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CASE  
STUDY

## HUNTERNET CO-OPERATIVE LTD – THE POWER OF MANY

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## INTRODUCTION

Founded in 1992, the HunterNet Co-operative Ltd., is a non-distributing, multi-stakeholder co-operative headquartered in Newcastle, New South Wales (NSW). In 2022, HunterNet had a membership of 130 organisations of various sizes, employed around 12 full-time staff, and reported an annual turnover of just over \$2 million.



HunterNet is focused on assisting local businesses within the Newcastle and Hunter Region to sustain and grow through collaboration, networking, knowledge exchange, and innovation. Most of its members are small to medium enterprises (SMEs), engaged in manufacturing, engineering, specialist advisory and consulting services. Their focus is within the domestic and international defence, energy, and resources industries, as well as emerging industries in environmental sustainability.

The co-operative operates a range of programs focusing on specific industries (e.g., HunterNet Defence Task Force), workforce development (e.g., HunterNet Career Connections), and the development of management and leadership skills amongst their members (e.g., HunterNet Future Leaders Program). Since 1996, HunterNet has owned and operated a subsidiary company HunterNet Group Training Company Pty Ltd., which now operates under the trading name HunterNet Career Connections. This subsidiary provides apprentice training and placement for the members of the co-operative.

## BACKGROUND – THE HUNTER REGION AND ITS INDUSTRIES

The Hunter Region of NSW lies north of Sydney and comprises an area of 22,694.2 km<sup>2</sup> with a population of around 682,265 (ABS, 2021). The region is bounded on the east by a large coastal area facing the Pacific Ocean and is dissected by a number of major and minor rivers, the most prominent is the Hunter River from which the region draws its name. There are four cities located in the region, Lake Macquarie, Newcastle, Maitland, and Cessnock. Of these, the largest is Newcastle, which is the main administrative centre, industrial, and commercial hub, with a population of around 168,873 (ABS, 2021).

### OVERVIEW OF THE HUNTER REGION'S HISTORY

Prior to European settlement the region was the traditional land of the Wonnarua (aka Wanarruwa), Worimi, and Awabakal people who trace their origins back at least 30,000 years. The Wonnarua inhabited the central Hunter River valley area, while the Worimi occupied the lands to the north, and the Awabakal the lands to the south (Brayshaw, 1987).

European settlement of the Hunter valley commenced in 1797 following an accidental discovery of the Hunter River by British Army Lieutenant John Shortland, who was searching the area for escaped convicts. A subsequent survey found the area was able to offer good agricultural land, as well as coal deposits, and an initial attempt was made in 1801 to set up a coal mining camp at the

mouth of the river where coal was abundant. Later, a penal settlement for recidivist and difficult convicts was established in 1804, and the mining of coal commenced for use in Sydney.

This led to the settlement being named Newcastle after the coal rich mining city in England of the same name (Cushing & McIntyre, 2017). The coal mined from the Hunter region initially served the needs of the British colony in Sydney. However, the first export of coal from the region to an overseas buyer occurred as early as 1801, with the shipping of 150 tonnes of coal to India (ABS, 1982).

Land settlement by the British colonists commenced from 1820, and the area continued to be a coal mining centre, although no longer undertaken by convicts. It also included other industries (e.g., sheep and cattle grazing, viticulture and wine making) that had expanded into the rich soils of the Hunter River valley (Cushing & McIntyre, 2017). Coal mining continued in a small-scale manner until 1867 when government geological surveys identified significant coal deposits suitable for extracting for use in local steel manufacturing, and the production of town gas. Throughout the late nineteenth century and following twentieth century, the coal industry of the region grew significantly, supplying electricity generation, steelmaking, steam ship bunkering, and for export (ABS, 1982). By 1908, Newcastle was already one of the world's largest coal mining and export centres (ABS, 1910).

In 2022 there was a diverse range of industries located in the region. These include coal mining, manufacturing, agriculture, viticulture, and wine making, tourism, horse breeding, dairy farming, beef and cattle farming, energy generation, shipbuilding, and associated services. The combined value of the region's economy has been estimated at more than \$40 billion (NSW, 2022).

## THE RISE AND DEMISE OF BHP IN NEWCASTLE

As the coal mining industry of the Hunter valley developed, another actor BHP Billiton Ltd. was emerging to play a key role in the history of Newcastle and the Hunter region. The origins of the company can be traced back to 1860 when the Billiton Tin Company was established by a Dutch colonial syndicate to exploit the rich tin deposits found on the island of Billiton (aka Belitung) within the Dutch East Indies (Blainey, 2010).

However, while the Dutch were developing the tin deposits of Billiton, a German migrant, Charles Rasp, was exploring the mineral deposits around Broken Hill in the western regions of NSW. Rasp had served as an officer in the German armed forces during the Franco-Prussian War of 1870-1871. However, he left the conflict before its end to migrate to Australia, where he initially worked as a boundary rider at the Mount Gipps sheep station near Broken Hill, NSW (Blainey, 2010).

In 1883, during this work, Rasp discovered rich deposits of silver and lead and was able to secure one of the most valuable mining leases in Australia. The Broken Hill Proprietary Company Ltd. (BHP) was established in 1885, and BHP grew into one of Australia's most successful firms, mining silver, lead, and zinc from its leases until the ore deposits ran out and the mine closed in 1939. Following the Second World War, BHP expanded, with the company, during the 1960s and 1970s, making investments into the development of iron ore mines in the Pilbara region of Western Australia, manganese mines in the North Territory, and coal mines in Queensland (Blainey, 2010).

During the 1980s and 1990s BHP expanded internationally, with acquisitions in the United States and Papua New Guinea. In 1994, the Dutch owned Billiton, which was now part of the Royal Dutch Shell Corporation (Shell), was put up for sale. It had suffered losses due to the low price for aluminium, a key part of its business portfolio. The subsidiary was purchased by South African resources company Gencor and floated on the London stock exchange under the Billiton name. With bauxite, alumina assets in Australia, Brazil, and Suriname, the company was attractive to BHP, and the two companies merged in 2001 (Blainey, 2010).

The BHP-Billiton Group Ltd. grew into an Australian public company primarily focused on mining iron ore, but with significant investments in the mining of copper, silver, lead, zinc and uranium, plus associated smelting and refining of these ores. In 2022 the company employed around 39,210 people, turned over \$98.9 billion, and held assets of \$138 billion (IBISWorld, 2022).

However, during the early years of the twentieth century, with profits fluctuating along with the rise and fall of commodity prices, BHP sought to diversify into steelmaking in 1911. They owned a large high-grade iron-ore deposit near Whyalla in South Australia and saw market potential in supplying steel for the expansion of railway networks across Australia which required steel for rails and rolling stock. However, it was not until 1915 that BHP established its steel works at the port of Newcastle (Blainey, 2010).

Over time the company became Australia's largest steelmaker, largest ship owner, and largest miner of black coal, and by the 1930s BHP was the nation's largest industrial company (Blainey, 2010). During the Second World War BHP played a key role, and its CEO Essington Lewis was appointed as Director-General of the Commonwealth Department of Munitions and ended the war with a sound understanding of international industrial systems. In addition, the war showed that the Australian national industrial system had demonstrated significant capabilities across almost all areas associated with a modern economy (Blainey, 1971).

By the 1960s and 1970s, the BHP steel works in Newcastle employed between 12,000 and 16,000 people, making it the largest employer in the city and wider Hunter region (Gunasekara, 2008). However, by the early 1980s the expansion of steel making in Asia (e.g., Japan, Korea, China) combined with a significant fall in domestic demand, made local steel production in Australia increasingly uncompetitive (Lewer, 2013).

During this period the Australian economy was transitioning from one focused on primary and secondary industries to one dominated by services. For example, in the 1960s services employed 63 percent of the Australian workforce, with manufacturing comprising 26 percent, and agriculture 10 percent. However, by the 2000s the services sector employed 84 percent of the workforce, with manufacturing making up 11 percent, and agriculture 4 percent. Services also increased its share of economic output from 59 percent in the 1960s to 78 percent in the 2000s, with concurrent falls of similar magnitude taking place within agriculture and manufacturing (Connolly & Lewis, 2010).

Despite financial support from the federal government, and various restructuring programs, BHP commenced a steady process of winding down its steel making operations in Australia. Between 1982 to 1997 BHP decommissioned over half its blast furnaces at its three steel plants in the

country, with the consequent loss of direct and indirect employment in these regions including Newcastle. From a height of 12,000 employees working in the BHP steel works at Newcastle in 1982, by 1997, only 3,200 employees remained (Atteridge & Strambo, 2021).

In 1997 BHP announced that it would permanently close its Newcastle steel works by 1999, which resulted in the loss of around 4,000 jobs both at the BHP plant, and its supplier and contractor network. The average age of these workers at the time was only 44 years, and their average length of service was 21 years (Lewer, 2013). The closure resulted in a sharp increase in unemployment of 10 percent across the city of Newcastle (Atteridge & Strambo, 2021).

### THE FATE OF THE CARRINGTON SLIPWAYS

Although the demise of the BHP steel works had a significant negative impact on the Newcastle economy, it was not the only major manufacturing business in the Hunter region winding down its operations. Another significant industrial firm was the Carrington Slipways Pty Ltd., a major shipbuilding company that was opened in 1957 (EOAS, 2010). Construction of the slipways had commenced in 1946 under the ownership of the NSW Department of Public Works, with a capacity of 1,350 tons on one slipway, and 300 tons on a second. The construction included the excavation of a deep-water channel from the slipways to the harbour, and associated coffer dams and pilings (Newcastle Morning Herald, 1946). Between 1957 and 1968 the shipyard built forty-five ships, before it relocated in 1972 to larger facilities at Tomago, within the Newcastle harbour area (EOAS, 2010).

Among the ships constructed at the slipways were harbour tugs, coastal freighters, ferries, offshore oilfield vessels, and specialist ships. These included the naval heavy landing ship HMAS *Tobruk* (3,353 tons, launched 1980), the Antarctic icebreaker and supply ship *Aurora Australis* (8,158 tons, launched 1989), the roll-on-roll-off cargo ship *Searoad Tamar* (13,965 tons, launched 1991), and the cement carrier *Goliath* (11,754 tons, launched 1993) (Stewart, 2020). The shipyard also constructed two fibreglass coastal minehunters of 178 tons, HMAS *Rushcutter* (launched 1986), and HMAS *Shoalwater* (launched 1987) (Sharpe, 1991).

During the 1980s shipbuilding in Australia began to experience pressure, with competition from Asian countries (e.g., South Korea, Japan) making local manufacturing less competitive. Australia had developed a substantial shipbuilding industry with Newcastle as a key production area. The decline of local shipbuilding manifested itself with the closure of the NSW State Dockyard in Newcastle, a substantial operation, which had operated from 1942 until 1987 (ARDC, 2023).

By the early 1990s the Carrington Slipways were in financial distress and facing insolvency. In 1991, the Australian Submarine Corporation (ASC) from Adelaide acquired the company. The ASC had been engaged from 1987 in the construction of the Royal Australian Navy's (RAN) Collins Class submarines. Realising that the submarine contract would end by 2001, ASC had decided to acquire the Carrington Slipways as a diversification strategy. It planned to construct naval patrol vessels for the Philippines in the Newcastle shipyard (Canberra Times, 1991).

In 1997 ASC sold the slipways to Forgacs Engineering, a Newcastle-based maritime engineering company founded by Stephen Forgacs. At its peak, Forgacs employed around 1,000 people, and operated dockyard facilities in Brisbane as well as Newcastle. Its work focused primarily on ship

repair and refitting, with both civilian and military contracts. In 2015, Cvmec, a dual-listed Singaporean Australian public company headquartered in Perth, Western Australia acquired Forgacs. The firm's Newcastle operations continue under a subsidiary Forgacs Marine & Defence (Cvmec, 2021).

### IMPACT OF THE 1990-1991 ECONOMIC RECESSION

In addition to the demise of BHP's steel works and the Carrington Slipways, the 1990s opened with a severe economic downturn, which also played a role in the formation of HunterNet. The 1990-1991 economic recession impacted the United States and much of the western world. It was driven in part by a combination of factors. The first was the ending of the Cold War, with subsequent declines in defence spending. This coincided with an oil price shock caused by the Iraqi invasion of Kuwait in 1990 and the US-led intervention in 1991. In turn there was the tightening of monetary policy by the US Federal Reserve, to stem inflation, and the collapse of US Savings and Loans financial institutions following over building in the late 1980s (Walsh, 1993).

The impact on the USA was milder than many earlier recessions, but it had a severe effect on unemployment, which continued long after the worst aspects of the recession had eased. Its impact was significant and widespread, affecting both blue-collar and white-collar jobs, and leading to many people suffering long-term unemployment (Gardner, 1994).

In Australia the 1990-1991 economic recession was equally significant. The 1980s had seen high levels of financial speculation and over leveraging by both companies and households. As the Australian Treasurer at the time Paul Keating stated in November 1990, it was "the recession we had to have". There were numerous collapses of small state-owned banks, building societies and credit unions caused by bad debts, and sharp rises in unemployment and bankruptcies among small to medium enterprises (SMEs) (Connors, 1990; Millmow, 2015).

It was a challenging time for the smaller manufacturers in the Hunter region who were losing major contracts. As a HunterNet founder and former Chair, John McColl recalled,

*"The environment at that time was extremely poor. In the early 1990s recession in the Hunter, there was a pending steel industry crisis. We were missing out on defence contracts that were promised. The Newcastle region and particularly the manufacturing sector was not good at all (Eckford, 2002aa, p. 16)."*

As discussed, by the late 1980s the future of the shipbuilding industry in Australia was under a cloud, and many could see that this industry in Newcastle was potentially coming to an end. The demise of the slipways and the associated shipbuilding industry focused the minds of the SMEs who provided supply and contracting work. At this time, manufacturing comprised around 22 percent of all output from the Hunter region in dollar terms (Waterfield, 2022).

### RESPONSES TO THE DE-INDUSTRIALISATION OF THE HUNTER REGION

It can be seen from the preceding sections that the combination of restructuring in the local steel and shipbuilding industries, and the impact of the 1990-1991 recession, posed a severe threat to the economic and social environment of Newcastle and the Hunter region. The closure of the BHP steel works in Newcastle, and the associated threats to the future of the Carrington Slipways that

loomed during the 1990s were viewed at the time Australia's largest case of de-industrialisation (Lewer, 2013). With unemployment rising and the entire future of the Hunter region looking grim, serious concerns were raised about the city of Newcastle losing population and experiencing poverty and crime waves (Kirkwood, 2015).

In response to these challenges, numerous activities were undertaken by government and private organisations. The NSW State Government established the Economic Development Office and formulated an economic development strategy for the Hunter region. However, many of the most significant initiatives occurred outside the government strategy and were led by local community groups. These initiatives were funded by the state and federal governments and BHP as it began its decommissioning process of the Newcastle steel works. A sum of \$30 million was pledged by BHP in conjunction with the state and federal governments to fund new industry projects within the region and assist with industry transitioning. *The Hunter Advantage Fund* focused on the creation of new manufacturing businesses, and the creation of a new container port on the former BHP steel works site (Gunasekara, 2008).

In 1991, as the recession was peaking, the NSW Chamber of Manufactures (now the Hunter Business Chamber) suggested that SME manufacturers should collaborate in order to enhance their marketing and skills development capabilities. This idea was initially suggested by Alex Young, an employee of the NSW Economic Development Office. It was also promoted by John Murgatroyd from the Chamber's Sydney office, and by Jeff Latham from the Chamber's Hunter regional office. An initial group of six to seven businesses were formed into a network with the aim of examining the needs of the local industry (Eckford, 2002).

In 1992, the NSW State Government and the Newcastle City Council, established the *Honeysuckle Development Corporation*, which was tasked with the role of redeveloping the waterfront land within the city's centre that had been traditionally used by railway and port-related activities. This state government owned entity successfully developed the waterfront during the mid-2000s. Today it is an impressive urban area comprising commercial, residential, and industrial buildings, which include the regional offices of major firms. As observed by the CEO of HunterNet, Ivan Waterfield,

*"Probably since mid-2000s the region has really seen the benefits of this. If you go along the foreshore of Newcastle, which is Honeysuckle, on the opposite side to the port, huge developments are there now, which have all been driven by the Honeysuckle Development Corporation. This brings in the likes of Sparke Helmore Lawyers, KPMG, NIB, GHD, some really big players who have taken up residence in those buildings since about 2005 onwards (Waterfield, 2022).*

Over the years the Honeysuckle Development Corporation widened its focus, and changed its name to the Hunter Development Corporation, and then to *Hunter & Central Coast Development Corporation* (ABR, 2023).

Within the BHP steel works, trades unions and management collaborated via a joint *Transition Steering Team* (TST), formed in 1996, which focused on worker support and the redeployment and re-skilling of redundant workers. This combination of economic diversification, and urban

renewal was designed to cushion the shock of the closure of the steel works (Atteridge & Stambo, 2021).

However, it was clear to many within Newcastle and the wider Hunter region that a long-term economic development strategy was needed. The University of Newcastle played a significant role, such as in the area of community development, and coordinating with the *Common Purpose Group* that represented a range of community organisations and interest groups, including those from the business community, focused on achieving a common vision for the future development of the city and the region (O'Neill, 2018).

In comparison with the work of Honeysuckle Development Corporation, the redevelopment of the BHP steel works site did not progress. The vision of a free-trade zone located in the Newcastle port on the former steel works site was heavily discussed at the time, but had disappeared by 2008 (Kirkwood, 2019). It is unclear as to why this did not proceed, but it has been suggested that there were concerns over the heavy contamination of the land upon which the steel works had been located, making redevelopment expensive and problematic (Atteridge & Stambo, 2021).

