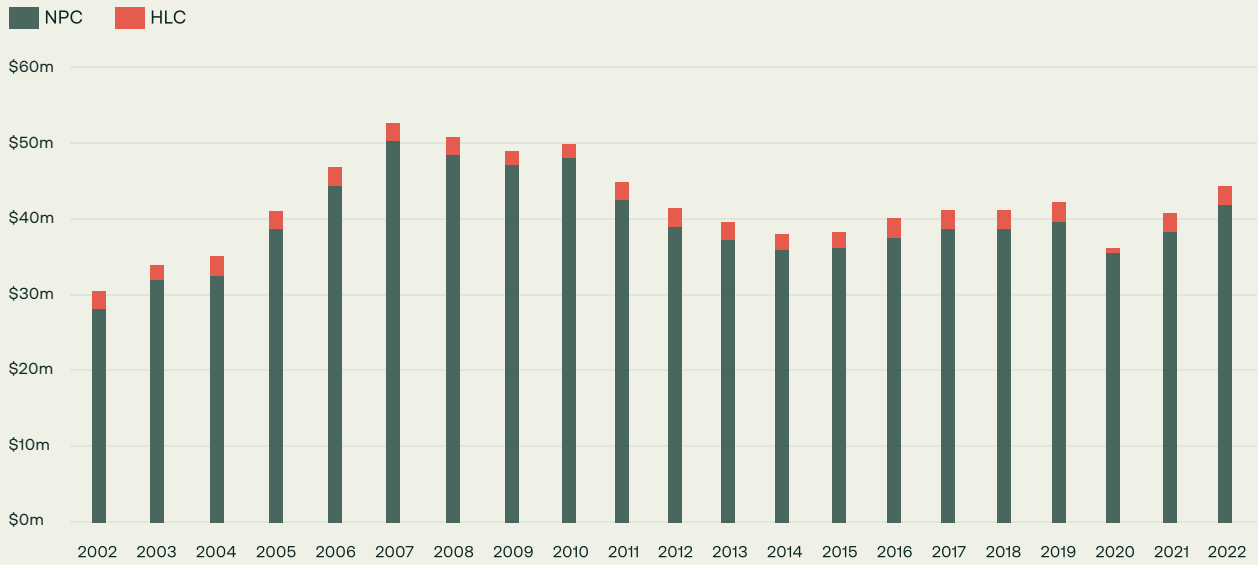
CONSOLIDATED TOTAL REVENUE BY TYPE



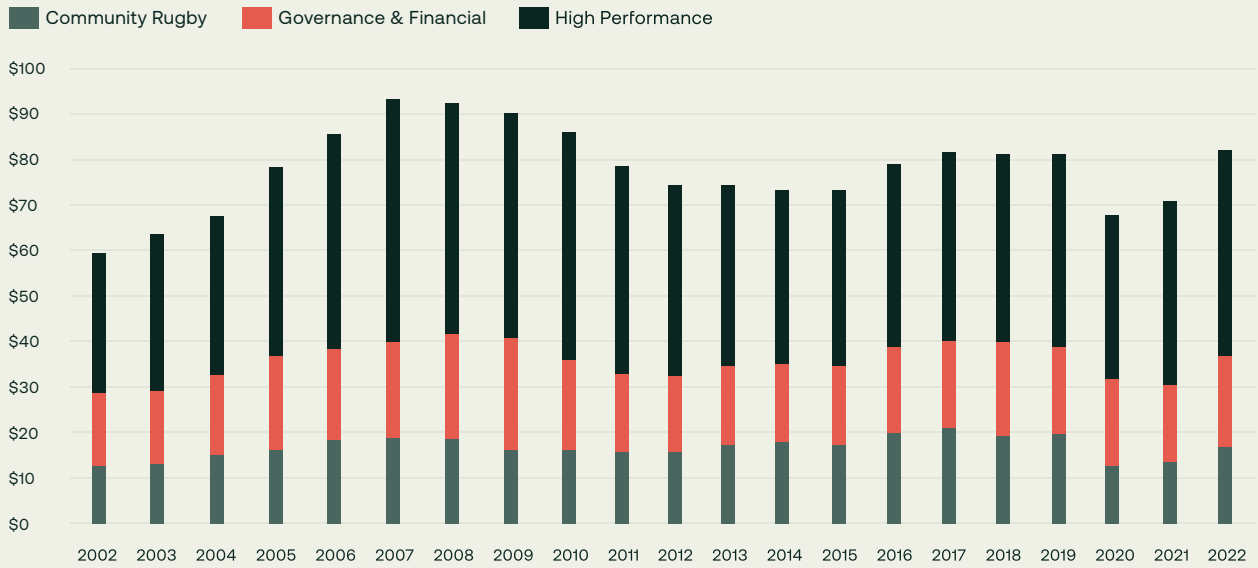
CONSOLIDATED GAME INCOME REVENUE



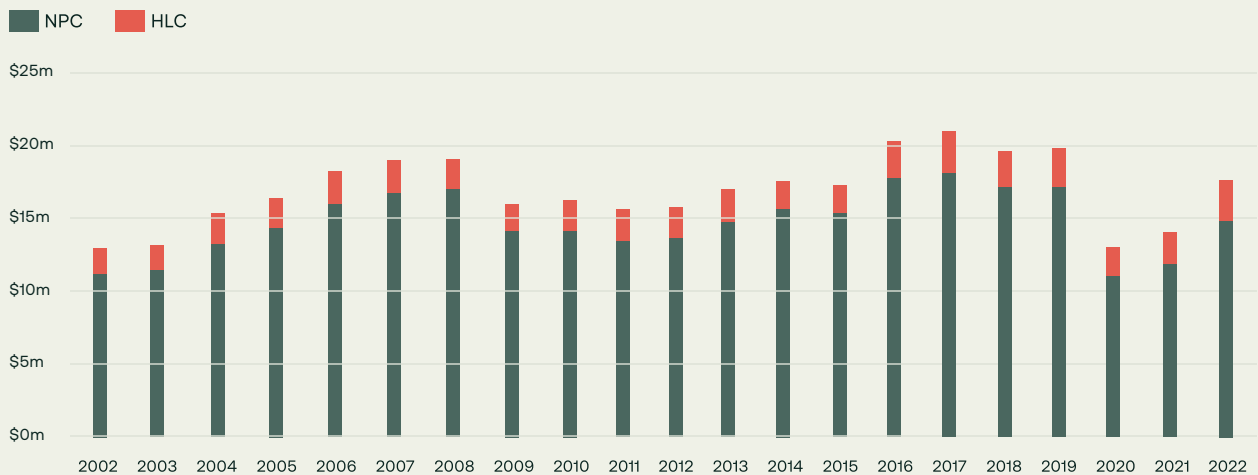
CONSOLIDATED HIGH PERFORMANCE EXPENSE



CONSOLIDATED TOTAL EXPENSE BY TYPE



CONSOLIDATED COMMUNITY RUGBY EXPENSE



PUBLIC SURVEY FEEDBACK

Members of the public were given the opportunity to submit through an online process seeking response to the following questions:

1. What are the challenges facing the sport of rugby in Aotearoa New Zealand?
2. What are the challenges/issues relevant to you and your involvement with rugby?
3. What currently doesn't work well within the sport and is relevant to this review?
4. What currently does work well within the sport and is relevant to this review?
5. What would success look like for the sport ten years from now?
6. What is your general impression of the governance of the sport led by the NZR?
7. What role should the central body (NZR) perform?
8. What changes would you suggest to how the sport is governed in a broader sense?
9. If you are involved in other sports codes, can you offer any advice relating to governance?
10. Finally, do you have any other comments you'd like to make?

NUMBER OF RESPONSES

- 145 Fully Complete
- 24 Partially Complete

SUBMISSION TYPE

- 162 Individual's submission
- 6 On behalf of an organisation

SUBMISSION INCLUSION

- 102 Submitters wishing to be included in final report
- 67 Submitters not wishing to be included in final report

GENDER



ETHNICITY



RUGBY CONNECTION



1

What are the challenges facing the sport of Rugby in Aotearoa New Zealand?



