



So, you've decided to join a blockchain consortium

Defining the benefits of 'coopetition'

Businesses often cultivate new ecosystems to develop unique products and services, and in solving shared pain points. As such, they often discover that they need to act in concert with other like-minded organizations by joining a blockchain-enabled consortium.

In fact, this new form of "coopetition" between independent and often competitive business organizations is becoming increasingly important to the growth and development of current and future blockchain initiatives across the globe. Accordingly, businesses considering leveraging blockchain in their organizations should seriously consider joining an existing consortium, or starting a new one designed to meet their specific needs.

Considering consortia

Data and information are the foundation upon which businesses make key decisions about everything from product development to manufacturing and marketing, and on which they create their own unique marketplace identities.

Why then, should any business work directly with its competitors on something as important and, potentially, game-changing as blockchain? The answer can be found in the nature of the technology itself. As a distributed ledger system, blockchain offers utility from network effects (i.e., the greater number of users, the more value it provides to each of them), and a consortium allows individual companies to better leverage these network effects for their own specific needs by providing them the ability to streamline business processes of common concern to all consortium members.

Ninety-two percent of executive respondents to Deloitte's 2019 Global Blockchain Survey say they already belong to a consortium, or plan to join one within a year, citing cost savings and knowledge acceleration as the primary reasons.¹

Defining the benefits of 'coopetition'

Among its many potential benefits, a consortium can help facilitate the synchronization of sensitive customer and transactional information without breaching data privacy laws. This is accomplished by masking the unique identifiers of the data subjects while allowing detection of critical information, such as duplicated financing or fraudulent insurance claims.

And, because consortium members have access to not only their own data, but also to the shared data contributed by other members of the ecosystem, a well-defined consortium can enable building and training very powerful artificial intelligence (AI) engines, and provide highly insightful analytics on key metrics related to risk and fraud. This can help to reduce intermediary costs, increase processing efficiencies, eliminate costly reconciliation processes, and enhance transparency across the supply chain.

Executive respondents to [Deloitte's 2019 Global Blockchain Survey](#)¹ support this, saying they already belong to or lead a consortium or plan to join or lead one within a year.

Getting started: Strategic planning and visioning

Types of consortia

Not all consortia are created equal, nor are they designed to achieve the same goals for their members. In fact, there are a variety of consortia types and models that provide differing levels of access and serve specific needs. Determining the type of consortium you want to join is based, in part, on what your business does and on what you hope to achieve. For the purposes of our discussion, and based on Deloitte's 2019 Global Blockchain Survey, we focus on three consortium models:

- **Business-focused consortia** aim to build and operate blockchain-based business platforms to solve specific business problems, such as the Digital Trade Chain,

which was created by seven European-based banks to support "a blockchain-based platform design to facilitate cross-border trade for small and medium-sized businesses."²

- **Technology-focused consortia** seek to develop reusable blockchain platforms based on agreed-upon technical standards, and are often used by a variety of businesses in areas such as finance, technology, and manufacturing.
- **Government-driven consortia** aim to enable collaboration of an industry or multiple industries to help solve or address common regulatory challenges and facilitate the implementation of new, innovative solutions.

Strategic issues to consider

Because effective consortia rely on the participation of multiple members, it is of utmost importance to identify the critical participants and intermediaries involved in the use case (which may be cross-industry), understand their incentives and trust loops involved in their interactions, and have enough influence to help drive the development of a cohesive platform for future development.

Further, the founding members should approach the development of this new consortium with clear objectives and a shared vision of how the consortium can be developed to promote their strategic objectives and those of their fellow members. Each member's individual success is, at the core, based on the group's success. As such, every participant must commit to building a shared platform that provides a strong business case for each member in the short term, while also outlining a memorandum of understanding about the value drivers to pursue in the long term.

Why coopetition?

Based on concepts derived from the study of game theory, coopetition is, essentially, a strategic alliance between competing organizations designed to grow the overall marketplace in which they compete. Put another way, coopetition between organizations with [differentiated views on competition](#)³ creates a market that provides opportunity and profit potential for everyone, rather than a winner-takes-all model that rewards only the game's top player.

Coopetition provides companies investigating new blockchain initiatives and consortia with the opportunity to more quickly and cost effectively establish unique positions within a still-evolving marketplace by leveraging their complementary strengths. For new businesses, coopetition enables the faster development of new technologies and solutions that can help them to take on larger, more established competitors while, at the same time, disrupting the market in which they are playing.

Defining the benefits of ‘coopetition’

Whether you are starting a new consortium or joining an existing one, the issues you face will likely be similar, though not identical. There are several key questions you should consider before determining which type of consortium (new or existing) is right for you, including:

- What are the consortium’s goals, and do they align with your corporate goals?
- What is the participation structure and governance model?
- What is the funding model?
- Who owns the intellectual property?
- What are the consortium’s business, technology, and regulatory risk factors?

