

# A Beginners Guide to Building Consortia in the Social Enterprise Sector

Consortia are increasingly popular with social enterprises and very much in line with public policy thinking. They offer many benefits (e.g. improved service quality and value for money) and can provide a positive, future-oriented focus when all else seems to be cuts and retrenchment. For some, particularly smaller organisations, they can make the difference between survival or not.

But consortia are not to be entered into lightly. They take time and money to get right and success is not guaranteed.

There will be tensions between consortium members, so a **strong bond of trust** is vital. Without trust tensions can be extreme. Yet with trust built on shared values, tensions can be negotiated and turned into a positive, creative advantage.

This “beginners guide” is to help anyone considering consortium working to understand:

1. What is a consortium?
2. What are the benefits?
3. What are the pitfalls and downsides?
4. The different types of consortium.

## What is a consortium?

A consortium is more than a loose partnership of organisations working and learning together (although they will do both in a consortium). It is a formal arrangement between organisations working together to a defined objective. Clarity of purpose is essential. So why form a consortium?

## Benefits of consortia

Reasons why organisations choose to work in a consortium include:

- Gaining access to markets that they cannot access alone (e.g. due to limited geographical reach, a limited range of products/ services or limited capacity).
- Simplicity for public service commissioners who increasingly want a single point of contact in the local third sector.
- Reducing overhead costs (e.g. sharing “back-office” services).
- Sharing risks and liabilities for contract delivery.
- Learning from each other and sharing complementary skills and expertise (e.g. by sharing staff, workforce development or impact measurement).
- Improvements to service quality and value for money (e.g. referring customers to each other’s complementary services).
- Developing new services through the creative interaction of ideas.
- Increased profile through shared marketing and being associated with a “new idea”.
- An increase in capacity which enables strategic partnerships with large organisations because the consortium is big enough to be taken seriously.

In practice, when considering setting up a consortium, the benefits you identify will need to be weighed against the risks and costs. So what are the downsides?

***Consortium: an association of companies etc, especially one formed for a particular purpose***

**(The Collins English Dictionary)**

## Disadvantages and pitfalls of consortia

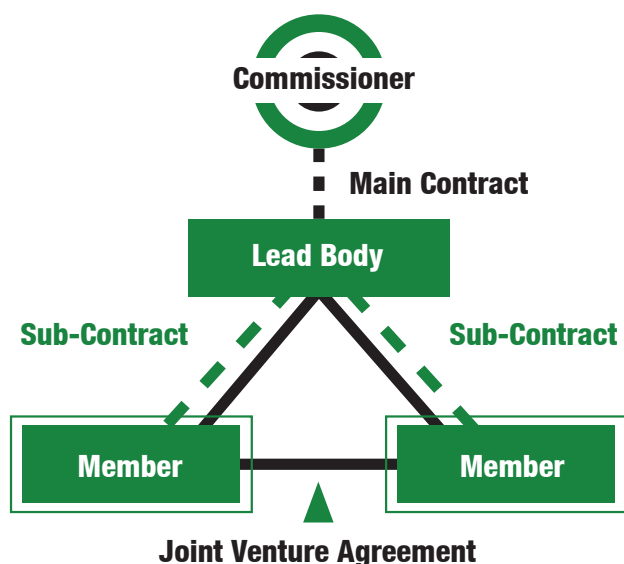
Any joint working brings disadvantages. For consortia these include:

- Direct costs: associated with set-up and operation e.g. legal advice.
- Opportunity costs: consortia take time to set up and operate, time you and your staff could spend on other things.
- Delays: joint decision making generally takes more time than making decisions alone.
- Reputational risk: each organisation is, to an extent, trusting its reputation to others, if one fails that may reflect badly on others.
- The need to compromise: differing organisational values and cultures introduce tensions and fear of loss of independence.

## Types of consortium

The two main types of consortium are:

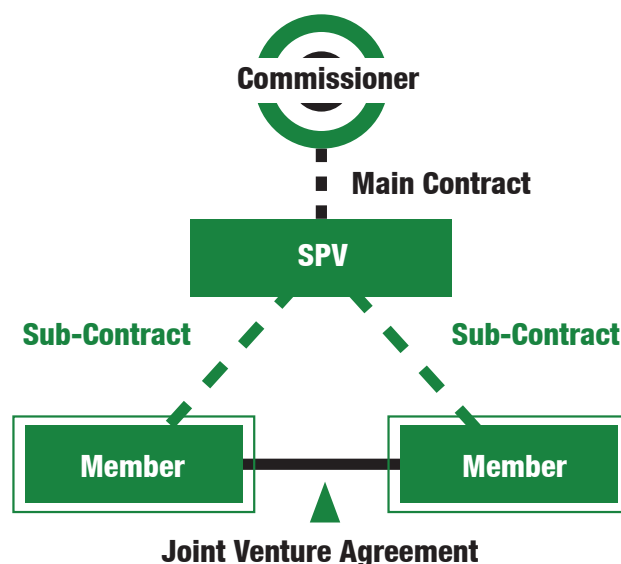
### Lead Body



**Lead body:** one consortium member is the lead contractor, delivers some services itself and sub-contracts others to other members. The lead body can also provide shared services to other members under a service level agreement.

Usually there is a “Joint Venture Agreement” between members covering: how decisions are made; how members join and leave; members’ rights and responsibilities etc.

### Special Purpose Vehicle



**Special purpose vehicle:** a new company (SPV) with consortium members as shareholders/members. The SPV takes the place of the lead body but otherwise the arrangements are very similar.

An example is Surrey Youth Consortium, a joint venture between 12 youth sector charities and social enterprises (<http://www.surreyyc.org.uk/>).

There is no right or wrong option. The lead body option tends to be quicker to set up, has lower overheads but has unequal risk/liability sharing (the lead body takes on more). The SPV option takes more time (e.g. to establish its own policies before it can pre-qualify for tendering) and there can be difficulties demonstrating its track record. However it shares risks/liabilities equally and can even provide liability protection for the members. VAT issues need careful thought in both, especially where grants are involved.

## Top Ten Tips

1. Trust, openness and honesty between members are essential (involve your board early on).
2. Choose members carefully: look for shared values, not just skills or geographical reach. Make sure each member is financially sound through credit checks etc
3. Be clear on the purpose(s)/objective(s) of the consortium: what do you expect to gain?
4. Be realistic about the risks and costs involved.
5. Take time to choose the type of consortium, to get the details right and to allow trust and strong relationships to develop.
6. Use expert help appropriately, e.g. legal advice, and consider an independent “broker” (such as an Independent Chair of the consortium board/management committee).
7. Clearly document what is agreed between members including delivery roles and responsibilities: who will do what, where and when?
8. Manage risks proactively. For example, to manage reputational risk requires openness between members, controls on who can join the consortium and robust performance monitoring.
9. Do not neglect your own organisation in favour of working on the consortium.
10. Make sure good monitoring and evaluation is in place at the outset.

## Need More Help?

**Working in Consortium:** A guide for third sector organisations involved in public service delivery, Cabinet Office, December 2008:

<http://webarchive.nationalarchives.gov.uk/20081230001423/http://www.cabinetoffice.gov.uk/media/107235/consortium%20guide%20final.pdf>

**Guidance, courses and toolkits for tendering as a consortium are available from, Tendering for Care:**  
<http://www.tenderingforcare.com/>

**The Social Investment Business (3SC):**  
<http://www.thesocialinvestmentbusiness.org/our-services/commissioning-and-procurement-services/delivery-models/>

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