Plans for the construction of a new container port also did not materialise, and state government policy worked to undermine this by acting to protect the private owners of the sea container port in Sydney who had been promised a monopoly on container traffic within NSW when the container facility was privatised in 2013 (Kirkwood, 2019; Stevens, 2018). Further, the hopes of the University of Newcastle to become a leader in social network and community development also failed to become a reality. As a result, the key people within the university who had been recruited for this role left, and the funding that had been set aside for this purpose was redistributed to other projects (Atteridge & Stambo, 2021). As noted by one assessment,

*“The community-led development efforts were vital to Newcastle’s success in managing the impacts of steel works closure – but they faded away quite quickly. Within a few years after closure, many of the networks either no longer existed or no longer engaged as energetically in driving regional development programmes (Atteridge & Stambo, 2021, p. 6).”*

## THE CREATION OF HUNTERNET

In the midst of the abovementioned economic and social impacts of the loss of major companies and industries, local small manufacturers considered their options. According to Ivan Waterfield, CEO HunterNet, the financial distress experienced by the Carrington Slipways in the early 1990s was the real catalyst that led to the establishment of the co-operative, not the closure of the BHP steel works, which did not occur until 1999 (Waterfield, 2022),

*“The rumours were there because obviously everybody could see the demise, so it was a very slow death so to speak but linked to that was the shipbuilding that was a major industry here. So, the closure of the slipways was the tipping point. A group of manufacturers said, we need to get together, as a group of \$2, \$5, \$10 million dollar organisations, and how can we expand ourselves into something broader, beyond what has always fed the beast in prior times (Waterfield, 2022).”*



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## RECOGNISING THE NEED TO COLLABORATE

In addition to the problematic future of the local shipbuilding industry, it was clear to most small manufacturers that the outlook for steelmaking and other manufacturing industries (e.g., railway rolling stock), was not positive. The founding Chair of HunterNet, Joss De Iuliis was well aware of this. At the time he was the CEO of a mid-sized engineering firm Waratah Engineering. The son of Italian migrants, De Iuliis was influenced by the way small firms in northern Italy collaborated to achieve benefits that would not be possible were they to operate alone.

He noted that in contrast to the Italian approach, the business culture within the Hunter region was for firms to compete rather than collaborate. He suggested that this had been encouraged by the larger firms, particularly BHP, who sought to secure procurement contracts at the lowest price, and often under unreasonable conditions. De Iuliis recalled being, “a cheeky young man”, who told a senior BHP procurement executive aged in his mid-60s, that his firm could not supply the steel works under a specific contract unless the conditions of the agreement were changed. This resulted in the BHP manager ousting him from his office and refusing to allow Waratah Engineering, which had supplied the steel works since 1915, to supply BHP anymore.

Following this rejection, De Iuliis turned to the coal industry for work, which at the time was experiencing buoyant conditions. He quickly replaced the lost BHP contracts, and it must have come to the attention of the CEO of the steel works, who invited him to the regular after board meeting discussions that BHP held with local industry representatives. As he recalled,

*“They invited me to the usual after board meeting discussions that they use to have in Newcastle. That was where I first met them. It was there that discussions took place with the board and the CEO, who asked me how I was going to organise myself for the new situation when the steel works were closed (De Iuliis, 2022).”*

According to De Iuliis, this was the opportunity to suggest the need for the creation of a business networking forum. As he explained,

*“A problem we had at that time was that there were a lot of small to medium sized companies, and I had my business with 33 people back then. This was a fairly typical business at that time. So, I told them that the problem was that there was no forum where we could all meet to talk. We don’t have anything to discuss, and so how do we bring people together? The BHP CEO reacted to this with suspicion, because at that time there was a culture of mistrust. For example, ‘Hey, don’t trust what your mate next door tells you’ (De Iuliis, 2022).”*

De Iuliis was appointed to chair the network forum created by the Chamber of Manufactures in 1991, to discuss the networking concept, and how this might provide a foundation for enhancing the resilience of local manufacturers facing the economic challenges within the region. As noted above, in this, he was inspired by the example of how small manufacturing firms cooperated in northern Italy. De Iuliis believed this offered a model for the Hunter region. As he explained,

*“So, we looked at how to diversify and how to make things happen. With a great deal of thought with a lot my colleagues of the time, we came up with this concept about HunterNet. It struck off the commonalities of what has happened in Tuscany, Italy, within the small contractor firms. They are known for their working together to get the benefits of working*



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*like a bigger company. That is where we got the concept of networking and where the name networking came from (De Iuliis, 2022)."*

## HUNTERNET IS LAUNCHED

On 25 March 1992, the idea of establishing the HunterNet Co-operative was born at another meeting held by the Chamber of Manufactures at their Hunter Street office. There was an initial group of fourteen companies who participated out of an interest in how collaboration might assist local manufacturing firms achieve and sustain competitive advantage. The meeting involved discussions about how to create a network of local small firms engaged in engineering and manufacturing. Strategic planning support was provided by academics from the University of Newcastle Business School, Dr. Michael Polonsky and Dr. Bill Merrilees (Eckford, 2002).

By 19 August 1992, it was agreed that a co-operative would be the most appropriate business structure for HunterNet with all members paying a fee of \$1,000 to fund the entity and cover the costs of its operations. This included organising the networking activities and marketing the co-operative in order to recruit new members. In addition to the support provided by the Chamber of Manufactures and the University of Newcastle, the co-operative received assistance from the Metal Traders' Industry Association (MTIA), which enabled HunterNet to secure operational funding (Eckford, 2002).

On 11 December 1992 HunterNet was formally incorporated as a not-for-profit (non-distributing) co-operative, registered with the NSW Registrar of Co-operatives. The inaugural board of directors comprised De Iuliis as Chair, Gene Van Aardt as Secretary/Treasurer, and Eric Kreutzer, Terry Askew, Neville Sawyer, Allan Clair, and Brad Scott as directors (Eckford, 2002a).

Among the key challenges facing the board in this early phase were the need to set clear business plans and identify the essential capabilities that the co-operative would need to achieve its strategic goals. According to one assessment of the board's activities at the time,

*"In recognising the role of HunterNet as selling combined expertise and the ability to work together, they urged members to put forward a primary or 'head' company in joint ventures to act as the main contact point (Eckford, 2002, p. 5)."*

The co-operative was officially launched on 2 September 1993, aboard the ship South Steyne moored in the Newcastle docks (see Figure 1). It was chosen because it was the only venue available at the time (De Iuliis, 2022). The event was attended by 180 people and buoyed up by a \$30,000 seed funding grant provided by the Australian Federal Government and facilitated through the office of the NSW Minister for Small Business and Regional Development, the Hon. Ray Chappell MLA. This was provided to assist the co-operative with its launch and business development operations (Eckford, 2002). The Vice Chancellor of Newcastle University, Dr Ken Moss officially launched the co-operative (Eckford, 2002a).

In reporting on the event, *The Newcastle Herald* made the following comments,

*"The fledgling engineering network group HunterNet, which was officially launched in Newcastle last week, is an organisation long overdue in this region. HunterNet, an alliance of 20 specialist engineering, manufacturing, electrical, and consulting companies, has*



*dedicated itself to pursuing major contracts for Newcastle that would be beyond the scope of individual firms. In doing this, it has set about replacing the stale 'jobbing' mentality that has dogged Newcastle industry for decades with an atmosphere of cooperation and information sharing that will be a welcome breath of fresh air for the city (Newcastle Herald, 1993)."*



(Source: Newcastle Morning Herald, 3 Sept 1993)

**Figure 1: HunterNet Launch, 2 September 1993**

By early 1993 there was much enthusiasm among the co-operative's members to use their newly acquired collective bargaining power to bid for work in major projects. These included the construction of the Redbank Power Station, and the construction of six *Huon*-class (732 ton) naval coastal minehunters for the RAN. Both of these projects were forecast to commence from 1994. Although the naval shipbuilding project did proceed with production running from 1994 to 2003, the power station project was stalled in 1994 due to legal challenges by environmentalists over the plant being coal fired (NSWLEC, 1994). Nevertheless, HunterNet was subsequently able to secure contracts for its members in the construction of the power station and became the single point of contact for Australian Defence Industries (ADI), in relation to the construction of the minehunters. This generated over \$8 million in contracts for some of the co-operative's members (Eckford, 2002).

As part of its foundation principles, the co-operative was committed to the pursuit of its three primary aims:

- i) to develop the members' capabilities;
- ii) to facilitate new market opportunities; and
- iii) to reduce the cost of supplying services.

However, the board recognised the need to create a database of all the skills and capabilities of its member companies. It was important to know which firm possessed what competencies and



resources so that cooperative projects could be planned and executed. Further, the mistrust and competitive culture inherent in the local manufacturing community remained an obstacle. According to De Iuliis, as the founding Chair,

*“What the hell is a network? We were all competitors. It took the first twelve months to get an understanding of what the hell we were all about (Eckford, 2002a, p. 16).”*

### MANAGING A MULTI-STAKEHOLDER CO-OPERATIVE

As De Iuliis recalls, the management of the co-operative was not easy in the early years. This was primarily due to the nature of the co-operative’s underlying business model. Rather than having one common type of member, with similar needs, HunterNet is a multi-stakeholder co-operative, with many different types of members, who do not always have common strategic goals and needs. This makes governance and member engagement challenging, requiring organisational flexibility and the need to separate ‘stake-holding’ from ‘membership’ (Levi, 1998). De Iuliis remembered the situation as follows,

*“I was appointed as Chairman when I was absent and nobody else wanted to be the Chair. So, I took that on as a challenge because it was a thing that had to happen. What happened from that point was that we had a lot of people coming in and a lot of people going out, because some of the bigger firms weren’t interested in collaboration because they felt that it was giving away secrets. However, there was a desire from the smaller firms to look at how to get united (De Iuliis, 2022).”*

This multi-stakeholder challenge quickly manifested itself and by the end of 1993 HunterNet had restructured its membership model from one class of members all paying \$1,000 per year, to a multi-layered structure with members, associates, and sponsors of the co-operative. *Members* were locally based, mostly small firms, while *Associates* were manufacturing companies that were active within the Hunter region but located outside the area. *Sponsors* were non-manufacturers who were locally based and included professional advisory and services firms in areas such as accounting, legal, consulting, and education. This model has continued to the present and allows the co-operative to remain focused on supporting local SME manufacturers, while also engaging other key stakeholders (Eckford, 2002).

### FORMAL QUALITY ASSURANCE AS A CATALYST FOR COOPERATION

The early 1990s was a period in which formal Quality Assurance Management Systems (QAMS) such as the ISO 9000 certification were becoming established globally across all industries, with a particular focus on SMEs (Boulter & Bendell, 2002). However, the complexity of the process, its cost, and the indirect effect of its impacts on productivity, efficiency, and profitability resulted in low adoption rates by SMEs in Australia (van der Wiele & Brown, 1997).

With the implementation and accreditation process taking between 12 and 16 months for most SMEs, adjustments to the training process had to be made by the Australian Quality Council (Brown et al., 1998). Despite these challenges to the adoption of QAMS by small manufacturers, it was this drive for formal ISO/ASA quality accreditation that helped develop the business model of HunterNet.

In keeping with the global drive for formal quality assurance the major local manufacturers, e.g., BHP, Tomago Aluminium, and A. Goninan & Co. Ltd., pushed for formal QAMS accreditation by their suppliers. This coincided with the launch of HunterNet, and the co-operative's aims to promote collaboration and networking between the smaller firms to improve quality and secure contracts (Eckford, 2002a).

As previously discussed, although the co-operative had successfully launched, things did not initially go smoothly for HunterNet due to its multi-stakeholder model, and the need to overcome the culture of competition rather than collaboration that had become entrenched in the local business mindset. According to De Iuliis, the transformative moment was in 1993 when John Fitzgerald, CEO, Chris Huggins, Group General Manager (Engineering), and Harvey Knox, Marketing and Development Manager, of A. Goninan & Co. Ltd., offered HunterNet the opportunity to visit the company's premises and learn about how they had set-up their QAMS processes, and how they worked. At that time, Goninan & Co. was Australia's leading designer and manufacturer of railway rolling stock, employing around 300 people.

Founded in 1899 by Alfred Goninan, the company provided manufacturing services to the local Newcastle coal industry and diversified into general engineering, plus agricultural machinery, and equipment. By 1900 the company, with only 12 employees, secured a contract to manufacture 100 eight-ton coal wagons for the Rhondda Colliery. Over the next two years the workforce had grown to 90 people, and by 1905 the business had incorporated. The company grew steadily and made a range of goods including tramcars, railway trucks, components for refrigerators, and even plastic margarine tubs. It was acquired by United Constructions Ltd. in 1999 and became UGL-Rail (UGL, 2022).

De Iuliis, as Chair of HunterNet, and CEO of Waratah Engineering, understood the growing pressure from the major companies for its contractors to implement formal QAMS processes and secure ISO 9000 accreditation. However, as he explained, few firms understood what this was,

*"At the time there was pressure on firms to embrace quality assurance. However, none of us could understand what it meant, and the ones that did understand it didn't want to tell anyone, because they felt that it was their competitive advantage (De Iuliis, 2022)."*

Nevertheless, the offer by the senior managers of A. Goninan & Co. to open up their factory to smaller suppliers proved a key turning point for HunterNet.

*"So, they explained clearly how quality assurance was working in their factory. They had just spent two and half years putting this system in place. So, they invited us to go and have a look, and that was our turning point. Because it was the first time that a larger company than us small ones, had lowered their guard and showed us how to perform better. And the first time that a purchasing officer wasn't involved in trying to screw you down with a price (De Iuliis, 2022)."*

This generosity from a large customer firm served to not only transmit knowledge about the QAMS process, but also to build trust between the small firms and this larger company. The experience was quickly shared among the co-operative's members and helped to boost momentum and encourage members to join. As *The Newcastle Herald* observed at the time,



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*“After years of zealously keeping their management styles, ideas and innovations under wraps, the concept of sharing them with perceived competitors must have been difficult to overcome. But a visit by HunterNet members to Newcastle’s biggest engineering firm, A. Goninan & Co. at Broadmeadow, helped drive home the benefits of cooperation. In a move that would previously have been inconceivable, Goninan showed HunterNet members through its plant and gave them tips on seeking quality assurance. In many months since, HunterNet has grown, and its members have prospered through a collective approach to problem solving (Newcastle Herald, 1993).”*

As De Iuliis explained, a challenge for the early development of HunterNet was the lack of a common foundation of sharing. Prior to the visit to Goninan’s factory the network didn’t really have anything to share, or to do together. However, after the site visit, *“everybody got excited and became a member.”* A key legacy of the Goninan site visit was the creation of a regular Quality forum held once a month where all members could discuss and work through the QAMS process collaboratively. According to De Iuliis,

*“This was a big step. It changed the picture and inspired others. ... The lesson learned was the value of identifying a common problem that could be worked on together. It breaks down the barriers. Certification was a challenge for all, but it promised access to valuable national and international contracts Eckford, 2002a, p. 17).”*

## KNOWLEDGE AND NETWORKS, A FOUNDATION FOR SUCCESS

Developing the member value proposition (MVP) for HunterNet evolved steadily and grew from the lessons it took away following the site visit to A. Goninan & Co. It became apparent that a key role of the co-operative was the enhancement of its members’ business capabilities and the associated workforce skills, via a continuous process of developing knowledge and networks.

### AN INITIAL COLLECTIVE TENDERING

According to De Iuliis, the experience of the visit to the Goninan factory encouraged the members to collaborate in a collective tendering for the manufacture of large rail cars for an iron ore mining customer led by A. Goninan & Co. The small firms in the co-operative could not undertake this work alone, so ten members submitted a collective bid by via the co-operative seeking a contract for \$50,000 to undertake some of this work. As he noted:

*“It was clear that you had to have size to secure this type of contract, and scale in order to get the profits from this work (De Iuliis, 2022).”*

Sharing the workload among ten firms rather than each individual company trying to develop separate bids made the tendering process easier. This provided significant impetus for the development of the co-operative. However, the tender was unsuccessful because the prime contractor, A. Goninan & Co. withdrew and proceeded alone.

This was due to Goninan having acquired a smaller engineering firm, which had refused to join the HunterNet, but then fell into bankruptcy leading to its trade sale. This acquisition provided Goninan with all the facilities that the ten small firms collectively tendering via the co-operative were offering. Although this initial attempt at collective tendering was unsuccessful its legacy was

to change the mindset of the managers within the co-operative's member firms. As De Iuliis explained:

*"Well, the mindset was to work together with others. Don't look at just what all you could get, look at how you can make one-plus-one equal three, not two (De Iuliis, 2022)."*

### SHARING KNOWLEDGE OF BEST PRACTICE

The ability to share knowledge within the existing members was a key to the co-operative's success at creating member value (Eckford, 2002a). At the local level, this process involved arranging regular site visits where selected members would open their doors and host other members to learn about their firm's operations and workplace activities. Additional tours were arranged to visit the Royal Australian Air Force (RAAF) base at Williamstown located just 15 kms north of Newcastle, and the Singleton Australian Army base located 74 kms to the northwest. These visits provided members with insights into defence contract opportunities. They focused on getting local manufacturers to think long-term about exploiting opportunities within the Hunter region, rather than just seeking short-term 'jobbing' projects (Eckford, 2002).

De Iuliis considers the site visits to member's workplaces as important as the trips to military facilities and even international trade shows. These become monthly events involving 20 to 30 member companies, and around one hundred people attending. Members who hosted these visits reported their successes and showed the other members examples of how to innovate, win, and succeed. In addition, these events were valuable opportunities for networking, with members sharing contacts, and they usually involved students from the university, and apprentices (De Iuliis, 2022). According to HunterNet founder-director Neville Sawyer, who was also a Secretary and Treasurer of the co-operative,

*"Education was the thing – educating contractors, how they should market their companies, the things they should talk about, their areas of excellence, how they should work together, not do it as a separate entity (Eckford, 2002a, p. 21)."*

This resulted in the co-operative developing a new business plan for 1994 that focused on the long-term development of its members skills and capabilities. It recognised that the emphasis of its work was to encourage common problem solving, the sharing of ideas and best practice approaches between members, and across the wider supply chain network including suppliers and customers. This process identified the needs of key suppliers and leading customers, with the collaboration among the members leading to outcomes that were better suited to supplier and customer needs. It also improved knowledge flow through the member network that helped stimulate innovation, and the identification of opportunities for new business (Eckford, 2002).

The process also included visiting guest speakers, plus trips to international trade shows and tours of best practice companies. For example, HunterNet arranged for its members to participate in the Hanover Trade Fair in Germany (18-28 April 1994). German company Mannesmann DEMAG (est. 1875), a manufacturer of compressed air tools and equipment, hosted the HunterNet delegation. This trip introduced the members to a wide range of engineering concepts and new business opportunities (Eckford, 2002).