Consortia setup: Key issues

If you’ve decided to create a new consortium of your own, there are several critical points to address, including the types of governance and operating models you plan to employ. While not definitive, the following high-level approach can be useful when considering the key issues regarding early alignment and buy-in from your potential consortium.

Setup

Consortium members should be given a detailed business value/use case outline to address areas of concern and garner buy-in. Participants should be provided with information outlining the minimum number of members required to establish a viable ecosystem to support and drive future success.

Collaboration

Members and potential members should discuss their individual and shared goals for the consortium and establish agreement on key factors related to its purpose, vision, and definition of “success.”

Consortium type

Members should agree on the type of consortium they want to create and align its goals with their individual and overall business requirements.

Governance

Governance for blockchain consortia includes both “off-chain” and “on-chain” considerations that members need to agree and align on. The off-chain considerations focus on the basic rules of engagement that pertain to typical business consortia, with members needing to design and agree upon a governance structure that is acceptable to all participants. In blockchain-enabled consortia, there are additional on-chain considerations for effective governance, including the development of, and agreement upon, consensus mechanisms, tokenization, access and permissions, and node hosting. Consortium members must also agree on how to share data, how much input/control each participant will have, as well as how to address issues relating to the consortium’s overall performance and growth potential, ideally through a regular meeting schedule.

Operating considerations

Members should formalize alignment around individual components of the consortium’s operating model, including, but not limited to:

- Legal entity structures and liability attribution
- IP management
- Funding
- Use case development
- Technical considerations (platform design, etc.)
- Risk management
- Data management, privacy, and ownership
- Dispute resolution
- SLAs indicating resource input/required levels of participation

Consortia management: Fundamental guidelines

Because each consortium is unique, its rules and regulations should be specifically designed to meet the needs and requirements of its participants. That said,

there are fundamental guidelines and strategies that should be considered as foundational leading practices:

The who

While it is up to individual companies to determine who in their organization will be responsible for day-to-day management of the business’s relationship with the consortium, there is a general consensus that overall responsibility for the relationship should, ultimately, reside in the C-suite.

Depending on the business’s—and the consortium’s—goals, management of the relationship will often fall under the auspices of the CTO, CIO, or the CFO. In some cases, management responsibilities may cross multiple functions in the organization, requiring the formation of a management group to handle key decisions and issues.

The what

Joining a consortium to study the potential use cases of new blockchain technologies is very different from joining a consortium to develop, deploy, and monetize current blockchain solutions to drive revenue for the organization. As such, the amount of input your organization may want to exert on the consortium can vary, based on what you are hoping to achieve through your membership.

In more “research-oriented” consortia, business leaders may prefer to take something of a laissez-faire approach to management, weighing in only on issues related to their specific needs or interests. In more commercial consortia, however, organizations may consider taking a more hands-on approach on issues related to funding, membership, leadership, and overall governance.

This more active role may require additional resources and closer, day-to-day involvement between the business and the consortium. However, the result should hopefully allow each member to realize significant rewards as the platform grows and becomes increasingly monetized through greater adoption by new member organizations.

Conclusion

Blockchain is a rapidly evolving tool that is changing how business across industry and sector areas is conducted. New and existing businesses looking to leverage the benefits that blockchain offers are seeking more efficient and cost-effective ways of developing and implementing blockchain solutions.

To that end, an increasing number of businesses are joining one of dozens of existing blockchain consortia around the world or, in some cases, developing new consortia to meet their specific needs and requirements. In either case, however, executives looking to pursue a consortium strategy should understand why it's valuable and, more specifically, which type of consortium is best suited to their specific needs.

There is still a lot of work to be done before and after organizations decide to join a consortium. Like other critical business decisions, several factors should be considered before making any moves. In subsequent articles of our blockchain consortia series, we will more closely examine the finer points of building and executing an effective consortium strategy, and take an in-depth look at specific points around technology and governance.

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Endnotes:

1. Linda Pawczuk, Rob Massey, Jonathan Holdowsky, *Deloitte's 2019 Global Blockchain Survey*, Deloitte Insights, 2019, <https://www2.deloitte.com/insights/us/en/topics/understanding-blockchain-potential/global-blockchain-survey.html>.
2. Peter Grazke, David Schatsky, Eric Piscini, *Banding together for blockchain: Does it make sense for your company to join a consortium?*, Deloitte Insights, 2017, <https://www2.deloitte.com/insights/us/en/focus/signals-for-strategists/emergence-of-blockchain-consortia.html>.
3. Horace Dedlu, *Asymmetric Competition*, ASYMCO, 2012, <http://www.asymco.com/2012/07/31/asymmetric-competition>.

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