

27th June 2017

Jamie Baddeley, President
InternetNZ
PO Box 11881
Wellington

Re: Feedback on the InternetNZ Organisational Review Change Proposal

Dear Jamie

Thank you for the opportunity to provide feedback on the InternetNZ Organisational Review Change Proposal. I provide this feedback in my role as Chief Executive of NZRS.

I am strongly in favour of this change proposal and commend InternetNZ Council for setting out a compelling vision for a new InternetNZ and for proposing the scale of change necessary to deliver that.

The key reason for change, to highlight above all others, it is that while we are doing well, we can do so much better and while our current structure played a large part in getting us to this point, it is that same structure that prevents us from making that step up and so must be replaced.

This proposal is not without risk and the early identification and mitigation of those risks is key to making it a success.

The first risk is that merging the three organisations may remove key elements of our current success and without those serious problems will develop. The key element that is often identified in this respect is independence. My analysis is that “independence” is used as a broad term with multiple dimensions that need to be unpicked to be properly understood and any risks mitigated.

The first dimension to independence is one of market independence. In our current structure, strict principles are applied and registrars would not be appointed to either the DNCL or NZRS boards. In a merged structure, it appears that no such restrictions would be in place but a degree of independence would be provided through independent policy advisors. In my view, this is insufficient mitigation and I recommend that the principles of market independence are enshrined with explicit restrictions on employees or owners of registrars who are elected to Council, balanced by an explicit statement that InternetNZ will not own or operate a registrar. At a later date, this could form the basis for broader restrictions regarding employees of telcos and ISPs elected to Council.

The second dimension to independence is one of organisational independence. Two possible examples are the perceived independence of DNCL in setting .nz policy and the perceived independence of NZRS in managing broadband map data and the trust that both engender in their relevant communities. From my experience, it is not the independence of the organisation that has built the trust but the market independence and the clarity of process and story that each organisation has developed to support it. If it maintains that same market independence and clarity of process and story, then InternetNZ will maintain that trust from those communities. Organisational independence on the other hand, rather than being a key element of success, has been a major contributor to our divided vision, strategy and culture.

The third dimension to independence is one of process independence whereby a merged InternetNZ might shy away from taking the hard decisions in the regulatory space if those would have an adverse impact on other parts of the organisation. For example, it might be a risk that InternetNZ would shy away from sanctioning a registrar if that registrar is a key customer for a new product, or it might shy away from calling out a telco for restrictive practises if that telco is supplying data for a key project. In my view, it's not the structure that ensures that we take the hard decisions but our clear principles, transparent and well managed processes, the sunlight of external scrutiny and the professionalism of staff. If we don't have those then no amount of structural separation will save us. If anything, our siloed structure partially insulates parts of the group from external scrutiny and enables some hard decisions to be deferred longer than otherwise.

The fourth dimension to independence is one of personal independence, which is a key contribution of independent directors. I note that there is nothing to prevent independents being co-opted to Council sub-committees if required and that Council will be reviewing the role of independent appointees to Council at a later date. In my view, these are sufficient mitigations.

The second risk is that we lose key staff as a result of the uncertainty and structural changes. No change process is without uncertainty and with uncertainty often comes frustration. The process to date has been well managed, which has reduced the uncertainty and frustration to the minimum possible. The proposed change protocol is well developed and will come into its own during the second phase of the proposal, the review of the whole organisation, which is when most staff will be most concerned that their jobs are at risk. Provided that the current level of communication and engagement is maintained then, combined with this change protocol, the risk of staff attrition should be minimised.

The one element of staff loss that is explicit in this phase of the change proposal is the loss of two of the three CEs, which inevitably means the loss of many years of experience and expertise, particularly in the area of TLD management and

international engagement. The impact of this is still unknown and so no mitigation is currently required, but in future it may be appropriate to consider co-opting expertise onto a Council sub-committee for a transitional period.

As a final point on this risk, I note that the change proposal makes no reference to the working group paper recommendation for Council to reconsider its role in owning and running a registry. I assume this is because Council agrees that outsourcing or selling the registry and the subsequent loss of technical staff would defeat one of the key objectives of this change proposal, namely the increased ability to deliver of a merged team with a range of skills and expertise. Given the concerns such a reconsideration would cause for staff, I recommend that Council explicitly notes that no such reconsideration is planned.

The third risk is that InternetNZ might suffer a “lost year” where internal changes and concerns soak up so much staff time and energy that the focus on delivery is lost, or worse that the ball is dropped on a core operational function. This is not uncommon when organisations engage on change of this scale. The mitigation for this is clear plans and effective leadership from the CEs and in particular the level below the CEs, to ensure those plans stay on track. The sooner these senior staff can come together to form a unified senior management team, even as an interim step, the better the outcome they can deliver. I recommend not waiting for the final Council decision on the proposal but assembling this team now, even if it may be seen as pre-empting that final decision, because closer cooperation between the senior staff can only benefit the group, whatever the final decision on the change proposal.

The fourth and final risk is that the new InternetNZ is only a little bit better but not much and not enough to justify the scale of the change. While the strategic, cultural and organisational changes are all positive steps forward, they’re not enough of themselves to deliver the leap required. That leap requires a radical rethink of some core practices and a significantly raised ambition.

If you have any questions on my feedback then I am more than happy to present in person.

Your sincerely



Jay Daley
Chief Executive
NZRS Ltd