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# Private Sector Consortia Working for a Public Sector Client – Factors that Build Successful Relationships: Lessons from the UK

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**In its procurement of goods and services the UK public sector increasingly requires private sector organisations to form supplier consortia, especially for large scale projects. This paper explores factors that build successful relationships, both within the private sector consortium and between the consortium and the public sector client. Based on a qualitative study of practitioners' experiences, we identify the reconciliation of objectives, continuity of staff engagement, team building, and trust, to be the main determinants of productive cooperation. Our results suggest various recommendations for relationship building, and distinguish trust as an essential facilitator.**
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## Introduction

In their 1997 election manifesto, the new Labour government in the UK stated the intention to strengthen its partnership with the private sector to better serve the British public. In the years since, the involvement of the private sector in the delivery of public services has become stronger than ever, which reflects a similar trend in many other European countries. Today, the public sector accounts for 40% of the UK's Gross Domestic Product and central government alone spends about £460 billion per year on goods and services. The public sector as a whole is the biggest purchaser of goods and services in the country, spending over £100 billion in 2003–04 for example on utilities, professional services, temporary labour, construction, social housing, social care, and environmental services (Gershon, 2004).

For purchasing that involves long term requirements, business change, new methods of service delivery, or outsourcing, the UK government's preferred strategy today is a partnering approach that aims to transcend the traditional supplier-client dynamics (Office of Government Commerce, 2003). Partnering, as opposed to customary 'arm's length' procurement, focuses on people and relationship aspects. This often requires not only a close cooperation between the private and public sector, but in many cases also the collaboration of several private sector

organisations that are linked in a supplier consortium. As will be explained further below, there is often a formal or informal requirement for suppliers to join forces. While the government can define its objectives in such arrangements (Strategic Partnering Taskforce, 2004), for many private sector companies this is a novel situation. Not only will a range of different stakeholders have to be accommodated, but productive cooperation with potentially many different partners is imperative. Hence, consortium partners face a unique set of challenges that necessitate systematic examination. Barringer and Harrison (2000) acknowledge this by pointing out that the contextual influences and the effectiveness of consortium arrangements have not been subject to much applied research. In the present study we therefore attempt to shed light on this type of partnering between the private and public sector by means of an empirical investigation with involved practitioners.

In order to fully understand the specific scenario of private sector organisations teaming up to serve a public sector client, it is essential to first of all explore the wider context of collaborations between organisations. In the following, the dynamics involved in such arrangements will be introduced.

## Inter-Organisational Collaboration

The term 'collaboration' stands for a form of working in association with others for some mutual benefit (Ritter and Gemünden, 2003; Spekman, Forbers III, Isabella, & McAvoy, 1998). Organisations that collaborate do so because of some underlying rationale or motivation; they face certain difficulties in the process, but ultimately intend to achieve collaborative advantage. Explanations about motivation, difficulties and advantages of collaborating may differ depending on the theoretical lens that is employed, for example transactions cost economics, stakeholder theory of the firm, or organisational learning (Barringer and Harrison, 2000). However, a set of generic factors can be identified.

### Why Collaborate

While financial motivation is, in principle, the main fundament for commercial organisations to engage in any kind of collaboration, Huxham (1996a) argues that there are two superordinate objectives that make collaborating worthwhile. The first objective is self-interest, and pertains to situations when teaming up with others is the only means to reach a desirable end. This need not necessarily happen at the expense of others, and need not generate any quantifiable profit at all. Self-interest might in some cases be more about legitimacy than about the practicality of the given collaborative task. For purposes of political lobbying, public relations management, or brand building, for example, visible association with a desired partner can be more important than actual operational efficiency gains. Even more important than self-interest might be a moral reason to engage in collaborations. It can be argued that some issues facing society - poverty, crime, conflict etc. - cannot be tackled by any single organisation and are inherently multi-organisational. Collaboration would in this perspective become a moral imperative.

In the commercial sector, partnerships are usually tied to a rationale of self-interest. Depending on their long term objectives, short term prospects, and the particular competitive environment, business organisations might choose to engage in strategic or *ad hoc* alliances. Such collaborations may be formed with competitors in the same industry or with organisations in other commercial sectors. In market economies, the general motive for collaborating with other organisations is to improve organisational effectiveness and efficiency (Merrill-Sands and Sheridan, 1996).

The effectiveness motive is realized when potential partners provide complementary areas of expertise, skills, technology, or resources (Dyer, Kale, & Singh, 2004; Kanter, 1994). For example, having to solve common technical problems is a frequent incentive for bringing together research and development activities across companies in a particular industry (Browning, Beyer, & Shetler, 1995; Corey, 1997). It is clear, however, that a complete absence of a particularly critical competency can seldom be alleviated simply by forming a consortium. From an effectiveness perspective, collaborations should thus be sought if there is a clear expected effect for each organisation to achieve a priority aim together, and when any single organisation is not capable of addressing the problem on its own (Huxham, 1996a). Complementarity is a key to success in this respect, and Kanter (1994) concludes that the most successful alliances involve collaboration in the sense of creating value together, rather than mere exchange. In such cases, beyond the pooling of individual capabilities there is an emergent component, which makes an alliance more than the sum of its parts (Doz and Hamel, 1998). In contrast, partnerships that combine similar resources in the production of a single product or service, a model that is common in the voluntary sector, tend to be the weakest and least sustainable types of collaborations. Based on research in the semiconductor industry, Ouchi and Bolton (1988) argue that partnerships are useful when the collaborating parties have a high level of interdependence and dense communication, but their respective areas of specialization are different enough to not make it advantageous to incorporate them within a single organisation.

Efficiency considerations are a second set of factors that lead an organisation to team up with others. Potential advantages can be realized through economies of scale, risk sharing or risk transfer, reduction in duplication of effort, product or service

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