



STRATEGIC & EXTERNAL ENVIRONMENT

Joint Ventures and Alliances: The Liability Your Internal Agreement Doesn't Cover

A 50/50 internal split doesn't bind an outside claimant. Who signs, and how the deal is structured, decides who can be pursued

Two associations agreeing to run a joint program, share a conference, or pursue a shared initiative together sit somewhere on a spectrum of formality, from a light strategic alliance to a joint venture, and the specific point chosen on that spectrum carries real, different liability consequences most boards never examine closely before agreeing to collaborate.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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The Liability Risk Most Boards Do Not See Coming

In an unincorporated joint venture or alliance, no new legal entity is created, the collaborating organisations remain separate businesses operating under a shared agreement. In a properly structured unincorporated joint venture, liability is generally several, meaning each organisation is responsible for its own obligations and agreed share. What an outside party, a member, a supplier, an injured attendee, can do depends on the facts: who signed the contract, whether one organisation acted as the other's agent, whether the arrangement is in law a partnership, and, for injuries, who owed a duty of care. If both organisations signed a contract or both were at fault, a claimant may be able to recover the full amount from either. An internal agreement that each organisation covers fifty percent of any liability does not bind that claimant. It does give you a right to recover your partner's share, which is only as good as your partner's capacity to pay, so back it with clear indemnities and confirm both organisations' insurance covers the joint activity.

The Structural Spectrum Worth Understanding Before Committing

A strategic alliance sits at the lighter end of this spectrum: each organisation remains fully independent, coordinating in a defined area without co-owning a project, typically governed by a simple steering group rather than formal reserved-matter voting. An unincorporated joint venture sits further along, co-owning a shared project or initiative through a detailed written agreement, but still without the liability ring-fencing a separate legal entity provides. Its agreement should state expressly that the arrangement is not a partnership and that neither party is the other's agent, and the parties should avoid conduct, such as a shared bank account or joint trading name, that suggests otherwise, because an arrangement treated as a partnership under the state or territory Partnership Act can make each party liable for its debts. An incorporated joint venture, forming a new company, often a company limited by guarantee with both

associations as its members, offers the clearest liability separation, since the new company itself becomes the contracting party, though director duties and any personal guarantees can still create exposure for the individuals involved. Charities should check that funding the new entity is consistent with their own charitable purpose.

The Partner Versus Subcontractor Blur

A common source of confusion is treating an arrangement as a collaborative partnership when it actually functions more like one organisation subcontracting work to the other, or the reverse. The legal risk profile differs meaningfully depending on which relationship exists, and boards should confirm which one their arrangement actually reflects rather than assuming the label attached to the relationship matches its real legal substance.

- Confirm where a proposed collaboration sits on the spectrum from strategic alliance to incorporated joint venture, understanding that each point carries meaningfully different liability consequences.
- Understand that an internal liability-sharing agreement does not bind an outside claimant, who may be able to pursue either organisation for the full amount if both signed or both were at fault, and back the internal split with indemnities and insurance.
- Consider an incorporated joint venture structure specifically for higher-risk, longer-term, or financially significant collaborations, given the liability ring-fencing a separate legal entity provides.
- Clarify whether a given arrangement functions as a partnership or as one organisation subcontracting to the other, since the legal consequences differ regardless of which label is informally used.
- Before approving, ask to see the draft agreement, who will sign third-party contracts, insurance confirmation from both parties, the indemnities and the exit terms.
- Seek legal advice before entering any joint venture or alliance involving real financial commitment, shared staff, or third-party risk, rather than relying on an informal handshake arrangement between two well-intentioned organisations.

Collaboration between associations can extend reach, share cost, and combine capability in ways neither organisation could achieve alone. The specific structure chosen to formalise that collaboration determines whether a problem, when one eventually arises, stays contained to the parties who agreed to it or lands unpredictably on whichever organisation an outside claimant decides to pursue. This is one of the practical governance topics built into our Association CEO course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Joint Ventures and Alliances: The Liability Your Internal Agreement Doesn't Cover

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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