Key take outs:

- Amateur game needs its own purposes and pathways
- Competition with other codes, alternative hobbies
- Changing societal attitudes against contact or 'outdoor' sports
- Less exposure to big games (at night or too expensive), combined with too many rules and stoppages, mean kids are not inspired by the game
- Too much focus on performance and not playing for enjoyment
- Poor connection clubs and schools
- Outdated governance model. Insufficiently agile to drive change
- Poor communication through the Rugby ecosystem
- Parental perceptions

128

2

What are the challenges / issues relevant to you and your involvement with Rugby?



Key take outs:

- No emphasis on growing the 'love' of game
- Need more women in governance to create clear pathways for girls
- Little engagement with tangata whenua or support for Māori and Pasifika
- Leadership needs to embrace history but not be afraid of change to build excellence
- Provincial rugby is a shambles – no coherent structure, no fans, no interest but it still controls how the season is shaped
- Being a long-term president of a struggling club was hard and intense. A full-time job with zero support from the higher up administrators, who were all promise and no delivery
- Need more money and time to grow women's rugby

3

What currently doesn't work well within the sport and is relevant to this review?

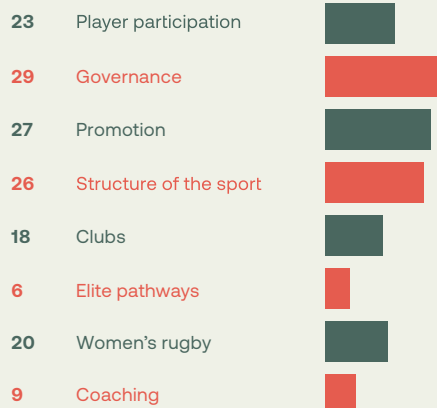


Key take outs:

- Kids think if they're not in high performance at the end of school, they've no future in the game
- We need more community staff creating fun experiences for kids.
- The purpose of NZR isn't clear
- There is a lack of collaboration between entities
- Clear targets and timeframes with consequences for non-compliance
- Leadership is viewed as a boy's club and the game will crash because of egos and lack of vision

4

What currently does work well within the sport and is relevant to this review?

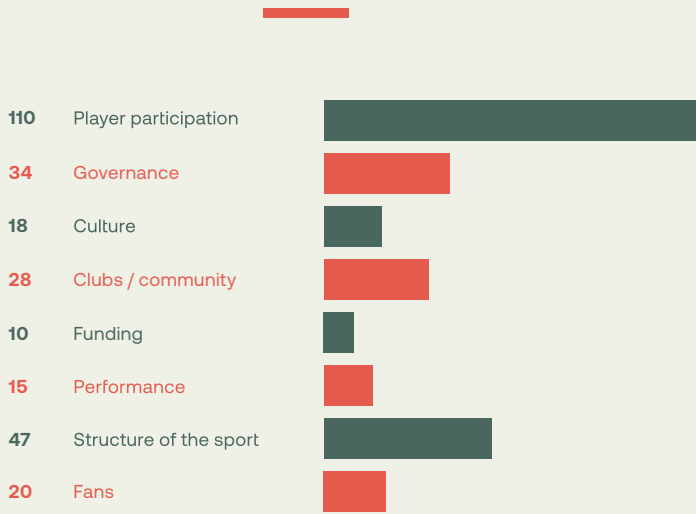


Key take outs:

- There are still many passionate people in the community battling away at club level
- In the past 12 months we've seen great support from NZRU via their community rugby officers, with lots of momentum for girls' rugby in particular
- NZRU is making moves to grow Women in governance
- The 'love of the game' shown by our top women players - while they are winning, they also appear to really be having fun
- The National Provincial Championship still provides the best quality of Rugby played compared to the higher-level competitions
- The volunteer coaches managers and other volunteer staff are the ones holding everything together
- The work done on diversifying Rugby through ethnicity and gender has been a great success
- We are starting to see a connection between schools and clubs with players continuing to play after leaving school

5

What would success look like for the sport ten years from now?



