Understanding construction consortia: theory, practice and opinions


Abstract
Firms form consortia in order to win contracts. Once a project has been awarded to a consortium each member then concentrates on his or her own contract with the client. Therefore, consortia are marketing devices, which present the impression of teamworking, but the production process is just as fragmented as under conventional procurement methods. In this way, the consortium forms a barrier between the client and the actual construction production process. Firms form consortia, not as a simple development of normal ways of working, but because the circumstances for specific projects make it a necessary vehicle. These circumstances include projects that are too large or too complex to undertake alone or projects that require on-going services which cannot be provided by the individual firms in-house. It is not a preferred way of working, because participants carry extra risk in the form of liability for the actions of their partners in the consortium. The behaviour of members of consortia is determined by their relative power, based on several factors, including financial commitment and ease of replacement. The level of supply chain visibility to the public sector client and to the industry is reduced by the existence of a consortium because the consortium forms an additional obstacle between the client and the firms undertaking the actual construction work. Supply chain visibility matters to the client who otherwise loses control over the process of construction or service provision, while remaining accountable for cost overruns. To overcome this separation there is a convincing argument in favour of adopting the approach put forward in the Project Partnering Contract 2000 (PPC2000) Agreement. Members of consortia do not necessarily go on to work in the same consortia again because members need to respond flexibly to opportunities as and when they arise. Decision-making processes within consortia tend to be on an ad hoc basis. Construction risk is taken by the contractor and the construction supply chain but the reputational risk is carried by all the firms associated with a consortium. There is a wide variation in the manner that consortia are formed, determined by the individual circumstances of each project; its requirements, size and complexity, and the attitude of individual project leaders. However, there are a number of close working relationships based on generic models of consortia-like arrangements for the purpose of building production, such as the Housing Corporation Guidance Notes and the PPC2000.

Keywords: consortia; procurement; contracting