Further trips of this kind to Germany, as well as Singapore, and Hong Kong enabled the members to attend trade shows and visit factories. In 1995 HunterNet sent another delegation to participate in the Hanover Trade Fair (31 March to 9 April) where a visit to the German firm Bosch Rexroth occurred. Rexroth (est. 1795) is a global leader in hydraulics, electric drives and controls, linear motion, assembly technologies, and associated systems used in factory automation, mobile machinery applications and engineering. This company is a major designer and manufacturer of advanced mobile manufacturing technologies (Rexroth, 2023).

Bosch Rexroth hosted the visit by HunterNet, which provided the members with knowledge of how a best practice firm managed workplace relations with its employees. It led to an alliance being formed with the German company, which brought these technologies into Australia via local agents (De Iuliis, 2022).

Within Australia, HunterNet participated in the Australian Engineering Exhibition (AIEE) held at Sydney's Darling Harbour from 30 May to 3 June 1994. It was the first major promotional activity undertaken by the co-operative (see Figure 2).



L-to-R: Mr Tony Masters, Mr Ian King, Ms Bernadette McGee, & Mr Ken Hullick

(Source: Newcastle Morning Herald, 4 June 1994)

**Figure 2: HunterNet delegation to AIEE 1994, Sydney**

These activities led to the realisation within the co-operative that collaboration was not only beneficial for tendering, but also for knowledge exchange, networking, and the enhancement of innovation. De Iuliis explained how this generated the concept of “The Power of Many”, which has become the mantra of HunterNet,

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*"This process created opportunities for collaboration with other companies, for doing things together. So that is how everything started to grow (De Juliis, 2022)."*

## PROMOTING BEST PRACTICE AND SECURING A SUSTAINABLE FUTURE

In July 1994 HunterNet secured a Federal Government grant of \$250,000 to deliver best-practice programs in six of its member companies. The grant was 'seed' funding that was to be matched by participating companies on a basis of \$4 for every \$1 of government funding. It was designed to enable HunterNet to expand its operations into pursuing more sophisticated project work for its members. During the same month, the NSW Department of State and Regional Development (DSRD) provided the co-operative with another grant of \$225,000 over three-years, as well as office space within the Department's offices in Newcastle. The grant was awarded to HunterNet by the NSW Minister Ray Chappell. It required the co-operative, within three years, to become financially self-sufficient (Eckford, 2002). It was now imperative that the HunterNet business model be developed to ensure that it would make best use of the grant funding and achieve financial self-sufficiency by 1997. The ability to move into the office space provided by DSRD gave the co-operative a home and a physical identity.

An official opening of the new office at 251 Wharf Road Newcastle took place on 26 September 1994, with over 170 people attending. They comprised not only the members of the co-operative, but also politicians, other industry representatives, and the media. The Minister, Ray Chappell delivered the formal address associated with the opening, and this was responded to by the HunterNet Chair, Joss De Juliis. A benefit of the new office, was that it was in the same building as many key government departments and agencies, including DSRD, Austrade, Hunter Export Centre (HEC), Hunter Economic Development Corporation (HEDC), and the Industrial Supplies Office (ISO) (Eckford, 2002). This facilitated the co-operative's ability to foster relationships with all these organisations in its role as an advocate for its members.

Throughout 1994 and 1995 HunterNet continued to engage its members through networking, participation in local and international trade shows, and the promotion of best practice and QAMS. More of its members were becoming formally quality assured, with considerable progress being achieved during the year. From a starting point of nine members with formal ISO accreditation in late 1993, virtually all members had been formally accredited by the end of 1994. HunterNet was teaching its members how to implement best practice project management skills (Eckford, 2002).

## COLLABORATION WITH LOCAL EDUCATION INSTITUTIONS

HunterNet developed close working relationships with key local education institutions quite early. The first of these was the University of Newcastle, which, as discussed earlier, had been active in trying to assist the economic and social transition of the Hunter region following the departure of BHP and other major companies. The University became a founding Patron member of the co-operative. The main points of contact were the Business School and the Faculty of Engineering and Built Environment (FEBE). As noted by Professor Carter, the Pro-Vice Chancellor of FEBE,



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*“The University was originally established to serve the local community, to educate its citizens, train its professionals and act as a conduit for new ideas and best practice, so it was only natural that it should support the aims and goals of HunterNet. Community service is our common bond (HunterNet, 2012a, p. 21).”*

In addition to the University of Newcastle, the co-operative developed a close relationship with the Hunter Technical and Further Education (TAFE) College (Hunter TAFE, now Hunter Institute), which is the main provider of vocational and education and training (VET) in the region. It became a strategic partner in the HunterNet Group Training Company (HNGTC), now trading as HunterNet Career Connections (HNCC), which was established in 1996 to provide apprentice training and management for its members in the aftermath of the closure of the BHP steel works. Rob Wolter, Faculty Director, Industry and Natural Resources, Hunter TAFE, was quoted in the HunterNet 20<sup>th</sup> Anniversary history as saying,

*“Hunter TAFE is proud of the long-standing relationship with HunterNet as a patron member. Our staff play active roles in all the sub-committees of HunterNet including the Training Committee. We also have representation on the HunterNet Group Training Company Board. This partnership has allowed Hunter TAFE to respond quickly to any training needs of the membership, providing quality training solutions and advice (HunterNet, 2012a, p. 21).”*

## GOVERNANCE

The HunterNet Co-operative Limited is a non-distributing co-operative registered with the NSW State Registrar and operates under the Co-operative National Law (CNL) 2012. In keeping with this legislation HunterNet is governed by a Board of Directors who must meet specific eligibility criteria as outlined in the company rules (Constitution),

*“A person is entitled to be elected to the Board provided if the person:*

- *41.1 is an individual over the age of 18 years.*
- *41.2 supports the objects and primary activities of HunterNet.*
- *41.3 has not been disqualified from being a director of a company or cooperative under the CNL or the Corporations Act.*
- *41.4 gives the Board their signed consent to act as a director. and*
- *41.5 is either nominated by an Active Member or qualifies as an Independent Director (HunterNet, 2019, p. 21).”*

## MULTI-STAKEHOLDER STRUCTURE

As explained earlier, HunterNet is a multi-stakeholder co-operative with a variety of membership types. This membership structure comprises *General* members, who are categorised in terms of how large the firms are (e.g., using employees as the size dimension) comprising large, medium, small, and associate (micro) members, as well as a founder member (e.g., University of Newcastle)

plus *Patron* and *Sponsor* members, which are service providers, and firms that provide specialist skills and leadership.

A feature of multi-stakeholder co-operatives is that the diversity of their membership can create issues of governance. Two types of multi-stakeholder co-operatives have been identified. The first are “*hybrid*” co-operatives, which are characterised by having general members who engage with the company via patronage and possess voting rights, and investor members, who do not have voting rights, but claim rights of ownership over their investments in the co-operative. The second type are “*community*” co-operatives, which comprise a variety of members with different patronage relationships, but who do share in the co-operative’s purpose (mission), and strategic goals,

*“In the ‘hybrid’ model the stake of the investor ‘non-user’ member is not in the pursuance of the cooperative’s main activity, but rather in maximising return on his investment. In the ‘community’ model, both members and non-members may not significantly differ in their motivation as stakeholders, due to their involvement as ‘users’ (Levi, 1998).”*

HunterNet is a ‘*community*’ type multi-stakeholder co-operative, and this alleviates some of the challenges of governance. While the needs and objectives of the various membership types within HunterNet are diverse, there is an overall consensus that the purpose of the co-operative is highly desirable and worthy of support.

## COMPOSITION AND LEADERSHIP OF THE HUNTERNET BOARD

In addition to the criteria for eligibility as a director, the composition of the board must also meet specific criteria designed to accommodate and manage the co-operative’s multi-stakeholder structure. These are stated in the Constitution as follows,

*“42.1 At any given time, the Board must:*

- *42.1.1 have no more than 9 and no less than 6 Directors.*
- *42.1.2 have no more than 5 General Directors.*
- *42.1.3 have no more than 4 Patron Directors.*
- *42.1.4 have no more than 4 Sponsor Directors, and*
- *42.1.5 have no more than 2 Independent Directors (HunterNet, 2019, p. 21).”*

With the composition of the board prescribed in the Constitution as outlined, the co-operative has consistently had board structures within these parameters with the exception that no independent directors have been appointed to date. However, over the past 30 years the board has changed from one with a predominately male group of directors who were managers of manufacturing and engineering companies, to one with a gender balance and a more diverse range of organisational backgrounds.

One of the most important roles within any board is the Chair, and over the years HunterNet has had an impressive line-up of Chairpersons who have provided the leadership and strategic

guidance for each phase of the co-operative’s history. Figure 3 lists these people from 1992 when HunterNet was established through to 2022. In the following sub-sections, each of these Chairpersons is briefly summarised against the major events of the co-operative.



(Source: HunterNet)

**Figure 3: HunterNet Chairpersons 1992-2022**

### *JOSS DE IULIIS (CHAIR – 1992-1994)*

The founding Chair of HunterNet, Joss De Iuliis, served from 1992 to 1995. As noted earlier, at the time he was the Managing Director of Waratah Engineering, a mid-sized Newcastle engineering business. He oversaw the foundation of HunterNet and the establishment of the co-operative’s business model, membership structure, and relationships with government agencies and local politicians. He was Chair during the workplace visit to A. Goninan & Co. by HunterNet members to see their QAMS systems, which led to the creation of the monthly Quality Assurance forums that served to advance quality across the membership. He also presided over the appointment of the first Business Managers Ian Hissey and Harvey Knox and oversaw the planning and development work that led to the establishment of the HunterNet Group Training Co., now HunterNet Career Connections (HNCC) (De Iuliis, 2022).

### *JOHN MCCOLL (CHAIR – 1995-1997)*

The second Chair of HunterNet, John McColl oversaw the foundation of the HNCC and the visit by Prime Minister John Howard and the launch of the HunterNet mentoring scheme and member capabilities directory. During his time as Chair, he worked with Business Manager Harvey Knox to strengthen the co-operative’s relationship with the University of Newcastle Business School, in order to give members access to executive education training courses in management, leadership, marketing and communications. In addition, the co-operative collaborated with the Hunter Export Centre to undertake a joint trade mission to Hong Kong, which secured export contracts for several member firms on a large rail project (Eckford, 2002).

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### *BOB COWAN (CHAIR – 1998-2000)*

The third Chair of HunterNet, Bob Cowan was the Managing Director of Cowan Engineering, a firm specialising in diving and recompression chambers, that supplied to the US Navy and other navies around the world. He had moved to Newcastle in 1973 and established his business joining HunterNet in its first year, and serving as a Director, Treasurer, and Chair. During his time the co-operative launched its new website in 1999 and funded a Software Engineering scholarship at the University of Newcastle. In addition, it introduced the *Model for Action* initiative focusing on the advancement of manufacturing within the context of the ‘knowledge economy’. This project was funded with a \$50,000 grant that involved undertaking an audit of the capabilities of the manufacturing sector within the Hunter region (Eckford, 2002).

### *JOHN COYLE (CHAIR – 2000-2001)*

The fourth Chair of HunterNet, John Coyle, joined the co-operative in 1996. With an education background in economics, marketing, and advertising. He had worked with large manufacturing firms before moving to Newcastle in the early 1990s to establish his own manufacturing business. As Chair he oversaw the implementation of the *Model for Action* program and the securing of financial independence for HunterNet as a result of the expansion of its membership base, and the inclusion of patron, sponsor, and affiliate member companies. This was accompanied by a review of the HunterNet business plan, which was a response to an economic slowdown in 2000 that led to a decline in membership (Eckford, 2002). In addition to being Chair, he served as the Executive Director of the HNCC. Then, in October 2001, following the death of Harvey Knox, he stood down as Chair and assumed the role of Business Manager. He was made a life member of HunterNet for his contributions. In addition to his work with HunterNet he was active in the Australian Industry Group (AIG), becoming the regional representative of the organisation (Coyle, 2022).

### *STEVEN SMITH (CHAIR – 2001-2002)*

The fifth Chair of HunterNet, Steven Smith was the Managing Director of Advitech, a provider of consulting services in the fields of engineering, environment, project management, risk, and compliance. With an education background that included a First Class Honours in Mechanical Engineering, his specific areas of expertise included problem analysis, feasibility investigations, engineering assessments, risk management, project development and project management. In his role within Advitech he oversaw the full range of the company’s professional services, and also those of its partner companies Novecom, Acubis and SMS, which form the Emergent Group (Advitech, 2023). He joined the HunterNet board in 1999 and served as a director until 2006. During his time as Chair, he worked to promote and support the local manufacturing sector within the Hunter region. This included the *Make it in the Hunter* program that was undertaken in conjunction with the Hunter Economic Development Corporation, the Commonwealth Regional Assistance Program, and NSW DSRD (HunterNet, 2003). He was Chair at the time of the co-operative’s 10<sup>th</sup> Anniversary celebrations. In addition to these roles, he was Chairman of the Hunter Manufacturing Awards from 2017, and a member of the Course Advisory Committee for the School of Mechanical Engineering at the University of Newcastle.

### *PHIL HIRD (CHAIR – 2003-2004)*

The sixth Chair of HunterNet, Phil Hird, of Tyton Conveyors, joined the board in 1996, and served as Treasurer in 2000, and Vice Chair in 2001 before taking on the Chair position. During his time as Chair, he oversaw the introduction of the *Innovate the Hunter* program run in association with the NSW DSRD, AusIndustry, and the Commonwealth Regional Partnerships Program. This was an evolution of the *Model for Action* program and demonstrated the continuing focus within the co-operative on enhancing innovation within the Hunter region's industries (HunterNet, 2004a).

### *JEFF PHILLIPS (CHAIR – 2005-2006)*

The seventh Chair of HunterNet, Jeff Phillips was Managing Director of Varley Engineering, located at Tomago, NSW. This company was founded in 1886 as a plumbing and boiler-making business by George H. Varley. A family business, Jeff is the son-in-law of Clem G. Varley Jr, great grandson of the founder. Today it is a diversified engineering business with operations in defence, rail, and road transportation, plus emergency service vehicles. Having grown up in Taree on the NSW North Coast, he completed an electrical engineering traineeship with BHP steel works and joined the Varley Group Aerospace division in 1993. By 1995 he was Managing Director of the Varley Group, and grew the business to over 1,000 employees, with multiple sites across Australia and around the world (Varley, 2023). As Chair of HunterNet he continued to promote the development of the local manufacturing and engineering firms in the Hunter region, pursuing the *Innovate the Hunter* program's goals (HunterNet, 2006).

### *KEN BROWN (CHAIR – 2007)*

The eight Chair of HunterNet, Ken Brown was Director, Business Development & Special Projects Bureau Veritas, CCI Pope Pty Ltd. He joined the board in 2004 and served as Vice Chair during 2005 and 2006 before becoming Chair in 2007. During his time as Chair, he oversaw the implementation of the *Strategic Skills Program*, which was undertaken in conjunction with the Industry Partnerships' NSW Department of Education and Training, State Training Services (HunterNet, 2007). He is not shown in Figure 3 due to an absence of quality photos of him within the available records.

### *NICK KILLIN (CHAIR – 2008-2010)*

The ninth Chair of HunterNet, Nick Killin was Development Manager, GHD. He grew up in regional NSW and worked within the BHP steel works as an engineer managing their factories for 18 years before joining the Hunter Valley Research Foundation. He worked with Harvey Knox on the development of the Hunter region rather than just focusing individual firms. His vision for the HunterNet was to make the co-operative more a regional initiative than just a network of local manufacturers. During his time as Chair, he oversaw the Enterprise Connect, *Workshops, Industry, Intelligence & Networking* (WIIN) Program that ran from 2009-2010. In addition, he presided over the integration of the HunterTech Network which merged with HunterNet in 2011. This enhanced the role of information and communications technologies (ICT) dissemination and development within the co-operative's membership network (HunterNet, 2009).

### *RICHARD EVERLEIGH (CHAIR – 2011-2013)*

The tenth Chair of HunterNet, Richard Everleigh was the Managing Director of Nepean Longwall Pty Ltd. A graduate mining engineer, he worked in the underground coal mining industry in the

*Co-operative Enterprise Research Unit (CERU)*

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United Kingdom (UK) from 1973, which included working for the National Coal Board of the UK. He joined the Dowty Group, a major manufacturer of longwall mining equipment, and worked in Europe, South Africa, and Australia. In 1984 he migrated to Australia where he continued his career in senior management in the supply side of the longwall coal mining industry. He founded Inbye Mining Services Pty Ltd. in 1997 and grew the company, which was then acquired as Nepean Longwall Pty Ltd., specialising in locally designed and manufactured specialist longwall mining equipment (HunterNet, 2012b). He was Chair at the time of the co-operative's 20<sup>th</sup> Anniversary celebrations (HunterNet, 2012a).

#### *JOHN GAMBRILL (CHAIR – 2014-2015)*

The eleventh Chair of HunterNet, John Gambrill was Project Manager for Mullane Construction Plumbing, a role he commenced in 2014. Prior to this he had more than thirty-years working in maintenance, construction, and fabrication industries providing services for the power, steel, aluminium, waterfront, utilities, and mining sectors. He joined the Newcastle Field Maintenance Division of BHP in 1994 as a Site Manager, and the following year was appointed to the position of General Manager, Newcastle Field Maintenance, a role he performed until 2013. In his career he worked as a mechanical and project engineer for BHP, the Electricity Commission of NSW, and ABB Constructions. Prior to joining the HunterNet board, he was Vice Chair of the Hunter Manufacturing Council and a member of the Hunter Industry Leaders' Council. During his time as Chair, he oversaw the roll out of the NSW EPA "Bin Trim" project targeting industrial waste and in encouraging recycling by manufacturers (HunterNet, 2014).