Key take outs:

- Increasing player numbers across the board
- A game all people want to play. More people involved for fun, friends, and connections
- A healthy community game with a fair split between female and male games at all levels
- Clubs and schools strong again and not in conflict i.e. school mid-week, club Saturday
- Rugby is seen as safe to play, inclusive, and entertaining to attend
- Relevant KPIs and measures demonstrating NZR is delivering on its purpose
- An active board who are experienced and challenge the company to perform
- Structures at every level drive enhancement, enjoyment, performance, success, and longevity of the game through inspirational leadership
- NZ still on top internationally

6

What is your general impression of the governance of the sport led by NZR?

Scale of 1-10

1 being poor and 10 being outstanding



Average rating **4.69**

Key take outs:

- The governance structure at all levels is too bureaucratic and inefficient. Everyone has too much of a say in each other's direction to the extent that little changes over time or any change is slow
- Too much focus on rugby credentials ahead of governance capability
- NZR is widely criticised for being an old boys club who gives jobs to mates and ex-players
- Too much power by Provincial Unions
- The ignoring of public opinion is a recurring theme. They're good people, but they're not getting it right
- NZR represents the whole sport not just the All Blacks
- NZR is too traditional, unable to change and afraid of diversity. Limited engagement with Māori and Pasifika, other than token sessions

7

What role should the central body (NZR) perform?



Key take outs:

- Providing the map for the long term; recognise the opportunities and threats that are coming and bring the clubs along
- Provide an overarching strategic goal that the PUs can set their actionable detail against, and governance structures that filter down to all levels of the game to provide accountability and guidance for achieving the strategic goals
- NZR should be responsible for approving and monitoring the strategies developed to achieve that purpose and ensuring their operating framework and decision-making processes appropriately represent stakeholder interests
- As head of the organisation the NZR needs to lead the transparency and values alignment to ensure the relationship with the public is based on honesty and integrity
- Providing shared services for PUs to increase efficiency of the system
- Providing information and structure so that clubs and PUs can thrive

8

What changes would you suggest to how the sport is governed a broader sense?



Key take outs:

- NZR needs to lead and play their role not by pandering to the lowest common denominator, but with an responsibility to the whole game
- Create clear accountability between the NZR, franchises and unions to help create aligned programmes
- Allow individual unions to administer the sport in a way that reflects how it works for them, not how it works in big cities
- PUs need to stop seeing themselves as 'owners' and start behaving as gardeners of community rugby, ensuring the best conditions to grow and thrive
- Rugby isn't what it was in 1970 so why have people running NZR from that era
- A central governing body controlling the game separate from the Unions
- A reset in the way the board is elected, changing the focus from popularity to experience and talent
- The current model fails to adequately balance the needs of both the professional and amateur games

9

If you are involved in other sports codes, can you offer advice related to governance?



Key take outs:

- Cricket sends clear and consistent messages from the top down that aligns and incentivises clubs and regions to deliver and creates room for more innovative thinking
- The key is if everyone believes their voice is heard and they are listened to with respect, empathy, and humility
- Governance focused on collaboration and fun, this increases numbers and a sense of belonging
- The sport must be more important than the individual or politics, the best people must be in place
- The national body should have representation from the community, but overall governance should be independent and focused on what is best for the entire game

10

Finally, do you have any other comments to make?



Key take outs:

- For most players, especially young players, the most important thing is fun
- I'm starting to get disengaged in NZR's lack of accountability, they need to make the hard decisions and be a results based environment
- Please make some changes. The game I have loved for 90% of my life is dying. I now don't watch many provincial, super or international games (other than the female games), where I once watched 3 or 4 a week when available
- The strength of NZ rugby is the people who are delivering the sport across the country. I would urge the panel to be strong in their recommendations
- I've been a passionate supporter, coach, and player for over 30 years. I'm so fed up that I'm considering giving up my Sky subscription, like many of my friends
- Selfish agendas and toxic cultures within PUs need to change ASAP - The people who work hard for the community and game need to be shown compassion
- The Irish RU is a good example, having turned their men's international side into a team of world beaters, their provinces are on fire, and they're fostering growth in sevens and women's rugby

