

The difference between Consortiums and Joint Ventures

By Werner van Rooyen, Director of HowToTender (Pty) Ltd which specializes in tender consulting and tender training.

It is common business practice to form a Joint Venture when one responds to a tender, especially if you do not have all the expertise required by the specific tender. But Joint Ventures can be complicated to form and to find the correct partner for the Joint Venture can be challenging. There is an alternative option. You could go into a consortium when responding to a tender.

A consortium is an association of two or more individuals, companies, or organisations with the objective of participating in a common activity, such as responding to a tender, or pooling their resources to achieve a common goal. Within the consortium, each participant retains their separate legal status and the consortium's control over each participant is limited to activities involving the joint endeavour, particularly the division of profits. A consortium is formed by contract.

A Joint Venture can be described as a business enterprise where two or more participants come together to share their expertise in order to win a specific contract for a set period of time. A Joint Venture is a separate entity and is not part of the individual participant's own enterprise. Therefore a Joint Venture must have its own set of rules by which it is managed, and this is called a Joint Venture Agreement.

The key reasons to form a joint venture or consortium may be that it will provide your company with new opportunities to respond to a tender or request for proposal and secure tenders which would not otherwise be available to you due to your company's size and scale.

Before entering into either a joint venture or consortium agreement, all parties need to understand what they want from the relationship. Both joint ventures and consortiums have risks and benefits: the most important thing is to take account of what your objective is in entering the relationship and then to weigh up which one is more appropriate to help you win a tender.

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Contact us at estelle@howtotender.co.za should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.