#### *MICHAEL SHARPE (CHAIR – 2015-2017)*

The twelfth Chair of HunterNet, Michael Sharpe is a resident of the NSW Central Coast, who holds an Advanced Diploma in Business and is a Fellow of the Australian Institute of Company Directors. His family business, Sharpe Bros (Aust) Pty Ltd. has operated for over 60 years. The business is a leader in the Australian roads industry where it provides innovative services for road surfacing, infrastructure maintenance operations. Sharpe Bros was awarded NSW Family Business of the Year and holds patents and trademarks for road machinery technology used to repair and maintain roads. He also founded the Sharpe Centre for Social Impact, and the Sharpe Bros Art Prizes. A Lifesaver at Avoca Beach Surf Club, he received the Rotary International Paul Harris Fellowship for community service. In addition, he held Directorships at the Central Coast Local Health District, Lifeline Hunter and Central Coast, and Masonicare New South Wales. A long-term member of HunterNet, he became a director in 2011 and served on the board until his appointment to the Chair. During his time HunterNet and HNCC relocated their offices to 755 Hunter Street, Newcastle during 2016, and celebrated its 25<sup>th</sup> Anniversary in 2017 (HunterNet, 2015; 2016).

#### *STEVEN TOLLEY (CHAIR – 2017-2022)*

The current Chair of HunterNet, Steven Tolley is a Project Director at John Holland Group where he developed extensive experience in rail, mining, aluminium, steel and contracting industries. This saw him become closely involved in the Hunter Business Community. Commencing with trade certificates in mechanical engineering, he later completed a university degree in mechanical engineering, an MBA, and a CPPD from the Australian Institute of Project Management. He has extensive experience in heavy industry, maintenance, and manufacturing. However, he moved

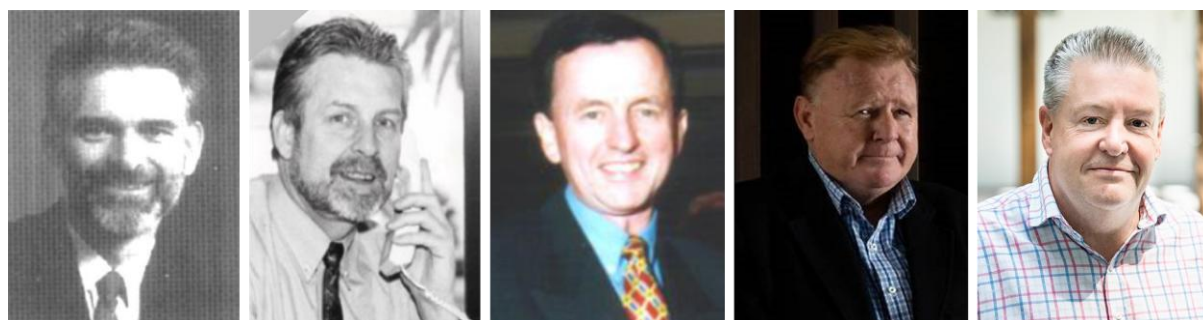
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into a professional services consultancy business, Boleh Consulting as the Chief Operating Officer. The company has offices in Newcastle, Sydney, and Melbourne where it provides strategic, engineering, project management and commercial support to firms in heavy industries. Prior to this role he held senior roles with Pacific National, Thomas & Coffey, Thiess, and Downer. He is committed to the HunterNet vision of becoming a leading regional and national industry peak body and is focused on developing the growth and prosperity of the industries within the Hunter region to position it as a globally competitive industry cluster (HunterNet, 2017).

## BUILDING CAPABILITY WITH PROFESSIONAL MANAGERS

Another important development was the appointment of a full-time Business Manager (what eventually became the Managing Director / CEO position) who could take on the role of managing and promoting the co-operative within the region and supporting the board in the implementation of the HunterNet business strategy. This role evolved over the decades into a CEO position, and at time of writing had seen five individuals serve as the co-operative's Business Manager/CEO since 1994 (see Figure 4).



L-to-R: Ian Hissey, 1994; Harvey Knox, 1995-2000; John Coyle, 2001-2012; Tony Cade, 2013-2020; & Ivan Waterfield, 2021-present

(Source: HunterNet)

**Figure 4: HunterNet Business Managers and CEOs since 1994**

### IAN HISSEY AND HARVEY KNOX

The first of these was Ian Hissey, who started the role on 18 July 1994. He was tasked with the job of promoting HunterNet across the region, getting to know the members and understand their needs, and overseeing the various programs and initiatives being undertaken by the co-operative. However, he resigned from the position at the end of the year, and was replaced with Harvey Knox, who had been the Marketing and Business Development Manager at A. Goninan & Co. He assumed the role on 31 January 1995 (Eckford, 2002).

The appointment of Harvey Knox provided HunterNet with a resolute and innovative leader who gave the co-operative a solid foundation for future growth. In addition to collaborating with the members, understanding their needs, and encouraging their engagement, he was also active in forging strong ties within government agencies, political circles, and the education and training sector. As summarised in the 20<sup>th</sup> Anniversary history of HunterNet,



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*"In 1995, Harvey Knox became Business Manager. He successfully sought greater media exposure for HunterNet, additional training and development opportunities for members, and a strategic focus on mining and power generation (HunterNet, 2012a, p. 18)."*

In his first few months in the job Knox was quoted as saying,

*"HunterNet is breaking new ground in terms of networking theory, and my task is to harness all of the energy of our members and present it to our customers in a form that they can understand (HunterNet, 1995)."*

During his six years in the role, Knox led the development of the co-operative's apprentice group training company HNCC, which not only assisted member firms to overcome labour and skills shortages, but also provided a valuable source of income to the co-operative. He also enhanced the overall marketing communications capability of HunterNet. This included overseeing the building of a website for the co-operative and delivering numerous public talks where he promoted the work and philosophy of HunterNet.

Another aspect of Knox's time as Business Manager was his engagement with the University of Newcastle. He had completed an MBA at the University's Business School. According to De Iulii, this enabled him to draw into the co-operative professors from the university to collaborate in providing strategic planning, lectures to members, and cooperative research projects that would benefit R&D within the network (De Iulii, 2022).

With his focus on innovation, he also developed a relationship with the Warren Centre for Advanced Engineering, an Australian engineering and scientific policy think tank established in 1983 to mark the centenary of the first university engineering lecture delivered in Australia by Professor Henry Warren at the University of Sydney in 1883 (Corbett, 2006). It is still located at the University of Sydney where it supports a Professorial Chair in Innovation (U Sydney, 2023).

In conjunction with the Warren Centre, Knox organised a series of round table industry forums titled, *Australia: Your Market*, which commenced on 27 March 1996, and comprised three forums over several months. These were focused on examining the future directions of manufacturing businesses in Australia. An outcome of these forums was a research agenda with attention given to economic conditions, the impact of the 2000 Sydney Olympics, and trends in the coal, oil & gas, and defence industries. From these forums Knox was able to generate a plan for HunterNet aimed at strengthening the region's industrial performance (Eckford, 2002).

With launch of the HNCC apprentice training company in 1996, Knox enabled HunterNet to provide direct benefits to its members in managing apprenticeships, as well as mitigating skills shortages. In the following year he introduced a mentoring program through the AusIndustry Networks initiative, that enabled members to share knowledge and skills. This included a single-volume directory containing member firm's capabilities. Also, in 1997 Knox drew upon his links with the University of Newcastle to develop a good working relationship with the newly established Graduate School of Business (GSB) that delivered the MBA program. Its Dean was Professor Scott Holmes and it enabled HunterNet to engage with both engineering and management skills and knowledge delivered by the university for the co-operative's members.

A major event for HunterNet at this time was a visit by the Prime Minister John Howard in July 1997. This focused-on manufacturing and training policies within the Hunter region. A major submission was prepared for the visit. This addressed key projects such as the Redbank Power Station. When the formal presentation was delivered by Knox it lasted less than twenty-minutes, but it proved effective and led to the Federal Government providing investments of \$30 million in projects to develop the manufacturing industry in the Hunter region (Eckford, 2002).



L-to-R: Charles Pope, Bob Cowan, Len Wohadlo (National Power), Harvey Knox, PM John Howard, Terry Askew, Phil Hird, Joss De Iuliis, & Roy Alper (National Power).

(Source: HunterNet)

**Figure 5: visit of Prime Minister John Howard to HunterNet 1997**

During the final years of Knox's time as Business Manager, HunterNet continued to expand its profile and network. In August 1998 the co-operative sent a trade delegation to Hong Kong that comprised nine member firms. It was part of the *Asia Opportunities Trade and Investment Mission* organised by the Hunter Export Centre. This generated contracts for these firms in the Hong Kong Mass Transit Railway Corporation (MTRC) Rail Project (Eckford, 2002).

In July 1999 HunterNet launched its first website, which would become an information portal for members and other stakeholders. This website continues play a key role in the co-operative's marketing and communications strategy. It also sponsored scholarships in software engineering at the University of Newcastle. During his final year, Knox oversaw the development of a *Model for Action* strategy, which outlined plans for development of the region's manufacturing sector (HunterNet, 2000). This was presented to DSRD in June 2000. Sadly, Harvey Knox died on 6 June 2001 at the age of 55 years. However, by the time of his death HunterNet had achieved financial



independence and it had all the foundations in place for future growth. His passing led to the establishment of the *Opportunity Knox Fund* (OKF), which raises money to assist others to improve their lives. As noted in the co-operative's 10<sup>th</sup> Anniversary history,

*"Harvey was a gifted and entertaining public speaker and was sought after to address many business and community groups to spread the word of HunterNet. He had the flair and ability to hold the attention of an audience, and inspire them to think laterally (Eckford, 2002, p. 21)."*

## JOHN COYLE

Knox was succeeded by John Coyle, a graduate in economics, marketing, and advertising, who had worked for leading manufacturers such as James Hardy and the Commonwealth Industrial Gases (CIG). He moved into the Hunter region in the early 1990s to establish a manufacturing business (machine shop and non-ferrous foundry) in Newcastle. As a "non-native" outsider in Newcastle, Coyle decided to join the Australian Industry Group (AIG), and the HunterNet in order to strengthen his networks.

Within the AIG he eventually took on the role of representing that organisation in the Hunter region. His engagement with HunterNet commenced in 1996, where he quickly met "like minded" people, and became interested in the co-operative's activities, particularly its focus on best practice and innovation. In addition, he saw the co-operative as a good opportunity for social networking, a sort of "club" for its members. He was elected to the board and became Deputy Chair, then Chair from 2000-2001. However, upon the death of Knox, he was approached to stand in temporarily as Business Manager/CEO, as he had recently sold his own business and had the time (Coyle, 2022). As he recalled,

*"So, I got involved with HunterNet and became very interested. I became a Deputy Chair, and then Chair, and sold my business in Newcastle, and they asked if I could stand in as Harvey Knox had passed away, sadly, and if I would stand in while they did a search? So, I did that and actually that lasted for about ten years! (Coyle, 2022)."*

He described the experience as "very interesting" and something that he had not previously done, but that was enjoyable and rewarding. Yet he acknowledged that at this time things were still difficult, with money being tight, a lack of members, and significant changes taking place within the region in the aftermath of the closure of the BHP steel works in 1999, plus ongoing issues within the shipbuilding industry. As he described those early years,

*"It was fairly tough to start I have to say. We were struggling a bit, money was scarce, and the number of members was not high. And we had the usual things, like a recession along the way. But the task was that things were changing rapidly in the Hunter region with the closing down of the steel works, and the shipyards had just about closed down, so, the Hunter had to find a new destiny (Coyle, 2022)."*

In Coyle's view the future direction that the Hunter region's industries might take to achieve long-term sustainability was not clear at that stage. However, their salvation came from the coal industry, which had become more viable as the price of coal was rising to around \$25 per ton driven by demand from China. The mission of HunterNet was identified as representing the

manufacturing industries of the region, particularly SMEs, and to assist these small firms to prosper.

Coyle was interested in innovation and noted that the overall level of R&D and innovation within the Hunter region at that time was not good. The dominance of BHP had resulted in a culture where the smaller sub-contractors would be given projects by the bigger firm, which set the parameters for design and production. This was a form of “jobbing” without long-term vision or even a clear sense of ownership by the sub-contractors. In Coyle’s view it comprised a sort of “club” overseen by BHP, and when the steel works closed and the big customer left town, the culture had to be reinvented (Coyle, 2022).

One of the initiatives that he initiated was the *Innovate Hunter Program*, comprising a self-assessment tool that enabled member firms to map their own innovation against a standard curve and identify areas requiring improvement (HunterNet, 2012a). This quest for innovation has continued. For example, in 2022 HunterNet launched an *innovation network strategy* with a *Strategic Roadmap* designed to engage members in a process of ensuring that the co-operative met their needs and served as a catalyst for innovation and industry growth (HunterNet, 2022a).

During his ten-years as CEO, Coyle’s attention was given to expanding the opportunities for the membership of the co-operative through pursuit of new industries. This included defence, mining, rail transport, and information and communications technologies (ICT). In relation to defence, potential was identified in targeting contracting work in the manufacture of ships and aircraft for the RAN and RAAF. These were all long-term, high-technology projects that required substantial planning and preparation within the co-operative’s membership (Coyle, 2022).

This eventually led to the creation of *Hunter Defence*, which has become a major program (Task Force) for the co-operative comprising a capabilities directory showcasing members’ areas of expertise within the defence sector, plus regular seminars and even conferences designed to share ideas, and showcase capabilities (HunterNet, 2021). Other areas targeted were rail projects led by UGL-Rail (formerly Goninan) and the Downer Group. The aim was to bring as much work as possible back to the Hunter (Coyle, 2022).

Coyle got on well with the NSW DSRD, who he described as highly supportive of what HunterNet was doing. He also forged strong relationships with the University of Newcastle and the Hunter TAFE (Coyle, 2022). The legacies of the first three Business Managers have been described as follows,

*“The history of HunterNet is in some ways the history of strong leaders, each with their own unique approach. Ian Hissey had the skills to nurture a fledgling organisation, Harvey Knox charisma secured support for his communication, training, and technology agenda. John Coyle has taken HunterNet to a ‘new level of professionalism’. Persistence also helps. One member comments ‘Harvey annoyed the crap out of us until we joined up!’ (HunterNet, 2012, p. 20).”*

## TONY CADE

In 2012, Coyle retired, and was replaced by Tony Cade, a prominent local businessman who was raised in Newcastle. Prior to joining HunterNet, he was the Group General Manager. Veolia

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Environment. His past experience included holding various senior executive positions with BHP steel, the Newcastle City Council, and the Hunter Waste Planning and Management Board. With university degrees in metallurgy and economics, Cade also completed executive education programs at the Harvard Business School, Wharton Business School, and IMD (HunterNet, 2018). He was described as follows,

*“Tony possesses strong leadership skills, a track record in developing and implementing business and strategic plans, has extensive experience in building business relationships, and is well connected with all three (3) tiers of government. Further, Tony has an extensive network of alliances and relationships with many charitable and community organisations (HunterNet, 2018).”*

Tony Cade was and is remembered by those who worked with him as, *“a committed leader who supported and helped local businesses to grow and succeed nationally, and more recently internationally (Swinton, 2020).”*

He is recognised as leaving a positive legacy and having helped guide the co-operative through the challenges of the Global Financial Crisis (GFC) of 2007-2009, as well as overseeing the restructure of the HNCC, which had tripled its enrolment numbers during his tenure as CEO. In addition, he provided an invaluable response during the COVID-19 pandemic of 2020, which impacted around 15 percent of the HGTC apprentices, who were unable to pursue their work placements due to the virus.

Sadly, Tony Cade passed away on 22 December 2020 at Mater Hospital, Newcastle at the age of 53. HunterNet director Steve Tolley, from the John Holland Group, who was asked to step into the CEO role following Tony Cade’s sudden death described him as follows,

*“Tony will be deeply missed. His dedication, determination, and commitment to HunterNet was extraordinary. ... Tony was also a great friend, colleague, and partner. Many of us who knew him professionally will remember, with gratitude, his support and friendship (Swinton, 2020).”*

## IVAN WATERFIELD

With the death of Tony Cade, HunterNet recruited Ivan Waterfield to take over as CEO. He brought to the role a strong education background in international project management, advanced manufacturing management, and operations management, as well as extensive experience in engineering, and manufacturing, particularly in rail transportation. This included having had senior roles in the United Kingdom, North America, Asia, and Australia for companies such as ABB Rail, Alstom Transport, UGL-Rail, Downer EDI Rail, and WesTrac (Waterfield, 2022).

He joined HunterNet as a member in 2003 when he was working with UGL and served as Chairman and Director of the HNCC from 2009, a role he resigned from when he assumed the CEO position in May 2021. Waterfield noted that although HunterNet had retained most of its members, it had lost its perceived value to many in relation to the services it was providing. Members were not paying fees due to a perceived lack of value. This was beginning to impact the co-operative’s cash flow with aged receivables becoming a problem. For example, there was around \$320,000 in unpaid membership fees, comprising around 64 percent of the total



membership revenue of \$500,000. He attributed this to members becoming disengaged. He considered the co-operative was at risk of becoming a “boiling frog.” As he explained,

*“That meant that we had inflated membership. Essentially people didn’t see the value. Yet, the opposite to that, and I always preach this to new members, if you are going to come onboard, (and I don’t propose any new member to join unless I am happy), you must be engaged. It is like joining a golf club and then not playing golf (Waterfield, 2022).”*

It should be noted that during the years 2020-2021 Australia was impacted by the COVID-19 pandemic, which affected many businesses within the HunterNet membership, reducing cashflow and making it difficult for members to meet their annual fees. This may explain some of unpaid membership fees.

In response Waterfield spent his first year undertaking a strategic review, to assess what the overall purpose of the co-operative was, and how members perceived the value that it offered them. He spent many days visiting members and personally met 93 of the then 114 members of HunterNet. His discussions focused on why the members were not feeling engaged, and how the co-operative might respond.

These meetings took place over coffee, lunch, and sometimes dinner. They were both one-to-one, and group-based, with around 10 people at a time attending. This led him to feel that he was getting a better understanding of the members’ perceptions of HunterNet,

*“So, I really felt that I had got a flavour of how the members viewed us, what we were doing, what we were missing. How do we need to improve (Waterfield, 2022).”*

With this data now available he brought the findings back to the HunterNet board. A key finding was that the members did not feel they were being adequately engaged. He described an example of this in relation to the general members’ meetings that the co-operative regularly held,

*“So, we have a general members’ meeting once a month, now what was happening was that the general members’ meetings were being held at the HunterNet office. You might have had 10 people turn up if you were lucky (Waterfield, 2022).”*

He noted that after the death of Tony Cade, and before he assumed the CEO role, acting General Manager, Boris Novak started holding the general members’ meetings at the members’ workplaces. This proved very popular and so it was implemented as a regular process. These members site visits have proven so popular that they have to set limits on the number of people who can attend as some members cannot accommodate more than a certain number.

These meetings are now focused on the host firm explaining about its activities, and the HunterNet advisors providing their input at the end. The host member provides a tour of the workplace, shows what they are doing. Any member who wants to can make a two-minute pitch, and any new members also get the opportunity to make a two-minute pitch. This, according to Ivan is doing what the members wanted and need (Waterfield, 2022). It was essentially a repeat of the original site visit to A Goninan & Co. back in 1993.



In summarising his contribution to HunterNet since taking on the CEO role, Waterfield made the following comments,

*“So, I focused on a refresh of the brand, and updating the website to make it more member friendly. I then said, let’s have a review of what is our ‘charter’. So, we explored the vision, mission, and values properly. We focused on a purpose that said, we are here to be recognised as the leader and voice that drives sustainable economic development for our members and industry.”*

*“We help businesses grow, innovate, thrive, and we believe this starts with collaboration. So, by sharing ideas, collaboration, and delivering support, stimulating opportunities, industry alignment, build strong work communities, unlock the business acumen, and create brighter futures for all. So, we went back to basics and said that is what we’re here for (Waterfield, 2022).”*

The history of HunterNet over the thirty years from 1992 to 2022 is essentially a story of how businesspeople from the Hunter region learnt to network, develop mutual trust, and cooperate around a common purpose. However, its success as an organisation was made possible by the hard work, dedication, and passion of its directors and advisors.

## MEMBERSHIP AND MEMBER ENGAGEMENT

In keeping with its multi-stakeholder structure, HunterNet has several types of membership. As discussed earlier, this structure emerged very early in the co-operative’s life. HunterNet has three broad membership categories comprising general, sponsor, and patron members. These are summarised in the following sub-sections.

### TYPES OF MEMBERS

In 2022 HunterNet had 85 general members comprising, 8 large, 17 medium, 38 small, 21 associate, and 1 foundation member. This foundation member is the University of Newcastle, which has historically been a key strategic partner for the co-operative. In addition, there were 25 sponsor members, and 20 patron members (Waterfield, 2022).

### GENERAL MEMBERS

This class of member must operate a business actively within the Hunter region and be directly involved in a relevant area, e.g., defence, manufacturing, energy and resources, infrastructure and asset management, environment, and sustainability, medtech and agribusiness industries. They must also be committed to quality management and innovation, and the process of continuous improvement. There are five categories of general membership:

- Large (>50 employees), who pay \$6,800 per year.
- Medium (21-49 employees), who pay \$5,500 per year.
- Small (6-20 employees), who pay \$3,900 per year.
- Associate (1-5 employees), who pay \$1,900 per year, and
- Foundation.



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### *SPONSOR MEMBERS*

This type of member pays \$4,700 per year and must be service providers to the key industries that are targeted by HunterNet (e.g., defence, manufacturing, energy & resources, infrastructure & asset management, environment & sustainability, medtech, and agribusiness). They may join as and when the Board determines this is appropriate, and in line with the sponsorship policies of the co-operative. Further, as noted above, the Constitution requires that the number of existing Sponsor Members must be equal to or greater than one-third of the number of General Members.

### *PATRON MEMBERS*

This type of member pays \$7,900 per year and comprises firms that due to their leadership and influence in their business areas, can contribute particular skills, knowledge, advice, influence, and assistance for the effective implementation of the policies and activities most suited to achieving the co-operative's objectives.

### THE BENEFITS OF MEMBERSHIP

HunterNet provides a range of services to its members. These include assisting them to develop their business networks through introductions and collaboration opportunities. In addition, the co-operative assists members to find business opportunities such as entering into new markets or securing contracts in existing ones. To this end, HunterNet helps members with expert guidance over preparing tenders and the associated documentation and presentation skills that are required for success. The co-operative also offers a range of consulting services such as business development, marketing and communications, business systems and processes, work health and safety training, innovation, leadership development, and environmental, sustainability and governance (ES&G). Finally, HunterNet facilitates networking events, and export advice.

The HunterNet website contains a list of the benefits that come from membership. These are summarised as, "*Collaborate, learn, share and grow*" with the following explanations,

- ***Learn from the best*** – *Take first-hand insights and knowledge from some of the most experienced minds in industry – from defence to manufacturing.*
- ***Grow your capabilities*** – *Tap into a wide range of support to grow your business capabilities while ensuring the safety and wellbeing of your people.*
- ***Step up your networking*** – *Gain an open invite to fun, authentic, and informative events. Open critical doors and feel genuine fellowship.*
- ***Idea spark with innovators*** – *Be introduced to fellow business innovators in the Hunter and beyond. You share ideas; we'll help make them happen.*
- ***Help industry succeed*** – *By increasing the size and clout of our network, you help to make advocacy and industry growth and change possible (HunterNet, 2022b).*

### MEMBER ENGAGEMENT ACTIVITIES

The co-operative also uses a customer relationships management (CRM) software tool (HubSpot) to track its members. This provides data on what Waterfield (2022) describes as "touch points" (e.g., meetings with members). He, and the other HunterNet advisors, aim to have regular contact

with members, which usually involves a meeting of about two hours, where the discussion is focused on whether the member feels they are getting value from their membership, and how the co-operative might do more to help them get more value. During any given month, around 23 members are engaged in such meetings. These processes ensure regular communication between the co-operative and its members.

As Waterfield explains the member engagement process,

*“We will spend a good two hours with a member, because it is interesting. This fills most of my time during a month. So, we talk to them about: Are you getting value? What can we do more? Is there anyone critical that you need us to connect you with? Is there any advocacy stuff that you want raised? (Waterfield, 2022).”*

The outcome of these meetings is tracked in the CRM system, and this provides useful metrics for engagement and interaction. HunterNet also uses feedback questionnaires to capture member perspectives on how the co-operative can add more value to members. This data is regularly reported to the Board. All information is recorded in the database of the CRM and allows the HunterNet management team to review each member’s satisfaction, and the history of this member over time. From this data, board reports are generated and the key ‘litmus tests’ can be assessed, and areas that should be focused on to support the co-operative’s value to members can be identified.

#### *OBSERVATION: WHY MEMBER ENGAGEMENT IS IMPORTANT*

Co-operative and Mutual Enterprises (CMEs) are member owned and focused entities, and their financial viability depends on the loyalty and engagement of its members (Mazzarol et al., 2019). However, although CMEs appear to have a superior potential ability to engage members and engender loyalty, this does not automatically translate into these outcomes.

A major study that compared engagement between CMEs and their members, and investor-owned firms (IOFs) and their customers provides useful insights (Mazzarol et al., 2022). The study surveyed 856 people across Australia, with the sample divided between 451 active members of CMEs, and 405 active customers of IOFs. The sample demographics provided a reliable representation of the general population. The research assessed member engagement and loyalty between the members of CMEs and the customers of IOFs.

The study’s findings suggest that when compared with their IOF counterparts, CMEs show significantly stronger levels of member engagement. This was particularly found in relation to the CME’s ability to engage members in four areas:

- **Engaging members’ attention** – e.g., generating member interest, awareness, and knowledge of the organisation.
- **Engaging members in a process of co-development** – e.g., involving members in the development of services via member feedback and suggestions.
- **Engaging members’ enthusiasm** – e.g., fostering member enthusiasm and passion for the organisation leading to their dedication and liking of it.



- **Engaging members through interaction** – e.g., having members actively participating in the organisation’s activities, interacting with other members, and exchanging with them knowledge and information about the organisation (Mazzarol et al., 2022).

However, the study found no statistically significant difference in overall loyalty between the CME members and the IOF customers, even though the CMEs were shown to possess superior member engagement (Mazzarol et al., 2022). This raises the question as to why, despite an inherently stronger ability to engage with members do many CMEs not translate this into enhanced member loyalty? As noted in the study’s conclusions,

*“The importance of strengthening member loyalty within CMEs has traditionally been addressed with ‘hard’ measures such as financial benefits (e.g., pricing, share ownership rights), and service quality. ... However, there has been an acknowledgement that ‘soft’ issues, such as identification with the CME’s purpose (e.g., economic, and social), active voice democracy, and collective ownership might also play significant roles. ... This may suggest CME members are more likely to feel engaged with their service providers in a manner that encourages them to co-create value, than might be common for customers of IOF service providers. From a practical perspective, this provides support for the view that CMEs offer a service environment that is more conducive to engaging members than is true in an IOF customer relationship environment (Mazzarol et al., 2022, p. 7).*

The answer to why and how CMEs can leverage their superior member engagement potential to generate greater member loyalty lies in how proactively the organisation focuses on the ensuring the alignment of member identity, with its purpose, and creation and sustainment of its perceived value to members. This is something that HunterNet has successfully pursued. Its member engagement processes and focus on understanding the needs of its members and how they perceive value, provides a good role model for other CMEs.

## PURPOSE AND THE MEMBER VALUE PROPOSITION

An important strategic issue for CMEs is the identification of a clear purpose, and member value proposition (MVP) that can engage and unite members, while providing the organisation with a strategic focus in its decision making (Mazzarol et al., 2018). Despite the significant progress made following its establishment in 1992, the challenge of maintaining the co-operative’s MVP continues. Further, as CEO Ivan Waterfield found, it requires a constant engagement between the members and the advisors to ensure that value being created.

A strong relationship must exist between a CME’s MVP, and the community of purpose and collective identity that exists between its members (Mazzarol, 2015). This has been summarised as follows,

*“Most organisations have mission statements that help to define their purpose and guide their behaviour. The same is true for CMEs but their mission statements should be developed into statements of purpose that reflect their economic and social objectives, and address how they can understand the continuous delivery of value to members. It is also important for CMEs to link their mission or purpose, to their member value proposition, and relate this to the seven principles and five values of the co-operative movement (Mazzarol, 2015, p.19).”*



The essential purpose of HunterNet has not changed since its establishment in 1992. Maintaining the local manufacturing industries of the Hunter region and the firms that operate there continues to be the co-operative's mission (purpose), and its vision of being the leader and principal advocate of the region's economic development and sustainability has also remained constant. The vision and mission statements of HunterNet are:

**Vision:** *To be a recognised leader and voice that drives sustainable economic development in industry.*

**Mission:** *We help businesses grow, innovate, and thrive – and we believe this begins with collaboration. By sharing ideas, developing capabilities, delivering support, and stimulating opportunities, we spark industry alignment, build strong work communities, unlock business acumen, and create brighter futures for all.*

HunterNet also has five clearly stated values that guide its activities:

1. **Inspire fresh energy** – *we're passionate about industry, our members and enjoy building a vibrant business community.*
2. **Explore new ideas** – *by sharing knowledge, being open to new ideas and challenging the status quo, we can do great things.*
3. **Put members first** – *every single decision we make is made based on the value it provides to our members.*
4. **Prioritise what matters** – *the health and wellbeing of the environment and our people is always our biggest priority.*
5. **Champion the region** – *we work for the Hunter's best interests. We make sure we're seen and heard, give back, support, and defend (HunterNet, 2022c).*

The HunterNet Constitution does not specifically state the co-operative's purpose (mission). However, it does list four objectives:

- *Promote and support manufacturing, engineering, and specialist services in the Hunter Region to achieve sustainable and innovative growth in globally competitive markets.*
- *Assist Members develop their own businesses in national and international infrastructure & asset management, energy & resources, defence, and advanced manufacturing supply chains.*
- *Stimulate opportunities for Members to take advantage of the demand for their goods and services both in Australia, and for export, through innovation, collaboration, and development programs, and*
- *Support the HunterNet Group Training Company (HunterNet, 2019, p.4).*

In addition, the Constitution outlines the primary activity of the co-operative as follows,

*For the purposes of Part 2.6 of the CNL, the primary activities of HunterNet are:*



- 8.1.1 to work with industry, governments, and other stakeholders in the areas of Members' businesses through individual and joint bidding on projects, tenders, sales, and marketing opportunities; and
- 8.1.2 to educate and provide Members with information regarding the challenges and opportunities in various areas of better business management including:
  - 8.1.2.1 product and market research and development.
  - 8.1.2.2 human resources issues and management.
  - 8.1.2.3 work health safety, environment, and sustainability issues.
  - 8.1.2.4 government regulation and industry development programs; and
  - 8.1.2.5 other community issues, including promoting energy and water efficient strategies and policies by Members and governments (HunterNet, 2019, p. 5).

It is around these four pillars and associated activities that the basis of the co-operative's MVP has been constructed. This MVP although not formally stated within the corporate documents, has been captured in the concept of "*The Power of Many*".

## THE POWER OF MANY

The mantra, *The Power of Many* articulates the concept that collaborative action, and the mutual exchange of knowledge, supported by active networking is a fundamental key to success. This has evolved over time. For example, the 10<sup>th</sup> Anniversary history of HunterNet assessed the factors that had led to the co-operative's success over its first decade. Five criteria were identified:

1. **The criteria for membership** – membership was restricted to firms located within the Hunter region. Most members were SMEs, and their localisation ensured that there was a continuous focus on the needs of the region's industries, in particular the SMEs.
2. **Individualisation** – despite the members being individual companies, the culture that was developed within the co-operative's membership encouraged the active engagement of individual leaders who provided the necessary leadership for the various projects and programs undertaken.
3. **Focus on learning** – the use of the co-operative as a forum for knowledge exchange, and the dissemination of information and education relating to best-practice resulted in an enhancement of the skills, capabilities, and competitiveness of the region's industries.
4. **Trust** – the co-operative's activities and collaborative culture resulted in the building of trust between members. This served to overturn the previously ingrained mindset and culture of competition and mistrust.
5. **Regional catalyst** – the co-operative's organisational structure and activities had made it into a 'one-stop-shop' for engineering solutions, which in turn enhanced the ability of its member firms to develop sustainability and secure contracts (Eckford, 2002, p. 4).



This issue was further discussed in the co-operative's 20<sup>th</sup> Anniversary history where the CEO of the time, John Coyle described the progress that had been made over the previous decade, and specifically mentioned the concept *Power of Many* as having become a reality,

*"In many ways, HunterNet was ahead of its time, as networking and collaboration were not then recognised as powerful tools in promoting business and regions, but there is little doubt today of the role they play in aggregating the innovation and entrepreneurial capabilities of SMEs (John Coyle, cited in HunterNet, 2012a, p. 9)."*

According to Coyle, during his time as CEO, the MVP of HunterNet was built on a foundation of belonging to a network, and via that being able to participate in member forums, which focused on key areas such as defence, mining, and exporting. The chance to collaborate in response to tenders, raise company profiles, and engage in apprentice training via the HNCC were all areas of value creation for members (Coyle, 2022). His views were shared by the founding Chair, De Iuliis, who observed,

*"HunterNet's motto 'The Power of Many' came out of the period of reflection that followed this success: there was a realisation that working together in a common cause was very powerful (Joss De Iuliis, cited in HunterNet, 2012a, p.13)."*

In 2022, as stated on the co-operative's website the mantra, *The Power of Many* continues to be highlighted,

*"Feel the power of many – As well as tapping our wide range of services and industry clusters, one of the biggest HunterNet member benefits is being part of 'the power of many'. Due to the weight of our network, we make sure all of our 120 members, and their 75,000 employees are given a voice. Together we can make a difference in the business and political arena (HunterNet, 2022c)."*

In essence, the value of membership is the ability for members to be part of a collective network of like-minded companies who achieve value through active engagement with the co-operative and its various programs. As Waterfield (2022) explained, there is no value arising from simply being a member, like a golf club membership, unless you are willing to invest time and play the game, the overall value will not be realised. Like almost all CMEs, member value comes from the patronage the member gives and the exchanges that follow.

## DEVELOPING THE MVP AND ACTIVE MEMBERSHIP

While the communication of the organisation's purpose, objectives and principles is important, the ability of a CME to clearly identify its MVP and relate that to active membership is crucial. The primary focus of any CME should be to create value for its members. In this regard the organisation's purpose (mission) and its MVP need to be in alignment (Mazzarol et al., 2018). If these elements are aligned and effectively communicated to the members who understand and accept them, it should be easier to secure active membership.

Active membership is where the CME's members' roles (Four Hats) as patrons, owners, investors, and members of a common community of purpose translate into their willingness to become actively involved in the activities and governance of the organisation (Mamouni Limnios et al.,

2018). This takes the form of participation in general meetings, committees, and directorship roles (Verhees et al., 2015).

The HunterNet Constitution states that *Active Membership* is defined as,

*“To establish and maintain active Membership of HunterNet a member must pay the Annual Subscription Fee when due in cash or by in-kind support in accordance with these rules (HunterNet, 2019, p. 5).”*

Although this definition of *Active Membership* is a useful starting point, it is a rudimentary and easily achieved benchmark and makes no comment on the member’s need to engage beyond paying their annual dues. This issue has been recognised by CEO Waterfield, who makes the following comments in relation to the recruitment and selection of new members,

*“When recruiting and selecting members, they’ve got to really fit with the DNA of what we are trying to create. When the co-op was born it was 100% manufacturers. However, today, only about 73 of our membership of 130 are what you would call manufacturers (Waterfield, 2022).”*

According to Waterfield, the co-operative is focused on developing a membership that can provide good collaboration and cooperation with each other and provide a service. He also notes that HunterNet now has quite “broad tiers and pillars” within its membership. This includes defence, training and skills development, and new energy systems (e.g., NewH2), which is attracting new members who are engaged in these emerging sectors.

As he explained,

*“For example, we have one new member, Resourceful Living, who take old plastics, and convert it into new products (e.g., furniture, cups and plates, kitchen ware), they are a new type of manufacturer that we are happy to get onboard (Waterfield, 2022).”*

Waterfield also notes that that the co-operative’s management team comprises a well-networked group of individuals who have good contacts and experience within the region and its industries. However, he explains that HunterNet is not chasing members for membership’s sake. Instead, it is seeking to enhance the overall quality and depth of its membership, which will in turn serve to strengthen the MVP of the co-operative. This is important given the multi-stakeholder nature of HunterNet. With a diverse range of members, the co-operative has effectively created a mini-business cluster that represents SMEs and large firms from multiple industries, as well as patron and sponsor members who provide professional services.

HunterNet also conducts regular exit interviews whenever any members choose to give up their membership. Waterfield (2022) explained that they are asked why they have chosen to leave. This had typically evoked the response that they no longer see the value of membership. However, he observes that when the data relating to that member’s activity and engagement with HunterNet was examined, it usually shows that these members have rarely attended any events. In his view, the value comes from engagement and if members do not engage actively they are unlikely to get any value. He related an example,



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*"I have a good example of this. We had one company that was involved in helping start-up firms. I liked what they did, and I liked their model, and we said, you should really have a general members meeting, bring them together, and then you have that captured audience, who are in a safe environment, who you can talk to. So, 55 people turned up on a horrible wet winter's night, in Newcastle, so they came, and they presented, and everybody was keen, but for weeks after, the CEO of this company, kept on ringing me and saying, 'we've got no orders out of that, you didn't do anything for us.' I told him, mate, I brought everybody to your facility, I'm not your salesperson. I said, if you can't develop leads out of that then you probably should look at your own business model not us (Waterfield, 2022)."*

## MARKETING COMMUNICATIONS, ADVOCACY AND PROGRAMS

HunterNet also provides value to its members through marketing and communications activities that include the promotion of its members on the co-operative's website, a regular dissemination of a member newsletter, and press releases via local media channels such as *Hunter Headline* and *Hunter Business Review* (HunterNet, 2022d).

In addition, the co-operative maintains a *TenderLink* access service that monitors more than 3,700 sources across 63 industry categories. This provides members with valuable information on tenders that might provide future contract opportunities. Throughout the year, HunterNet holds a range of member meetings and industry forums. These include monthly general meetings open to all members, and monthly business services meetings for members.

Dedicated industry focused forums are also held. These include a *Resources & Energy Forum* and *Infrastructure & Asset Management Forum* that are held 5 times a year, and a *Defence Forum*, which is held four times a year. A *HunterNet Leaders Forum* is also held on a quarterly basis (HunterNet, 2022d).

In 2023 HunterNet was focused on four major program areas relating to; i) working with government in relation to advocacy & project briefings; ii) the development of a defence industries cluster; iii) the development of leadership skills within the member network across the Hunter region; and iv) the development of the local workforce skills within the Hunter region. Each of these is briefly discussed in the following sub-sections.

### WORKING WITH GOVERNMENT

Since its establishment in 1992 HunterNet has been a strong advocate for its members and their respective industries within the Hunter region. This has been complemented by a well-developed relationship between the co-operative and government agencies at the local, state, and federal level, including with political leaders. Historically this has taken the form of forging close working relations with the NSW DSRD and the Minister Ray Chappell, and then with the federal government, and engagement that led to the visit of Prime Minister John Howard in 1997. A feature of how HunterNet has managed its role as an advocate for its members has been its ability to remain apolitical,



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*"HunterNet has remained apolitical through its entire existence and that's very important given that it deals with both state and federal governments. It's important to our credibility (Stephen Smith, cited in HunterNet, 2012a, p. 34)."*

This view was echoed by Bob Cowan who stated,

*"Hunter Net was not political; it did not align with any side. All politicians were welcome, and we also worked with Austrade, and other agencies to share information and knowledge, plus secure grants. (Cowan, 2022)."*

During his time as CEO John Coyle recalls that much of his engagement with the federal government was related to the pursuit of local defence industry projects, while the engagement with the NSW state government was related to "battles" over the local manufacturing of railway locomotives. He explained that it was often a "bit of a fight" to get something out of these governments, but that he never felt pressured by government agencies. In fact, local politicians were usually keen to bring state and federal ministers to visit the co-operative as it offered an ideal forum through which information on key areas associated with industry and regional economic development could be disseminated. This enabled HunterNet to advocate for local industry projects.

According to Coyle (2022), a key role played by HunterNet was to provide a "big picture" view. One that looked long-term (e.g., 10 to 20 years ahead), in relation to the creation of sustainable industries, an example being the renewable energy sector.

Former Chair De Iuliis agreed that it was essential for HunterNet to maintain good working relations with local, state, and federal governments. The role of local government was often very important in situations where new factories were to be built. He noted that while John Coyle was keen to bring politicians into the co-operative, he felt a more measured relationship was desired. Learning to navigate the government policy environment was a challenge, and he expressed his thanks to Professor Roy Green, from the University of Technology Sydney (UTS), who is also a Conjoint Professor at the University of Newcastle, and the Chair of the Advanced Robotics for Manufacturing Hub and the Port of Newcastle, for assisting him with this challenge.

The current CEO Waterfield reinforced these observations and explained that the Hunter region has traditionally been a safe Labor Party area. Despite this, the co-operative focuses on building good relations with all political parties, and with Federal MPs. Waterfield stated that it was common for him to regularly brief local politicians about the work of HunterNet, and this provides an opportunity to present to these political influencers key issues that had been raised by the co-operative's members as being of importance in relation to government policy (Waterfield, 2022).

This type of activity was particularly intense during election times. These briefings enabled the incumbent MPs and political candidates to obtain information about the status of industry in the Hunter region and what local industries view as important. For example, he made the following comments about the co-operative's approach during the 2022 federal election,

*"Some of the things that we were focusing on was to make sure that there was support for our Defence Task Force, and the development of Hunter Net Energy, and the Hydrogen and*



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*Offshore Wind Farms, Solar and waste to energy systems. Also, sovereign capabilities, and we are we going to focus on advanced manufacturing, transport manufacturing, medtech, etc. (Waterfield, 2022)?"*

He suggested that this changed after the election,

*"Post the election, we got into more of the nitty gritty. For example, schools, training, energy, remuneration, essentially, all the day-to-day things that are affecting our members (Waterfield, 2022)."*

Waterfield also explained that many of the large firms in their membership have to be careful about what they say publicly as this can result in media reactions that create public relations issues. However, this was not a problem for HunterNet. He gave the example of a meeting that took place with the Federal Industry Minister where he was able to ask a question on behalf of members relating to the government's support for the re-establishment within the Hunter region of local manufacturing of railway locomotives and passenger cars. There were at least two member firms that had the capabilities to undertake this type of manufacturing, but they preferred for the co-operative to speak to the minister on their behalf.

## HUNTER DEFENCE

The *HunterDefence Task Force* (HDTF) an initiative designed to form an industry cluster, which emerged from the Defence Forum that was originally established in 2009 (HunterNet, 2012a). In 2023, the HDTF represented more than 100 companies from across the Hunter region. Its Chair is Tim Owen AM, a former RAAF officer with active service experience in Iraq and Afghanistan. He was joined by 14 other members of the network representing a cross-section of experience in both defence contracting and military personnel (Hunter Defence, 2022). The HDTF makes the following statements about its purpose and strategic vision,

*"Hunter Defence is a single point of contact for all Hunter region defence stakeholders, advocating for, and streamlining their interaction across Government and the major primes. We capture valuable investment opportunities in the aerospace, maritime, land, and cyber domains."*

*"Hunter Defence will be the nation's lead industry agency for defence opportunities, driving the Hunter to be the most successful defence region in Australia (Hunter Defence, 2022)."*

Defence industries have been an important feature of the Hunter region for much of its history. As explained earlier, Newcastle has been the home of naval shipbuilding with the NSW State Dockyard and Carrington Slipways playing a prominent role.

Bob Cowan recalls that his own business, Cowan Engineering, was involved in the manufacture of recompression chambers for the US Navy. The company also provided metal fabrication work for the minehunters HMAS *Rushcutter* and HMAS *Shoalwater*, as well as the heavy landing ship HMAS *Tobruk*. However, he recognised that shipbuilding was a declining industry in the 1980s. During his time as a Director and Chair of the co-operative, he promoted the region's defence industries and believed that long-term industry building was the primary focus for HunterNet



and the region, with firms' success built on innovation and new product development (Cowan, 2022).

The Hunter Defence strategy for 2023-2025 has three strategic objectives with supporting goals,

***“Strategic Objective 1: Build sovereign capability and demonstrable model of collaboration that can be rolled out nationally with the following strategic goals:***

- *Initiate successful SME partner collaborations across the Regional Defence Sector.*
- *Implement a successful collaboration model based on best practice.*
- *Hunter Defence the key influencer of SME collaborative models.*

***Strategic Objective 2: Attract key Defence Primes and Small and Medium Enterprises to the Hunter Region with the following strategic goals:***

- *The Hunter to be Australia's most recognised region when it comes to promoting defence industry capability.*
- *Demonstrate Hunter Region Supply Chain Capability to CASG, ODIS, Defence Primes and SMEs.*
- *Have more Hunter-based Defence companies listed in ADM Top Contractors + SMEs.*

***Strategic Objective 3: Ensure sustainable regional Defence workforce growth through collaboration, regional attraction, and funding initiatives, with the following strategic goals:***

- *Attract workforce to the Hunter Region to meet Defence industry requirements.*
- *Grow organic workforce capability with within the Hunter Region.*
- *Develop an education model and facilities that deliver world leading Defence industry workforce training (Hunter Defence, 2022).”*

The implementation of this strategic plan will involve HunterNet and its associated entities pursuing the same proven formula that has enabled it to achieve success over the past 30 years. This comprises drawing upon its members, working closely with government agencies, industry associations, and ministerial advisers, both within and outside the region, and focusing on the maintenance of best-practice standards in its member companies, and the training and development of the local workforce.

## **FUTURE LEADERS PROGRAM**

Another major program managed by HunterNet is the *Future Leaders Program*, which is a seven-month leadership development training program targeted at the enhancement of business and leadership skills among the young professionals within the Hunter region. The program



encompasses 13 topics and is operated in conjunction with the University of Newcastle, who are the program's sponsors.

A feature of the program is a major project the participants must complete. They are placed into multi-disciplinary teams and assigned a topic that has application to a real-world problem. The project team works on the problem over five months. Projects are undertaken with HunterNet member companies, and neither the team members, nor their immediate family, should have any prior relationship with the sponsor company. In 2022, the focus of these projects was on the UN Sustainable Development Goals (SDG) (HunterNet, 2022f). Testimonials from participants and the managers of their employer organisations, have been positive as illustrated with the following comments,

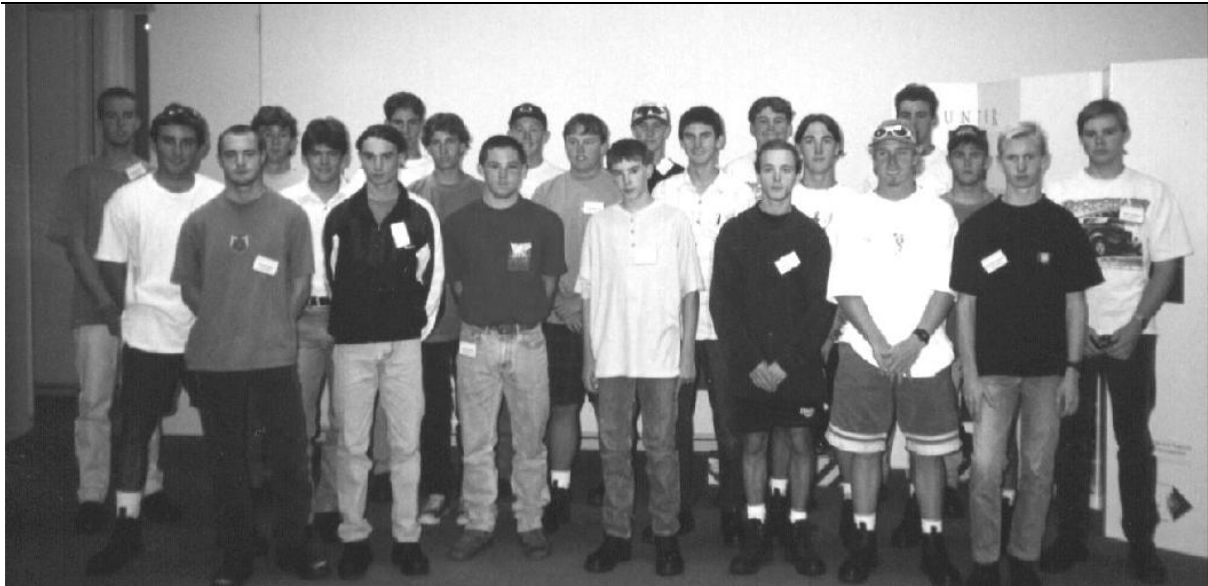
*"I found the Program such a great experience, all leadership topics were practical, and I could easily adapt these tools not only in my workplace but also in my personal life. The knowledge & experience I have gained and the networks I have created has given me the confidence to strive for more than I ever thought possible (Participant Future Leaders Program)."*

*"Our employee embarked on the Future Leader Journey in April and the growth we have seen in their productivity, mindset, capabilities and above all leadership qualities has most certainly impressed us and reinforced how great a Program this is. Our company has prioritised the importance of developing and nurturing our own. We cannot thank HunterNet enough for this Program and we're using this as part of the learning and development of our future leaders. The Hunter is certainly in good hands with our leaders of the future (Manager of program participant)."*

### **HUNTERNET GROUP TRAINING CO. – HUNTERNET CAREER CONNECTIONS**

A major development for HunterNet was the establishment in 1996 of the HunterNet Group Training Company Pty Ltd., which from 30 April 2022 operates under the trading name *HunterNet Career Connections* (HNCC) (ASIC, 2023a). This entity is an Australian proprietary not-for-profit company limited by shares, that is registered with the Australian Securities and Investments Commission (ASIC) and is a wholly owned subsidiary of HunterNet (ASIC, 2023b). It is also a registered charity with the Australian Charities and Not-for-profits Commission (ACNC).

The role of HNCC is to recruit, employ, pay, and oversee the training of apprentices contracted to work within member companies. It manages all the contractual arrangements on behalf of the member companies, monitors the progress of the apprentices, and conducts regular monthly site visits. It works closely with Hunter TAFE in this activity Eckford, 2002a).



(Source: HunterNet)

**Figure 6: Inaugural HNCC apprentice intake February 1997**

In 2012 the HNCC reported that it was managing 150 to 200 apprentices and trainees, and a small cadre of field officers and administrative support staff (HunterNet, 2012a). This suggests that the company had essentially replaced the role originally provided by BHP in the training of apprentices within the Hunter region. However, in 2022 HNCC reported that its activities had increased to the management of more than 1,500 apprentices for over 40 member organisations, making it one of the leading hosting companies in Australia (HunterNet, 2022e).

The subsidiary company provides a valuable source of income for HunterNet but also provides an essential service to its members. HNCC has its own board and CEO, and a small cadre of field officers and administrative support staff. In 2012 its aims were officially stated as: i) to provide a key support service for members' apprentice and traineeship requirements; ii) to use the strength of the network to provide specialist skills and experiences for apprentices; iii) to partner with Hunter TAFE to enhance program content and delivery, and iv) to maximise career paths for apprentices (HunterNet, 2012a, p. 22).

In 2022 (HNCC) described its mission and vision as follows:

***Our mission** – We exist to support business growth, build a quality, skilled workforce and ensure the Hunter region's current and future success. We do this by taking on the job of acquiring and developing fresh talent and empowering them to work safely, be their best every day, and reach their career potential.*

***Our vision** – To create more dynamic, sustainable workplaces for a brighter future (HunterNet, 2022e)."*

The HNCC generated a total annual turnover of \$8.92 million in 2021, and had a profit before tax of \$668,736, and total equity of \$919,632.33 (Bell Partners, 2021). Around 91 percent of HNCC's

revenue came from its services to the HunterNet members and other companies funding group training.

### *GOVERNANCE OF HNCC*

The board of HNCC (HunterNet Career Connections) has historically been six persons, although from December 2022 the total number of Directors was reduced to four. In January 2023 the membership was comprised of the following persons: Breony Benson (Chair), Wayne Green (Operations Manager), Eric Kreutzer (Lead Civil Engineer – Part Time), and Ivan Waterfield (Managing Director).

**Breony Benson** is a Human Resources Manager and Non-Executive Director for Glencore, and a specialist in HRM. She joined the HunterNet Career Connections board in 2013 and is the first female Director appointed to the Board, and the first female Chairperson, assuming the role in 2022. She is a mentor in the NSW Women in Mining program, and an advocate for women in the mining and trades.

**Wayne Green** is the Head of Build Operations for UGL-Rail and has been with the company since 1984. He has extensive experience in manufacturing operations, with a strong track record in workplace health and safety, quality assurance, planning, supply chain management, and financial and commercial requirements.

**Eric Kreutzer** is a part-time engineer with Aurecon Group Pty Ltd. and a founding member of HunterNet. He joined the co-operative in 1992 and was a member of the inaugural board and Vice Chair (1994), with a further appointment to the board during 2001-2002. He has more than 40 years of experience in consulting to heavy industry. He Chairs the HNCC Safety Commission and has been a strong advocate of developing STEM education within the Hunter region.

**Ivan Waterfield** is the CEO of HunterNet and the Managing Director of HNCC.

According to Waterfield (2022), the board of HNCC meets monthly. The co-operative has sought to build a strong interrelationship between the two boards. The selection of directors for the HNCC board has been relatively informal until recently. However, the ACNC registration of HNCC commenced in 2018, which subjected the entity to greater oversight and regulation. This resulted in a move by HunterNet to reduce the size of the boards of both the co-operative and HNCC, and a stronger alignment between the two boards, which has seen the mirroring of the boards.

In addition to the board, HNCC employs a team of eight comprising a Chief Operating Officer, Nick Couper, Workforce Development Officers Carly Dawson, Renee Harris, Carol Doherty, Jason Vassel, and Ben Wallace, and Shared Services Managers Jackie Moore and Zoe Bell. This team, led by Nick Couper run the company.

### *REMEMBERING THE HISTORY OF HUNTERNET CAREER CONNECTIONS*

John Coyle, the former Chair and CEO of HunterNet was also the Executive Director of HNCC. He recalls that during the 1990s the local manufacturers traditionally did not engage actively in either innovation, R&D, or apprenticeship training. Instead, they relied heavily on BHP who would



take in around two hundred apprentices each year, keep some, and distribute the rest to the suppliers,

*“We relied heavily on BHP, who would manage the network, giving out contracts to the SMEs. They generated 200 apprenticeships, keeping about half and giving out the rest. BHP had evolved this approach and was the centre of the business ‘club’, and when they left town, it had to be reinvented (Coyle, 2022).”*

Murray Christie, Training Manager for HNCC noted that BHP typically retained about 30 percent of the 200 apprentices they took in each year and distributed the remainder. However, he also recalled that as BHP began its winding-down process, apprenticeships also declined. This began in the mid-1980s and worsened with the impact of the 1990-1991 recession. Such conditions provided the motivation for the creation of HNCC,

*“By the end of the decade, a skills shortage was beginning to bite, and this proved a major motivator. Suddenly, SMEs realised they had a role to play but they knew they wouldn’t be very good at it. They could train apprentices, but they didn’t know how to manage them (HunterNet, 2012a, p. 22).”*

Not only were the SMEs struggling to manage their apprenticeships, but the Hunter TAFE also found it challenging to manage many small employers with only one or two apprentices operating within each workplace. This was a vastly different situation to dealing with BHP and two hundred apprentices within a single workplace (HunterNet, 2012a).

Coyle recalls that HunterNet and HNCC were innovators in the field of apprentice training. Their key partner was Hunter TAFE, but at that time it was not resourced to support multiple workplace locations for apprentices. The HNCC helped address this challenge by managing the apprentices across its members’ workplaces. In addition, it also encouraged apprentices to move around from member site to member site. This not only helped the trainees gain experience, and exposure to different workplaces, but also filled in skills gaps among the members, which has been a constant issue (Coyle, 2022).

Writing in a HunterNet press release of 8 July 2004, Coyle explained that during the previous decade of the 1990s the Hunter region had experienced significant declines in apprentice intakes by large firms across both government and industry. This had resulted in severe shortages of skilled trades people across most industry sectors. It was realised that unless local firms trained and retained their own employees, they could not guarantee the availability of a skilled workforce to enable future growth (HunterNet, 2004). As stated in the press release,

*“The HunterNet Group Training Company (HNGTC) manages all training issues from recruitment and payroll to Educational Development and the completion of indentures. Unlike other Group Training Companies, HNGTC ensures apprentices and trainees permanent employment during their period of training (HunterNet, 2004, p. 1).”*

In his recollections of the development of HNCC, De Iuliis suggested that it enabled HunterNet to secure the bargaining power it needed to influence both Hunter TAFE and the University of Newcastle, in the focusing of their courses to ensure they were relevant to the needs of industry. This included creating pathways from Hunter TAFE into the University.

He also explained that HunterNet adopted ideas from the way Germany set up its workforce training, with a focus on the industry's needs, and their workplaces as the centre of learning rather than the "college-centric" model then followed in Australia. There was also an investment in bringing retired workers back to share their knowledge and skills within local workshops, as well as a focus on helping the SME members grow (De Iuliis, 2022).

According to Coyle (2022), the Hunter TAFE found HunterNet and HNCC a valuable source of exposure to best practice in technology. The HNCC established an *Accelerated Learning Program* that involved apprentices engaging in full-time, intensive three-month programs at Hunter TAFE prior to commencing work on site. This focus on competency-based training also assisted these apprentices to complete their courses more quickly.

Bob Cowan, who had moved to Newcastle in 1973 to establish a sheet metal business, Cowan Engineering, and who served as a Director, Treasurer, and Chair of HunterNet, observed that before HNCC was established much of what was being taught at Hunter TAFE "wasn't quite right". In his view, it needed to be more in touch with the development of advanced manufacturing techniques, such as the application of CAD systems, and computer assisted manufacturing techniques.

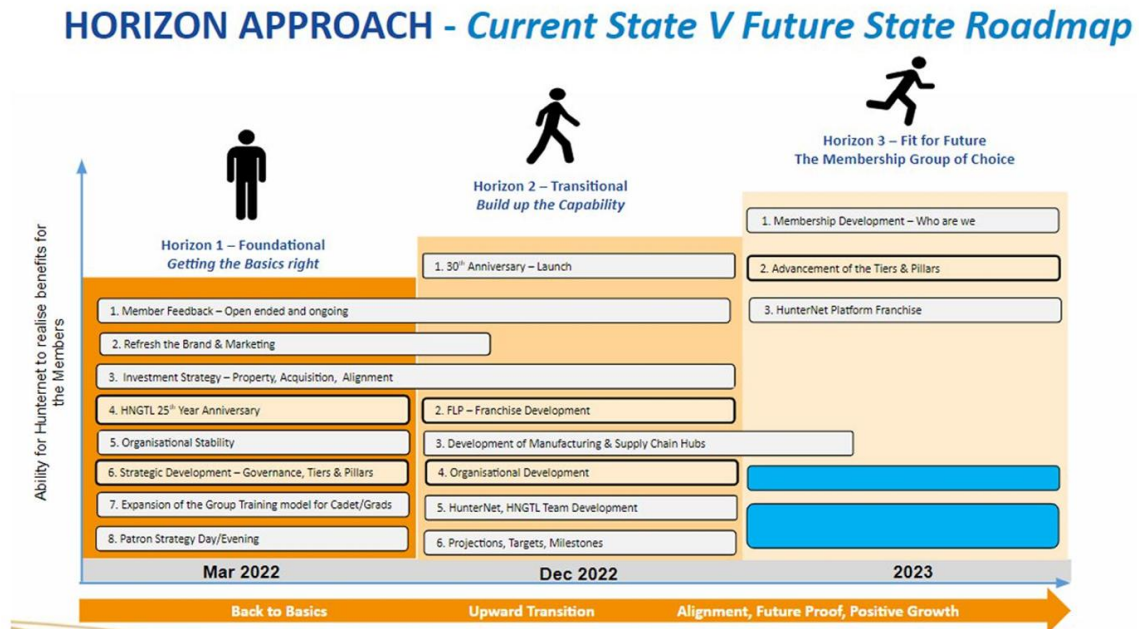
In addition, he suggested that the approach to how apprentices were trained at the time needed to shift from the college to the workplace, embedding apprentices across different companies and teaching innovation and new techniques and technologies. Collaboration and cross-training would facilitate this process, as was happening overseas in Europe. Thus, the creation of the HNCC addressed many of these issues (Cowan, 2022).

## STRATEGIC OUTLOOK AND FUTURE DIRECTIONS

Following the appointment of Waterfield as CEO, HunterNet commenced development of a *Strategic Road Map*. This followed the *McKinsey Three Horizons Strategy* (McKinsey & Co., 2009), which divides a firm's strategic planning into three-time *horizons*. These comprise,

1. **Horizon 1** – one to three years duration, typically the time required to strengthen the existing core business of the firm. This focuses on operational objectives. A key step in this phase is to understand the purpose and core competencies of the business, and what are the foundations upon which future growth can be undertaken.
2. **Horizon 2** – two to five years duration, which is the time required to explore and expand the firm's strategic boundaries. Once the value creating foundations of the firm are clearly understood, the business can commence expansion in which new market opportunities are explored and future target customers engaged. This phase serves as a bridge between Horizon 1 and Horizon 3.
3. **Horizon 3** – five to twelve years duration, which is the time required to transform the firm's business model and exploit long-term strategic opportunities. This phase might see the firm re-engineering its business model, and potentially restructuring its organisation (Mulder, 2019).

Waterfield (2022) explained that this strategy development process was one that he had used in a range of organisational contexts and was deemed appropriate for use by HunterNet. The application of this strategy framework for the co-operative was undertaken with the *Strategic Road Map*, which is outlined in Figure 7.



(Source: HunterNet)

**Figure 7: Applying the Horizon Approach to HunterNet strategy.**

As shown, the process commenced in March 2022 and focused on addressing a Horizon 1 phase of examining the existing state of the co-operative and whether it had got its basics right. This involved eight distinct stages, starting with interviews and discussions with the membership of the co-operative and board. Data collected from this stage was then used to complete the Horizon 1 phase, which ensured that HunterNet “got the basics right”.

From this foundation, the Horizon 2 phase was undertaken from December 2022, to identify and build capabilities that would allow for future growth. The Horizon 3 phase of the process, scheduled to commence in 2023 focused on making HunterNet the ‘membership group of choice’ within its target markets. All this investigative work was shared with the co-operative’s Board and Patrons during a strategic planning day, that led to the approval of the key requirements of the plan. According to Waterfield,

*“Horizon 1 was essentially securing member feedback as to the good and bad things about their experience with HunterNet. It also involved developing new marketing and governance reforms, with a view to looking at our current and future states. In the development of Horizon 2, the focus moved onto the clarification of our vision, mission, and values. As a priority we put our members first in whatever strategy we are going to undertake. A three-year plan outlining H1, H2, and H3 stages is the outcome, with H3 making us the ‘membership group of choice’ (Waterfield, 2022).”*



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## HUNTERNET SWOT ANALYSIS

In assessing the strengths, weaknesses, opportunities, and threats (SWOT) associated with the future strategic direction of HunterNet, Waterfield pointed to the co-operative's main strengths as its existing programs. He noted that *Hunter Defence* and the *Future Leaders* programs were now well-established and successful. The HNCC was also similarly successful and valued by the co-operative's members. These would enable HunterNet to pursue future opportunities.

The main weaknesses identified were related to the overall state of the industries within the Hunter region from which the co-operative's members are drawn. In this regard there were changes taking place of a demographic and technical nature. In the first instance, many of the local firms were transitioning into new generations of ownership and business leadership. The aging of the managers and business owners who had been part of the industrial rejuvenation that had commenced in the early 1990s, was a potential weakness and threat. In this regard, succession planning was required. The *Future Leaders* program was one way to address this challenge.

There was also a change in the nature of the industries within the region. In addition to the firms that focused upon engineering and manufacturing of traditional goods and services (e.g., defence, mining, transport equipment), a new wave of industries was emerging in areas such as environmental sustainability, software development and medical technology. This required new skills training and development, and the focus on quality. There was concerning trend in the reduction of apprenticeship training time, with courses shortening, and risk of a "dumbing down" of the skills and capabilities in the local workforce.

Despite these concerns Waterfield was highly optimistic about the future of HunterNet and the Hunter region. He pointed to the *New H2* industry cluster that was focused on developing a hydrogen technology cluster within the Hunter region. Established in 2021, it is part of the larger Hydrogen Technology Cluster Australia (H2TCA) initiative, which aims to develop Australia's hydrogen supply chain and foster the generation and commercialisation of new hydrogen focused technologies (NewH2, 2022).

## FUTURE OPPORTUNITIES

He also pointed to the opportunities for the redevelopment of the Newcastle port facilities and the local steel making industries as part of a transition from carbon intensive to carbon neutral energy sources. Compared with other major ports around Australia, the Port of Newcastle was only about 50 percent utilised. While most other ports no longer had much room for expansion, Newcastle offered development opportunities. In this regard there were at least two potential hydrogen projects, and a container terminal, which had just been approved to proceed. By late 2022 work had already commenced in securing the capital to commence the development of the container facility (Waterfield, 2022).

There was also more development that could be undertaken in relation to the coal industry. As he explained,

*"Also, from a coal perspective, we're still the largest coal exporting port in the world. Plus, a significant amount of other freight such as grain. The port has a lot of opportunity, to expand and provide space for future manufacturing and services (Waterfield, 2022)."*



In relation to new energy systems, Waterfield (2022) highlighted the decision by the Australian government to give the green light to the development of a major offshore wind turbine power generation project to be located off the Hunter coast. This would involve the construction of 130 large wind turbines installed on floating platforms approximately 30 kilometres offshore. These turbines would be constructed from 150 mm thick rolled steel and require the introduction of new steel manufacturing technologies to be applied into the Hunter region if they were to be made locally. As he explained,

*“Each wind turbine will dwarf the Empire State Building. Each rotation of one turbine is enough to light 20 houses for a full day. The manufacturing of all of this sits nicely with what Newcastle and the Hunter has always been about (Waterfield, 2022).”*

These new projects offered the Hunter region a significant opportunity to revitalise the local steel making and manufacturing industries. Two firms that were focusing on the wind turbine project were Oceanex Energy, an Australian company already engaged in planning the project and raising funding (Oceanex, 2022), and Equinor, an international energy company from Norway specialising in offshore oil & gas, as well as wind and solar energy (Equinor, 2022). According to Waterfield the opportunity was to bring the manufacturing into the Hunter,

*“There will be local manufacturing of this technology, which is why we have them as members. My line to the members is that we’ve got to make sure that we do everything possible to make sure that Oceanex and Equinor don’t go offshore for their offshore. That’s our tag line, but we’ve got to make this about industry, not just projects (Waterfield, 2022).”*

His vision for the future of the local steelmaking industry was upbeat,

*“We have to talk about firing up new furnaces, and hopefully they’re producing green steel, if you think about the actual turbine column, this is 150mm thick rolled steel. (Waterfield, 2022).”*

According to Waterfield, the local industry capacity existed in the form of BlueScope Steel and the Molycop Group, which owns Comsteel. These firms possess the skills and capabilities to make the necessary investments and production of steel for the offshore wind turbines. As he explained,

*“Because we want the likes of BlueScope or Molycop steel, or whoever it is, to invest capital into a new furnace – or two new furnaces – there has got to be an industry there. If we just thought about that steel component of this one project that is the equivalent of what BHP produced per annum for Australia. So, you don’t have to be a genius to say that we have to fire up new furnaces. And, from an environment perspective we have to accept that if we want clean energy, we have got to use current energy to create that. That’s circular economy at its best. We can use green steel, use whatever we can to fire the furnace, but you cannot create massive steel pylons and wind turbines without first having energy to manufacture and produce the components to make green energy (Waterfield, 2022).”*

Looking forward, Waterfield suggested that HunterNet had significant opportunities to continue to support the future growth and development of the Hunter region and its local industries. It will be important for the co-operative to maintain the trust of its members, and to leverage its existing relationships, skills, and resources to secure relevant work within the defence, energy, transport,

mining, and associated industries. He observed that HunterNet was not focused on how many members it had, but on how sustainable each of its member businesses were.

## APPLYING THE CONCEPTUAL RESEARCH FRAMEWORK

The *conceptual framework for research into co-operative enterprise* is focused on understanding the business model of the co-operative and mutual enterprise (CME), and how it is influenced by, and in-turn influences, systems and member level factors (Mazzarol, et al., 2011; Mazzarol, et al., 2014). In the following sections the history and ongoing activities of the HunterNet Co-operative Ltd. are examined and the lessons they provide are discussed, with a summary of these issues found in the Appendix.

### SYSTEMS LEVEL ANALYSIS – INPUT FACTORS

At the systems level, which relates to the external environment, there are four major inputs: i) social cooperation, ii) the role of government, iii) industry structure, iv) natural environment); and two major outputs, economic, and social capital formation. In the following sub-sections, we review the input factors. The two output factors are examined at the end of this analysis.

#### *SOCIAL CO-OPERATION*

The creation of CMEs requires the existence within the community that form them of a sense of common or shared goals and values, as well as a sense of community that will facilitate mutual trust and respect. Further, for the successful creation of a CME, the community must possess at least three things: *resources* (e.g., time, capital, skills), *mobilisation* (e.g., mutual needs, common goals), and *motivations* (e.g., desire to cooperate and sustain collaborative effort) (Birchall & Simmons, 2004).

In relation to **resources**, the formation of HunterNet demonstrates the importance of this element. A considerable amount of time and energy was invested by the co-operative's founders in rallying the community, organising meetings, designing the business model, and managing the early years following start-up. The initial human capital was provided by the NSW Economic Development Office, and NSW Chamber of Manufactures in 1991 who set the wheels in motion. However, the six to seven local businesses who attended the early meetings and agreed to form into network ensured that the process moved beyond the sharing of ideas.

Following the establishment of the co-operative in 1992, the necessary leadership was provided by the various directors including the Chairpersons, supported by fellow directors, several of who, also served as Treasurer and Secretary. Once the co-operative was established and able to afford an executive management team, it possessed the resources to grow and sustain itself. Financial resources were provided by membership fees, supplemented by sponsorships, and funding from state and federal government grants. Within three-years from foundation the co-operative was financially self-sufficient.

The **motivation** to establish the co-operative was the threat of deindustrialisation of the Hunter region in the wake of the 1990-1991 recession, looming closure of the BHP steel works, and the winding down of other local industries such as shipbuilding. This generated a common sense of

shared crisis and common interest, but it was not an easy process due to the ingrained culture within the local firms to compete not cooperate. Despite this, the opportunity to forge a common sense of purpose and engage in collaborative action arose around key initiatives.

The **mobilisation** required to establish and sustain the co-operative was driven by the founders, and a handful of like-minded managers from within the membership and local business and support community, who were active in rallying the members. Yet it was the pursuit of formal QAMS accreditation that served as a key factor in this mobilisation, with the visit to the A. Goninan & Co. factory to view their best practice example. Other events that assisted this mobilisation were the foundation of the HNCC apprentice training company, and the collective trade shows and tenders.

It is clear from the history of HunterNet that it took time for members to understand and appreciate the benefits from cooperation, and that the true value from membership came through engaging, participating, sharing, and exchanging ideas. Just paying the annual membership fees wasn't enough. This helped build trust, reciprocity, and networks, which are the foundation of social capital (Adler & Kwon, 2002).

#### *ROLE OF GOVERNMENT*

Government legislation, regulation, and policy all play a role in enhancing or hindering the growth and decline of CMEs. A feature of HunterNet has been its strong engagement with governments from all three levels, and its apolitical nature, which enabled the co-operative to become an influential and trusted advocate on behalf of its members.

As the co-operative's history illustrates, local, state, and federal governments and their agencies were a valuable source of funding and collaborative partnering (e.g., trade shows, industry forums, cluster formation). Further, as the co-operative has grown and developed, its capabilities and programs have proven valuable to governments and the politicians from all political parties. They were able to gain access to a wide range of perspectives, and information relating to the Hunter region, and the wider Australian industries from which the co-operative's members were drawn.

Over the past thirty-years the co-operative's relationship with government at all levels has matured into an almost symbiotic one. HunterNet is focused not just on the sustainability and growth of its member firms, but on the economic sustainability and growth of the Hunter region. This was recognised as early as 2004 when the Enterprise Connect program developed a case study on HunterNet as a successful example of industrial revitalisation and noted the close collaboration between the co-operative and government agencies (Enterprise Connect, 2012).

#### *INDUSTRY STRUCTURE*

As businesses CMEs operate within one or more industry sectors. Most CMEs are established in response to economic market failures. Their business model offers a means for SMEs to use cooperation and collective ownership to secure and maintain competitive market positions that would be impossible for such firms to achieve independently. At the heart of this competitive advantage are the five forces that shape industry competitiveness. These comprise, i) the level of competitive rivalry between firms in the same industry; ii) the bargaining power of buyers

(customers); iii) the bargaining power of suppliers; iv) the threat of new market entrants, and v) the threat of substitutes (Porter, 2008).

In the case of HunterNet the industry structure that existed prior to the 1990s was one of a high level of **competitive rivalry** between the SMEs within the Hunter region's manufacturing and engineering sectors. Further, as shown in the co-operative's history, the **bargaining power** of the major customer firms such as BHP was significant, and most of the SMEs were frequently beaten down on price. Supplier bargaining power to the SMEs in the industry varied, but a key part of this supply took the form of skilled tradespeople, and the dominance of the apprenticeship training process by BHP served to create substantial supplier bargaining power. **Threats of new market entrants** did not seem to be a major problem, although the competition from overseas steel works, shipyards, and other manufacturing industries certainly generated major **threats of substitution** through imports.

A major focus of the work HunterNet has undertaken is its focus on the development of industry clusters within the Hunter region. On 5 October 2012, as part of the co-operative's 20<sup>th</sup> Anniversary, it organised the first "*Industry Cluster Conference*" (HBR, 2012). This introduced the members to the concept of industrial clustering, which has been recognised as a significant mechanism used to create internationally competitive networks and agglomerations of industries within regions. Such industry clusters have enhanced the global competitiveness of nations and the firms that are part of these collaborative and competitive strategic networks (Baptista, 1998)

#### *NATURAL ENVIRONMENT*

All firms operate within the context of their natural environment, and their operational and strategic activities are shaped by this environment. The environmental forces that can impact organisations comprise the natural geography and topography, climate change and weather events (e.g., drying, flooding), natural disasters (e.g., earthquakes, bush fires), and pandemics. These forces can play a moderating relationship between the strategic behaviour of the firm and other external forces (e.g., government regulation, industry competition, social change) (Banerjee, Iyer & Kashyap, 2003).

The Hunter region's geography and topography have played a significant part in the formation and evolution of its industries. As discussed earlier, the presence of accessible quantities of high-grade coal led to the establishment of the coal mining industry from the earliest days of the British colonisation of Australia. The presence of sheltered, deepwater harbours enabled the creation of seaports and later shipbuilding and maintenance industries. These natural assets continue to provide an opportunity for the industries and associated firms that form the co-operative's membership.

In addition, concerns over global climate change have led to political and social pressure for industries to transition away from the use of fossil fuels, with impacts on the coal industry within the Hunter region. However, as previously discussed, this has created opportunities for HunterNet and its members to engage with renewable energy systems via the New H2 *green* hydrogen and Oceanex Energy offshore wind turbine projects (Oceanex, 2022). These environmental conditions create new opportunities for HunterNet which already has strategic

aims targeted at drawing new firms into its membership and facilitating potential contracts for existing firms within these sunrise industries.

## ENTERPRISE LEVEL ANALYSIS – ASSESSING THE BUSINESS MODEL

The main elements of the enterprise level analysis are the purpose and member value proposition (MVP), governance, share structure, profit formula, key processes, and key resources (Mazzarol et al., 2018).

### *PURPOSE AND MEMBER VALUE PROPOSITION*

The purpose and MVP of HunterNet have been discussed in detail in earlier sections. Although they have been shaped and amended over the past 30 years, they have remained consistent since the foundation of the co-operative in 1992. The unwavering purpose of HunterNet has been the sustainability and growth of their member firms, and the economic development and global competitiveness of the regional industries within which their members operate. The concept of *The Power of Many* has become the co-operatives enduring mantra.

### *GOVERNANCE*

As previously discussed, HunterNet is a multi-stakeholder co-operative of the *community* model and has adopted governance structure designed to balance the proportion of different types of member representation on the board. It also actively encourages member participation in its general meetings, which are held regularly and provide valuable opportunities for two-way communication between the membership and the board. The co-operative has also had a series of effective boards, led by Chairpersons who, despite holding relatively short terms (approx. two years), had demonstrated strong commitment to co-operative's vision, mission, and values. In support of the board, HunterNet has had a series of capable Business Managers / CEOs, who have provided the strategic and operational skills to create and sustain the co-operative's programs.

### *SHARE STRUCTURE*

As a non-distributing co-operative HunterNet does not have a share structure that involves the identification and tracking of member share capital. In fact, there is no direct reference within the co-operative's Constitution about the issuing of shares to members suggesting that no share capital is issued. However, under its Constitution, and as allowed by the Co-operatives (Adoption of National Law) Act 2012 No. 29. (NSW), it can issue Co-operative Capital Units (CCU) to both members and non-members should it wish to raise capital for specific strategic or operational purposes (Mamouni Linnios et al., 2016). However, at time of writing, the co-operative had not considered using CCUs in this way.

### *PROFIT FORMULA*

In conjunction with the non-distributing nature of the co-operative, HunterNet does not distribute dividends to its members from the profits. However, it does need to operate in a financially sustainable manner and has demonstrated that it can do so via a combination of membership fees, external grants, sponsorships, and the revenue generated from the HNCC subsidiary company. As with any CME, HunterNet cannot be complacent about its members' perception of value from its services, but the more that it succeeds with the pursuit of its strategic purpose, the more that its value to the membership will be reinforced.

### *PROCESSES AND RESOURCES*

HunterNet has evolved its processes and resources continuously since 1992. These have taken many forms and are encompassed in the various programs that it delivers, as well as the HNCC training subsidiary company. The human resources, database systems, strategic alliances, course and workshop programs, and marketing communications activities appear to be well-designed, and fit for purpose.

### *INVESTOR ROLE*

As a non-distributing co-operative, the HunterNet members do not receive share distributions or dividends. Further, as discussed in the preceding sub-section relating to share structure, there is no issue of share capital by the co-operative to its members and no specific mention of shares in the company Constitution. Their member value is generated via patronage, essentially the benefits gained from active engagement with the co-operative, other members, and the third-party networks that it builds and maintains.

### *PATRON ROLE*

All CMEs are essentially service organisations where the members engage through supplying to, buying from, or simply participating in the programs that it offers. As with any service business, value is co-created by the process of engagement and interaction between the member and the enterprise. HunterNet is no different in this regard. Its members co-create value through their active engagement with the co-operative's programs and activities.

### *OWNER ROLE*

The ownership role is a key feature of CMEs such as HunterNet which are member-owned and governed entities. However, due to the lack of share distribution, and vaguely defined ownership rights over the co-operative's share capital, it can be difficult to get members to recognise their ownership rights, albeit in mutual with other members. It is important that the directors and management of the co-operative proactively remind the members that they are the owners of the HunterNet and to actively engage with it via participation at events, within its programs, and via the general meetings (Ghuri, Mazzarol, & Soutar, 2022). This is something that HunterNet seems actively engaged in, illustrated with the active engagement of members in regular general meetings.

### *COMMUNITY MEMBER ROLE*

A foundation of CMEs is their organisation around a common purpose that resonates with their members and serves to attract them to join and support the enterprise. This collaboration of the membership into a common community of purpose is an essential foundation upon which the CME is built (Ghuri et al., 2022). HunterNet has clearly articulated its purpose and member value proposition, and the co-operative's ability to rally, engage, and retain its members is an indication that its members share a sense of common purpose within their community.

### *SYSTEMS LEVEL ANALYSIS – OUTPUT FACTORS*

The two main outputs from CMEs are their ability to generate economic and social capital. In assessing the economic and social contribution of HunterNet over the past thirty years attention should be given not just to the success of the co-operative as an entity, but to the success of its

members and their associated industries and workforces. A case study of HunterNet as a catalyst of regional industrial revitalisation published in 2012 made the following conclusions,

*“Through forward-thinking, hands-on approaches and proactive programs, HunterNet has been successful in recovering and enriching the manufacturing industry in the Hunter region (Enterprise Connect, 2012, p. 4).”*

### *Economic contribution*

The economic contribution of HunterNet is measurable not only by what it has achieved directly as a business entity, but by what it has enabled its individual member businesses to achieve, and what the combined impact of the co-operative as a network organisation can be achieved. In this regard HunterNet has much to report. For example, in 2022 as part of the co-operative’s celebration of thirty-years of operations, HunterNet reported having targeted specific projects and programs that enhanced its members’ business success. Headline statistics from the company website reported having increased member combined annual turnover by around \$82 billion, with more than 1,500 apprentice and trainee placements via its HNCC subsidiary, and over 50 future leaders ‘nurtured’ through its *Future Leaders Program* (HunterNet, 2022c,f).

Looking back at the successes of HunterNet insights can be drawn from the reports published at the end of each decade. In the 10<sup>th</sup> Anniversary history attention was given to the role played by the co-operative in improving the QAMS accreditation of the membership, as well as improving these firms’ business skills in managing taxation, financial operations, marketing, and ICT systems. At the group level, combined activity had strengthened the overall competitiveness of the co-operative’s membership (Eckford, 2002).

Specific project outcomes reported by HunterNet after its first decade of operations included the securing of \$16.05 million worth of sub-contracting for its members from projects such as the construction of the Royal Australian Navy’s minehunters, refurbishment of railway rolling stock from MT Rail Corporation in Hong Kong, construction of a major coal loader for Newcastle harbour, manufacturer and installation of grain elevators and associated bulk handling equipment for the Cargill Seed & Oil, plus the provision of ladle cars and ingot withdrawal mechanisms for the Comsteel continuous casting system. It had also strongly advocated for local work to take place in the construction of a new Protech Steel Mill estimated to cost \$600 million to construct (Eckford, 2002).

In the 20<sup>th</sup> Anniversary history, HunterNet focused on its role as a catalyst for the development of a regional industry cluster within the Hunter region (HunterNet, 2012a). That report it was noted that the closure of the BHP steel works in 1999 resulted in the loss of 2,000 workers and 1,000 contractors, with significant impacts on local manufacturing and engineering firms. As the analysis suggested, HunterNet succeeded in achieving the key hallmarks of a successful cluster. It noted that,

*“Industry clusters are held to have a dual purpose: both to enhance the competitiveness of the SMEs that comprise them through business cooperation and agglomeration economies, and to build or revitalise certain regions. Where HunterNet is concerned, there is definitely a dual purpose at play with the intention that the co-operative build capacity not only for its*

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*members, but also for the Hunter Region as a whole in order to build its profile as a centre for manufacturing and engineering excellence (HunterNet, 2012a, p. 27)."*

### *Social contribution*

Assessing the social contribution of a co-operative is challenging due to the lack of reliable metrics and the more indirect nature of its impact. A core measure is the role played by the co-operative in building and enhancing social capital, which is itself a complex and ill-defined concept (Fine, 2001). However, it has been identified as being measurable through the existence within a community of trust, reciprocity, and networks (Woolcock, 1998).

In the 10<sup>th</sup> Anniversary history (Eckford, 2002), HunterNet highlighted the benefits offered by its networking activities. This included collaborative tendering, cooperation and knowledge sharing over QAMS and other programs, and the self-improvement of the owners and managers within its member firms through the networking and skills development. These successes were created through the co-operative's work in build trust between the member firms and engaging the members in forums that fostered social capital. In the 20<sup>th</sup> Anniversary history (HunterNet, 2012a), the co-operative reflected on its MVP, with the recognition that the "modus operandi" had been connecting people and businesses, a critical foundation of social capital building. Becoming a member of HunterNet provides members with the opportunity to make close friendships as well as business relationships and strategic contacts. The co-operative engaged in a substantial number of social activities "known for their sense of fun and good humour." As De Juliis observed,

*"We are social animals and we've been criticised for that from time to time, but the social aspect keeps the who thing alive (HunterNet, 2012a, p. 49)."*

## KEY LESSONS FROM THE CASE

The HunterNet case illustrates the effectiveness of a CME business model to act as a catalyst for creating and sustaining a regional industry cluster. In addition, it demonstrates that the key elements in success are the focus on a common purpose, generation of trust between the member and the CME, between the members as a group, and between the CME and the wider community.

Also highlighted by the case is the need for the board and management of the CME to invest time and effort into understanding members' needs and how they perceive the value they get from their membership. The MVP should never be taken for granted, and it needs constant monitoring.

Another key lesson is the importance of monitoring member engagement across four areas:

1. The first is *engagement attention* (e.g., their level of interest, awareness, and knowledge of the activities and services provided by the CME).
2. The second is *engagement enthusiasm* (e.g., their enthusiasm and enjoyment of membership).
3. The third is *engagement co-development* (e.g., their active engagement in providing feedback and suggestions).

4. The fourth is *engagement interaction* (e.g., their participation in activities, programs, and networking with other members, exchanging ideas and information).

These areas need to be monitored and proactively encouraged. HunterNet has demonstrated that it has understood this and systematically works on engaging its members and shaping its events, programs, and activities to deliver value to the membership.

The case study also shows that a value generating CME can be successful based on the exchange of knowledge and fostering networking rather than the trading of commodities or services. In addition, it shows that a multi-stakeholder membership structure, although complex to manage, can be a valuable source of competitive advantage if all members are united around a common community of purpose, that all stakeholders can understand and embrace. There must also be an effective leadership team at the board and executive management level who are focused on the purpose of the organisation, and the value that it creates for its members.

As a non-distributing co-operative without share capital, the members' sense of ownership and investment into the enterprise, is not measured by direct financial return, but through indirect benefits that have indirect but positive impact of a financial nature. This is also an important lesson from the HunterNet case.

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### **About the author:**

**Tim Mazzarol** is a Winthrop Professor and Senior Honorary Research Fellow in Entrepreneurship, Innovation, Marketing and Strategy at the University of Western Australia and an affiliate Professor with the Burgundy School of Business, Groupe ESC Dijon, Bourgogne, France. He is also the Director of the Centre for Entrepreneurial Management and Innovation (CEMI), an independent initiative designed to enhance awareness of entrepreneurship, innovation, and small business management. He is also the founder Director of the Co-operative Enterprise Research Unit (CERU), a special research entity for the study of co-operative and mutual enterprises (CMEs) at the University of Western Australia. In addition, he is a founder Director and Company Secretary of the Commercialisation Studies Centre (CSC) Ltd., a not-for-profit mutual enterprise focused on advancing best practice knowledge of commercialisation. Tim is also a Qualified Practising Researcher (QPR) as recognised by the Australian Research Society (ARS). He has around 20 years of experience of working with small entrepreneurial firms as well as large corporations and government agencies. He is the author of several books on entrepreneurship, small business management and innovation. He holds a PhD in Management and an MBA with distinction from Curtin University of Technology, and a Bachelor of Arts with Honours from Murdoch University, Western Australia.

## APPENDIX: HUNTERNET - CME RESEARCH FRAMEWORK

| Influencing Factors             | Application to HunterNet Co-operative Limited  |
|---------------------------------|--|
| <i>Systems-level inputs</i>     |  |
| Social co-operation             | High motivation and mobilisation of firms within the manufacturing and engineering industries of the Hunter region in the face of the closure or decline of major customers in steelmaking, shipbuilding. Strong allocation of resources (e.g., time and funding) from members and government agencies. Including collaboration with education institutions (e.g., University of Newcastle and Hunter TAFE).           |
| Role of government              | Strong initial support from local, state, and federal governments via in-kind and funding. Ongoing collaboration between HunterNet and government agencies (e.g., NSW DSRD, Hunter Export Centre), with mutually beneficial relationship in relation to regional and national industry policy (e.g., Defence, renewable energy).   |
| Industry structure              | HunterNet formed in response to changes in regional industry structure caused by declining competitiveness of major firms in the face of global competition. Successfully developed programs for enhancing competitiveness of local firms (e.g., QAMS, innovation, collaborative tendering). Served as catalyst in the creation of an industry cluster for Hunter region that has sustained and grown the local firms. |
| Natural environment             | Hunter region and Newcastle offer unique natural assets (e.g., coal, fertile soils, rivers, deep water ports) to support the foundation and sustainability of numerous industries.   |
| <i>Enterprise-level factors</i> |  |
| Purpose                         | The purpose of HunterNet is to help its member businesses grow, innovate, and thrive via collaboration, sharing ideas, developing capabilities, delivering support, and stimulating opportunities, that spark industry alignment, build strong work communities, unlock business acumen, and create brighter futures for all.  |
| Profit formula                  | HunterNet is funded by membership fees, sponsorships, grants, and income generated from services and the HNCC group training subsidiary.   |
| Processes                       | HunterNet uses regular events, programs, forums, and networking activities to fulfil its purpose and deliver its MVP.  |

|                              |   |
|------------------------------|---|
| Resources                    | HunterNet has physical resources (e.g., office, software, databases etc.), but also its management and operations team, and retained profits and equity.  |
| Share structure              | Non-distributing co-operative without share capital issue. It can issue CCUs to both members and non-members, but not ordinary shares.  |
| Governance                   | Board composition reflects the co-operative's multi-stakeholder structure, with 6 to 9 Directors with limits on the representation from each membership group, and provision for 2 independent Directors.                   |
| Member Value Proposition     | Value for members is created by belonging to a network with the ability to collaborate, share knowledge, learn, access services and support, raise company profiles, and engage in programs.                                |
| <i>Member-level factors</i>  |   |
| Patron                       | Member value is created through members being actively engaged in the co-operative's activities, events, programs, and networking.  |
| Investor                     | No share capital is issued. Any investment involves membership fees and returns through patronage.  |
| Owner                        | All active (financial) members have voting rights at the general meetings.  |
| Community member             | Membership is strengthened by the sense of belonging to the community of purpose aimed at the growth and sustainability of the manufacturing and engineering firms within the Hunter region.                                |
| <i>Systems-level outputs</i> |   |
| Economic capital             | HunterNet has provided a catalyst for the development of a strong, sustainable, innovative, and competitive industry cluster within the Hunter region.  |
| Social capital               | HunterNet enhanced social capital within its membership across the Hunter region through the development of trust, reciprocity, and networking between its members, and between the broader community and the co-operative. |